

EASE OF DOING BUSINESS - CURRENT POSITION OF INDIAN STATES

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ABSTRACT

Ease of doing business ranking of states of India is that the annual easy doing indicator of states and union territories of India supported the completion share various action things points of annual Business Reforms Action Plan (BRAP) under the make in India initiative. There has been a paradigm shift within the approach towards governance because the government has undraped multitude of reforms aimed towards up the business climate in India. In the recent ease of Doing business ranking released by the world bank India is at 100th spot that indicates that all the efforts created to create India a manufacturing hub is bearing fruits still there are few challenges which has to be dealt so as to assist India to continue its glorious run. the current paper tries to analyse the rankings of ease of doing business of Indian states and explain the suggestive measures. It also tries to thrive on the key issues which dampens the trust of investors, various suggestive measures are offered that when enforced are going to be helpful in reconstruction the confidence of investors to invest in India and make it a preferred business destination.

Keywords: Ease of Doing Business, Make in India, Manufacturing hub

Introduction

States play a important role in the overall development of the Indian Economy. State governments facilitate by dismantling barriers in production process like land, labour, capital and entrepreneurship and contribute in an exceedingly huge manner towards infrastructure building and industry. The recent breakthrough within the implementation of GST is commendable which will scale back the barriers between states and will create the country a typical market.

A wider assets and higher compliance can boost overall economic process of the country. At the socio economic front the states have taken effective measures towards the implementation of reforms in care, education and basic physical and social infrastructure. The states are currently on their thanks to fast industrialisation through coordinated development of tiny, Medium and huge scale enterprises. although preponderantly some states are rural in nature, however the commercial sector within the states has conjointly emerged as a big contributor in

their economic and social development. The states provide favourable atmosphere for attracting industrial investments through capitalist friendly policies and higher infrastructural support.

The states have developed sensible infrastructure for promoting the thriving sectors like business enterprise and IT trade with varied profitable public-private partnerships (PPP). The states are that specialize in strengthening their infrastructure base and creating the business atmosphere a lot of contributes to industrial developments. many countries are best-known for his or her efforts within the space of talent development and sensible governance.

Hereafter, many countries have shifted their focus towards disaster management techniques and therefore the others have already developed railways, roadways, port and flying field infrastructure.

Going ahead, the role of states is predicted to be more crucial in sustaining the development of the country in coming back times. many challenges to their growth, like easing the provision facet constraints within the economy, upskilling the work force and increasing producing aggressiveness are still the main areas of concern. The state policies ought to be that specialize in diversifying the beneficiaries of the socio-economic development programmes to confirm Associate in Nursing all comprehensive growth within the country.

The states should conjointly concentrate on the comparative benefits of their individual strengths and specializations and may conjointly adopt best practices of every other's strengths. just like the state of Rajasthan has taken effective measures towards the implementation of labour reforms. geographical region is currently well on its thanks to fast industrialisation through coordinated development of tiny, Medium and huge scale industries.

In a shell, the reforms undertaken by the state governments ar expected to bring out sturdy outcomes which might pave the manner for sturdy and property economic process of the country within the coming back times. With the continual increase in per capita financial gain of the states, there exist an incredible potential for enlargement of shopper markets, and increased employment opportunities with increasing production risk frontiers of companies.

Literature Review

Economic growth has been believed to depend upon a range of things prevailing within the macro-economic setting of the country. Barro (1996) conducted a cross-country study on economic growth, and vital factors like schooling, life expectancy, Government policies, legal factors, inflation, foreign policy, etc., were highlighted.

In recent empirical studies, other factors resulting in money development, viz., foreign currency inflows, foreign aids, convenience of bank credit, correct social control of tax and other regulatory procedures, etc., have also been studied. within the recent times, particularly following the planet Bank's ranking since 2004, such factors have gained accumulated importance for the expansion of any country. they have been incorporated as a district of the "Ease of Doing Business" index. when inbound at the 'Doing Business' rankings, the world Bank ranks 10 parameters that impact businesses across various stages of their lifecycle – at start-up, getting a location, getting finance, and daily operations. the ten parameters included in World Bank's index of ease of doing business comprise of:

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

Investment during a country is primarily generated from the domestic savings of households, especially in a closed economy. In an open economy however, the domestic savings and investments might not match. If there's a deficit in investment, funds might flow in from alternative countries. The condition here is that the opposite countries should realize the domestic country a secure and engaging destination. Asian nation has witnessed good growth. However, to sustain its growth path, India needs to move further up the list of most well-liked international investment destinations.

The Government reforms play a key role here, as they help place the country on associate equal footing amongst countries having a favourable, flexible, liberalized and more transparent business environment.

