The Significant Factors Of Ease Of Doing Business In India: A Critical Study

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ABSTRACT:

When India adopted the open market economy about a quarter-century ago, terminology like "economic liberalization," "globalization," and "foreign direct investment (FDI)" became commonplace. Second generation reforms are being widely discussed these days, since a whole new generation has taken the initiative to go forward in the future. Of fact, the spread of COVID 19 has shifted the world's trajectory for the time being, but nations are set to rebound once this period is finished. The new scenario in one of humanity's most perplexing difficulties will undoubtedly transform the way business is done with fresh ideas. The major purpose of this research is to identify the most important characteristics that determine the ease with which businesses can conduct operations in India. This study employed an online questionnaire survey approach with a sample size of 250 participants, and the survey was carried out in Indian metropolises such as Delhi, Chennai, and Mumbai, among other locations. According to the results of this survey, 50 percent of respondents believe that the implementation of the Goods and Services Tax (GST) will improve the ease of doing business in India, and approximately 47 percent believe that labour market regulation plays an important role in the ease of doing business in India. All of these aspects, including labour reforms that include new legislation adaption, tax changes that place a strong emphasis on the development of infrastructure amenities such as transportation, electricity, education and training facilities, and not to mention the health sector, contribute to the improvement of India's ease of conducting business. Economic developments laid the groundwork for growth in the first stage, and it is anticipated that the second stage will expand on that basis. This study will be valuable for scholars who are investigating the ease with which businesses can conduct operations in India.

Keywords: Ease of Doing Business, Foreign Direct Investment (FDI), World Bank, GST.
1. INTRODUCTION
In the next five years, India wants to be a five-trillion-dollar economy. The political authorities and other officials have often emphasized this ambitious aspect. Though COVID 19 has given this ambition a jolt, changing international thinking in this epidemic period reveals hints of potential for India. The "Make in India" initiative can be considered as a forerunner in this direction (Babatunde, et al. 2021) [1] (Aggarwal, et al. 2019) [2]. Today hearing reports that corporations seeking to leave China after COVID 19 will be offered land "twice as large as that of Luxemburg" (Gaur, et al. 2017) [3]. This appears to be feasible, but it would need a lot of hard work, concrete and brave labour, as well as banking sector reforms and significant infrastructural expenditures. However, no one can deny that a massive capital inflow of roughly 1.3 trillion dollars per five years, if not more, will be necessary to support this aspired development engine, which is not available solely from domestic sources (Gaur, et al. 2017) [3] (Tan, et al. 2018) [4]. It is only natural for the country to sort after infusions of foreign wealth. The research theme, "Ease of Doing Business, or EODB," comes into play at this point. 'Ease of doing business' can be defined as the result of simplified laws, rules and regulations, taxation processes, and other factors facilitating smooth business operations with adequate support from developed infrastructure such as transportation, law and order, banking and financial systems, and the presence of a conducive equality population that serves as both consumers and human resources for businesses (Singh, et al. 2018) [5].

1.1 Ease of doing Business:
Developed and defined by the World Bank, the term "business environment" is used to describe the good and negative elements of a country's economic activity that contribute to or hinder the establishment of a healthy economic landscape (Hassan, et al. 2018) [6]. Specifically, it emphasises the measures that must be taken in order to enhance the positive aspects of a product while minimising the negative aspects. The World Bank also publishes annual rankings of various countries based on these factors, recognising their worldwide business environment. Higher rank holders are generally thought to be the preferred choice of worldwide investors for their stakes (Natarajan, et al. 2017) [7].
From the perspective of investors, EODB factor analyses are critical phenomena that indicate the safety and viability of their investment. Another consideration is how the host country might direct these investments to meet its own requirements, which are not always tied to profitability. In Parallel, it should not be forgotten that there are a slew of contestants throughout the world attempting to entice these foreign investors with a variety of domestic reforms. In reality, in today's global economy, every country strives to climb the EODB standards ladder in the eyes of the World Bank (Doshi, 2019) [8]. The major stages of ease of doing business can be illustrated as follows:
"Most of the FDI influx can be explained purely by how easy it is to trade across borders, with other components of conducting business having little or no effect," Adrian and Robert (2012) [4] demonstrated. In other words, they're attempting to give eighth factor all credit while ignoring others, but there's a catch. Policymakers should keep in mind that this isn't a one-size-fits-all approach." It can be seen that the author's duo has chosen to emphasize only one factor over all others. It may be true for export-oriented economies or economies such as Singapore and Mauritius that serve as a transit market for larger economies. However, in priority economies such as India, this issue may be one of several. However, the other half of the board, namely the influx of domestic capital, is ensured by a robust business environment, which is directly linked to ease of doing business. Finally, it will have an impact on FDI inflows (Soundararajan, et al. 2011) [9] (GARG, 2018) [10]. Simeon Djankov (2007) [11] discussed the different new emerging rules for assessing the success of a business and its environment. Several parameters like as investment, employment, product variety, and so on, are also given their degrees of freedom. He also offers a future business environment vision, which can be verified against real-time data in any location or country, such as India. It will provide a theoretical foundation for analysing numerous parameters from the standpoint of ease of doing business. Teodorica (2015) [8] examined the impact of ease of doing business on economic development in a number of Asian economies in 2014. In selected Asian economies such as Singapore, China, and Korea, the study found a favourable association between economic growth and ease of doing business. For the typical country, Dinuk Jayasuriya (2011) [12] observed a positive association between EODB and FDI inflow. When the sample is limited to poor countries, however, the data show that the improvement in ranking has been modest on average. The focus of the study is on non-commercial elements that aren't directly related to the business environment. It is an important piece of writing in the Indian context, where a variety of commercial and non-commercial themes are intertwined.
Studies of business operations, such as those that focus on regulatory issues only should be abandoned in favour of a more comprehensive approach because of the authors’ contentions (Khee Giap Tan, Mulya Amri and Nurina Merdikawati, 2017). Therefore, they believe that macroeconomic issues like market potential and infrastructure development should be linked to microeconomic variables like profitability and cost effectiveness, as well as the role of government in competition control. Thus, characteristics such as the country's Attractiveness to Investors, Business Friendliness, and Competitive Policies (ABC) have a substantial impact on how simple or difficult it is to conduct business in that country. There were 33 Indonesian provinces studied in depth, and they found the sub-economies of these provinces to be very intriguing (Jotwani, 2016) [13]. A study conducted by Dana L. Haggard and K. Stephen Haggard (2018) [14] looked at the effects of other longer-term and less dynamic elements such as culture, legal origin, and religion to determine their influence on the ease of starting a new business in four areas: the number of processes required, the time it takes to complete them, the ease with which financing can be obtained, and the overall cost of starting a firm. They arrive to the conclusion that cultural differences, legal status, and religious views have little bearing on the costs of launching a firm. The (Tan and colleagues, 2018), [15] hopes to add to the body of knowledge by creating an index that measures EDB at the subnational level. As part of the EDB–ABC index, the authors used a comprehensive framework that included metrics for Attractiveness to Investors, Business Friendliness, and Competitive Policies (ABC) to evaluate business conditions in 21 Indian sub-national economies on both a de jure and de facto basis. With 81 indicators, the authors (Mohamed and colleagues, 2020) came up with the EDB–ABC index [16]. Twenty-one Indian sub-national economies have been studied using this methodology to arrive at standardised index values. There are many real challenges that businesses confront on the ground, and the bottom-up strategy takes these into consideration, rather than focusing solely on theoretical issues. For the first time, Morris and colleagues (2011) established a formalised (Morris et al.) [17].

Indian entrepreneurs are swiftly becoming the world's largest producers of entrepreneurs, according to (Natarajan et al. 2017) [7]. India, with its second largest population, is swiftly becoming the world's leading producer of entrepreneurs. Policy, processes, and rules governing the conduct of business result in the formation of new entrepreneurs. Creating a business-friendly atmosphere is essential for a country's development and progress. As part of this analysis, signs of ease of doing business, such as starting a business, obtaining electricity, dealing with construction permits and registering real estate, obtaining credit and safeguarding minority investors are taken into consideration. Other indicators of ease of doing business include paying taxes, trading over international boundaries, enforcing contracts, dealing with bankruptcy, and labour market regulation are also taken into consideration.

2.0 METHODOLOGY
Primary and secondary sources were used to compile the data. The primary data were collected using a questionnaire. As secondary data sources, journal and research publications were considered. This study enlisted the participation of 250 people who worked in the investment business. The sampling has taken place in metropolitan cities in India such as Delhi, Chennai, and Mumbai. Men and women between the ages of 20 and 50 who worked for well-known
Indian manufacturing firms were targeted. Google form questionnaires were sent to the specified sample population. To avoid any danger of bias and deliver credible results, a random sample technique was used to pick the sampling population.