On the date of access, this index places Asian nation in 130th position among regarding 189 countries, lower than the other BRICS (Brazil, Russia, India, China, South Africa) countries, and many other smaller countries. Singapore ranks first on an equivalent index. Upon further scrutiny, it will clearly be ascertained that Asian nation ranks low on all parameters, except rank eight on “protecting minority investors”. On important parameters like “enforcing contracts” and “dealing with construction permits”, Asian nation ranks among the lowest altogether the countries. This portrays India as a rustic where doing business isn't easy – therefore India needs to move up the list by implementing crucial reforms.

DIPP (Department of business Policy and Promotion) reports reveal that by 2020, India's population can hit one.35 billion individuals. Out of this population, 906 million people can belong to the working age. To sustain India's growth, employment needs to be created. These jobs will only be generated by the manufacturing and repair sectors in Asian nation. Thus, these sectors should be allowed to grow and be property. For this reason, the sector must strengthen desperately with applying the required business reforms. Therefore, the restrictive framework in Asian nation must be improved, so as to come up with employment and capital formation. the govt of India has already made several efforts to improve India's Doing Business rank to 50 (from current rank of 130) by 2017.

It should be noted here that reforms are often applied simultaneously at numerous levels, viz. State, Central etc. Efforts at the Centre must be synchronic with efforts at the State levels. the key areas that comprise these reforms and wish attention embrace (as per World Bank): easy starting a business; registering property; obtaining credit; protective investors; paying taxes; trading across borders; and implementing contracts. Asian nation ranks rather low on these parameters.

Past literature on this subject has extensively used the Doing Business Rankings and corresponding parts mentioned on top of in analysis. Djankov, McLiesh and Ramalho (2006) targeted on mixture impacts exploitation cross-sectional analysis with mounted country effects, and revealed that the countries with a better Doing Business Ranking in 2004 significantly

influence growth. Busse and Groizard (2008) in their study found that the countries with lower levels of strict regulation square measure more probably to stimulate growth. Eifert (2009) studied individual parts of the Doing Business Rankings to reveal that the time taken to enforce contracts stimulates growth. easy doing business is additionally shown to rely on foreign direct investment (FDI) which successively promotes economic growth (Alfaro, 2003; Basu & Guariglia, 2007).

Alfaro (2003) remarks “FDI are often a source of valuable technology ... which can help jump begin an economy”, whereas Wacziarg (2001) suggests FDI perpetuates trade edges that then promotes economic process. Researchers have also used GDP, GDP growth, GDP per capita, etc., as determinants of economic process (Blonigen, 2011; Alfaro, Chanda, Kalemli-Ozcan & Sayek, 2009; Di Giovanni, 2005) that successively impact the benefit of doing business. for example, high GDP growth suggest large economies of scale (Dhakal, Rahman & Upadhyaya 2007) whereas high GDP per capita might indicate giant market size (Walsh & Yu, 2010) – each of that square measure contributory to engaging business opportunities. Also, factors like labour flexibility; infrastructure quality; money depth; judicial autonomy; legal system competence; reduced corruption; political stability; government efficacy; and regulatory practices, exert their influence on doing business ratings (Kostevc, Redek & Susjan, 2007; Masron & Abdhulla, 2010).

Table 1 below presents a summary of the rank and scores of various states of India, based on a report in DIPP (2018).

TOP ACHIEVERS (ABOVE 95%)		
RANK	STATE	SCORE(%)
1	<u>ANDHRA PRADESH</u>	98.30
2	<u>TELANGANA</u>	98.28
3	<u>HARYANA</u>	98.06
4	<u>JHARKHAND</u>	98.05
5	<u>GUJARAT</u>	97.99
6	<u>CHHATTISGARH</u>	97.31
7	<u>MADHYA PRADESH</u>	97.30
8	<u>KARNATAKA</u>	96.42
9	<u>RAJASTHAN</u>	95.70
ACHIEVERS (90 - 95%)		

RANK	STATE	SCORE(%)
10	<u>WEST BENGAL</u>	94.59
11	<u>UTTARAKHAND</u>	94.24
12	<u>UTTAR PRADESH</u>	92.89
13	<u>MAHARASHTRA</u>	92.88
14	<u>ODISHA</u>	92.08
15	<u>TAMIL NADU</u>	90.68
FAST MOVERS (80 - 90%)		
RANK	STATE	SCORE(%)
16	<u>HIMACHAL PRADESH</u>	87.90
17	<u>ASSAM</u>	84.75
18	<u>BIHAR</u>	81.91
ASPIRERS (BELOW 80%)		
RANK	STATE	SCORE(%)
19	<u>GOA</u>	57.34
20	<u>PUNJAB</u>	54.36
21	<u>KERALA</u>	44.82
22	<u>JAMMU & KASHMIR</u>	32.76
23	<u>DELHI</u>	31.69
24	<u>DAMAN & DIU</u>	28.69
25	<u>TRIPURA</u>	22.45
26	<u>DADRA & NAGAR HAVELI</u>	21.88
27	<u>PUDUCHERRY</u>	15.65
28	<u>NAGALAND</u>	14.16
29	<u>CHANDIGARH</u>	11.54

30	<u>MIZORAM</u>	3.66
31	<u>ANDAMAN & NICOBAR ISLANDS</u>	1.25
32	<u>MANIPUR</u>	0.27
33	<u>SIKKIM</u>	0.14
34	<u>ARUNACHAL PRADESH</u>	0.00
34	<u>LAKSHADWEEP</u>	0.00
34	<u>MEGHALAYA</u>	0.00

DIPP And World Bank's Ease Of Doing Business Ranking Framework

This year, the DIPP carried out a comprehensive business-to-government (B2G) feedback exercise, whereby feedback was taken from businesses on the quality of implementation of the reforms claimed by the states and Union territories (UTs).

The feedback survey was based on a representative sample of users of reform services while the "reform evidence score" was allotted on the basis of 372 recommendations for reforms on regulatory processes, policies, practices, and procedures spread across 12 areas.

The reform areas taken into consideration for feedback and reform evidence score were:

- Registering property
- Inspection enablers
- Single-window system
- Land availability and allotment
- Construction permit enablers
- Environment registration enablers
- Obtaining utility permits
- Paying taxes
- Access to information and transparency enablers
- Sector specific
- Labour regulation enablers
- Contract enforcement

Objective

- To identify the significant factors of Ease of Doing Business.
- To analyse rankings of States in Ease of Doing Business in India.
- To explain the suggestive measures for Ease of Doing Business for India.
- To assess the future of Ease of Doing Business in India

Research Methodology:

The study is based on secondary data. The required data related to ease of doing business has been collected from various sources i.e. publications from Ministry of Commerce, Govt. of India and DIPP. The Ease of business index data is downloaded from the websites of World Bank.

Data Analysis

The ranking of States on the basis of 'ease of doing business' on a regular basis may be a sensible exercise because it helps to evaluate the best practices in governance. By formally putting down the States on a scale, benchmarking becomes easier and that they will work towards rising their position.

The new dimension added this point is that the feedback from users. the method thence is twofold wherever the primary step involves yielding with a series of reforms in terms of changes in systems, that is less complicated to implement. however additional necessary is however the stakeholders feel concerning a similar. By giving a weighted score, each the problems are self-addressed.

Newer States better placed, quite interestingly while States like Telangana and Jharkhand score 100 for 'reform evidence', the corresponding score on feedback was 83.95 and 81.67, severally. In fact, the State with the highest score in 'feedback' was AP with 86.5. Quite clearly, tick-marking a reform is easier to do as against obtaining it right in terms of implementation. it's not shocking that there are indications created that in future the feedback criteria would be the additional necessary one.

How is one to read into these numbers? Sates that area unit new and comparatively little would be higher placed to get well as those beginning would notice it easier to herald the simplest practices as adaptation would be easier. The larger State economies can have legacy problems and ought to adjust to the book bit by bit.

A simple factor like creating applications for construction or extension of a building as a plant would have a long time system that has got to be disbanded before making a brand new one, which is able to take time as recent records and staffing, among alternative things, ought to be self-addressed. sometimes bidding processes ought to be invoked to decide on vendors which might be long. Therefore, there would be time lags. Typically a lower score here wouldn't be thanks to ideological variations however operational problems.

Some surprises are like Maharashtra, that is perhaps the foremost industrial State and additionally lodging the money hub of city, having a rank of thirteen. state comes even lower

at fifteen. These 2 are thought of to be the additional advanced States beside Gujarat and Karnataka. It will seem that State rankings on 'ease of doing business' aren't a necessary condition for drawing investment.

Investment selections area unit driven by factors such as: accessibility of power, intrinsic strengths like being a mineral base, roads, access to ports, links with supportive industries, accessibility of good and unskilled labour, accessibility of land or rentals, and access to finance. this might air the availability facet.

Also, on the demand facet, linkages need to be robust and thence investment selections aren't taken only supported 'ease of doing business' massive IT hubs in Bengaluru would attract all retail participants no matter the EODB. It'd most likely solely be at the margin once an entrepreneur has got to make a choice from 2 States alternative things being a similar that the ranking might become decisive.

It shows that the EODB rank isn't necessary to attract massive investments. Maharashtra, Odisha, Tamil Nadu, state and West Bengal have ranks in double digits. Yet, they score well in terms of investment intentions. Investors are available in wherever there's chance and would most likely increase their exposures once the surroundings is congenial. However they'd not stop their investment just in case it's powerful to try to business.

Therefore, some States with sensible rank are ready to get the extra 'delta' on this score. A State like province that incorporates a low rank of 18 in EODB did well in terms of investment in 2016 with a rank of ten. once a State is rich in minerals, investment would come back no matter whether or not or not the EODB is congenial. This value of doing business would be higher and get reflected in final costs.

An analogy is supplied with the national-level EODB, wherever India was a most well-liked destination even once the world Bank rank was within the 130s. rising the rank will bring in some extra FDI that was visible once the score improved within the last 2 years. However the chance has got to be there. At a special level, the country's credit rating at with regards to investment grade doesn't deter FPI and FDI as Bharat has been disclosed to be a most well-liked marketplace for investments.

Therefore, not abundant should be browse into the State ranking for EODB as being the be all and finish all for future investment. These area unit valuable signposts on what ought to be finished higher governance systems. These area unit fully essential and there is no argument on this score.

This kind of benchmarking can encourage States to a minimum of adjust to the principles to confirm that they score well on 'reform evidence'. However having these necessities in situ doesn't guarantee investment and governments have to be compelled to work on the opposite prerequisites too, like making infrastructure to multiply these flows.

It is, therefore, one parameter on which to judge State economies and definitely not the overriding one. This is the spirit in which the ranking must be viewed.

Suggestive Measures

It has been determined that all states square measure progressing in varied areas of growth and development. whereas the suggestive measures for every of the participating states have

already been mentioned, it's necessary to say the suggestive measures that should be followed by the states to achieve robust and property development.

First and foremost, land reforms are seen to be the foremost necessary focus areas for all states since land may be a major ingredient within the four factors of production, therefore the availableness of land becomes crucial for industrial enterprise. The state governments can have to play a proactive role in creating land out there for fixing of industries in their various territories. The states will do thus by making a “land bank” for the utilization of the business or by giving long run leasing in states wherever outright purchase isn't potential.

The second necessary focus space is of infrastructure development altogether states, whereby provision of social and physical infrastructures is that the key to boost the commercial setup among the state. The state governments ought to build state of the art infrastructural facilities together with rail, road, ports, and airdrome and may additionally focus on reforms within the power sector by giving high priority to transmission and distribution networks. business sector might even be improved by constructing higher roads, well managed traveler lodges and updated websites having info regarding day to day climate and information regarding the state.

The third most vital focus space is of labour reforms, since labour is additionally a serious ingredient of the four factors of production. Labour reforms square measure required within the states to assist the business to lock and deepen the method of industrial enterprise. The states ought to focus upon specific problems associated with labour laws and may additionally produce an agenda to solve problems annually and so monitor improvements year when year.

The fourth most vital focus space is of agri-agro reforms that, the states have to be compelled to develop agricultural market intelligence and use their natural resources in an economical manner. The state governments ought to concentrate on the agriculture sector so as to increase the productivity level of varied food grains and business crops to diversify from the standard crop pattern to the modern demands and techniques.

Therefore, the states ought to concentrate on the fundamental ingredients of infrastructure building and industrialization together with reforms within the four factors of production viz. land, labour, capital and entrepreneur and may additionally concentrate on talent development of workforce; increased research and development activities with robust university industry linkages and last however not the least good governance.

Conclusions

The role of states has been immense in the growth and development of our country, particularly in the promotion of all inclusive development. although some states are predominantly agricultural in nature, the industrial sector is also rising as a major contributor in their economic and social development.

The states are currently on their way to fast industrialization through coordinated development of little, medium and enormous scale enterprises as they provide favourable atmosphere for attracting industrial investments through user friendly policies and higher infrastructural support. Meanwhile, at the socio-economic front, the states have taken effective measures towards the implementation of reforms in care, education and different socio-economic segments.

In the coming years, the role of states is expected to be increasingly more crucial in sustaining the development of the country. Therefore, the states ought to enhance their existing capacities of specialized areas and at the same time should adopt best practices of other states for the improvement in numerous segments of their various economies. Further, so as to boost the growth of the industrial sector, the states should concentrate on ability development and sensible governance alongside the state-of-the-art infrastructure therefore as improve the competitiveness of businesses.

In nutshell, the time is most opportune to strengthen the state's development ingredients so as to enhance the opportunities for employment and income. With the rise in per capita income of the states, there exist an amazing potential for expansion of consumer markets and enhanced production possibility frontiers of businesses.

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