3.0 RESULTS AND DISCUSSIONS

According to this study, 2.5 percent of respondents were under the age of twenty-one, 22.8 percent were between the ages of twenty and thirty, 47.5 percent were between the ages of thirty and forty, 23.3 percent were between the ages of forty and fifty, and 4.0 percent were beyond fifty. According to the survey results, 1.5% had a primary education qualification, 4.5 percent had an intermediate school education qualification, 3.3 percent had an intermediate school education qualification, 59.8 percent had a graduation certificate, and 31.0 percent had some other type of certification.

Table 1: - Heard about the Ease of doing business

<table>
<thead>
<tr>
<th>Heard about the Ease of doing business</th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Yes</td>
<td>345</td>
<td>86.3</td>
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<tr>
<td>No</td>
<td>55</td>
<td>13.8</td>
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<tr>
<td>Total</td>
<td>400</td>
<td>100.0</td>
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Figure 1: - Heard about the Ease of doing business

It was found that 86.3 percent of 400 respondents agreed with what they had heard about the ease of doing business, while 13.8 percent disagreed with what they had heard about the ease of doing business.

Table 2: - Agree that GST bill implementation is Good for Business
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<table>
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<th>Agree with Labour market regulation</th>
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<tr>
<td>Frequency</td>
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<tr>
<td>1) Highly Agree</td>
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<tr>
<td>2) Agree</td>
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<td>3) Neutral</td>
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<td>4) Disagree</td>
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A total of 8.8 percent of respondents were strongly in favour of "labour market regulation," while 47.3 percent were in favour of it, 27.8 percent were neutral, 15.8 percent disagreed, and 1.0 percent were extremely opposed. "Agree that new policies are needed to attract investors" was strongly agreed with by 24.8 percent of the respondents in this poll. In response to the statement "Agree that it is necessary to implement new policies in order to attract investors," 67.3 percent agreed, 6.8 percent remained neutral, 1.0 percent disagreed, and 0.3 percent strongly disagreed. The statement "Agree that it is necessary to implement new policies in order to attract investors" was met with disapproval by 1.0 percent, with 0.3 percent strongly disapproving. A similar investigation was carried out by (Kumar & Kumar, 2020) [18]. This study also employed the questionnaire survey approach; however, the survey criteria were different. They also found that India ranked 77th on the ease of doing business list, with a score of 67.23, indicating that India is still a long way from attracting more foreign direct investment, which is similar to our finding. It is widely believed that the country's international standing in terms of ease of doing business should be improved. The viewpoints offered in the numerous studies all point to this conclusion to varying degrees. This necessitates lawmakers' multifaceted tasks, executive action, a broad mind-set and education among the general public, and trust in the efforts that they undertake. Though a minority of the participants in the study pointed out certain grey areas in such ranking activities, this does not negate the need for improvement. Continuous efforts to improve EODB ranks are unquestionably necessary in the Indian environment, as seen by recent initiatives such as the implementation of GST, the disinvestment of PSUs, labour law reforms, and efforts to reform the bureaucracy, among

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<th>2) Agree</th>
<th>3) Neutral</th>
<th>4) Disagree</th>
<th>5) Highly disagree</th>
</tr>
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<tr>
<td>Total</td>
<td>400</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>1) Highly disagree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.0%</td>
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<tr>
<td>Total</td>
<td>400</td>
<td></td>
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others. A positive attitude fosters optimism for the future (Dana L. Haggard and K. Stephen Haggard, 2018) [14]. As it incorporates different aspects of administration, legal system, HRD policy, and so on, the Ease of Doing Business scale has a favourable link with the investment environment. Eo DB is a self-sustaining system. Increased investment leads to increased economic expansion, which in turn adds to the Eo DB's continuing improvement. Both have a synergistic effect on one another. Aside from these official metrics of ease of doing business, it must be overlooked that the implications of many aspects of beginning and running a firm at the micro level, or sub-economy level, have a considerable effect. Though culture, legal origin, and religion may not have an impact on the cost of starting a new business, it is advisable to investigate their effects on geographical business distribution along the lines of gender and other social biases on a social level.

4.0 CONCLUSION

In 2019, India advanced 14 places on the World Bank's Ease of Doing Business Index, which is part of the 'Doing Business' report, to 63rd place out of 190 nations. We conclude that, this is a good indicator, and India continues to be a popular investment location around the world. In addition, the country continues to press for planned procedural lightening to make doing business easier. To encapsulate, in the case of India, the economy is in a period of transformation. Economic reforms in the second stage are being implemented with prudence. At the very least, the recent COVID 19 threat has reminded us that self-sufficiency is a valuable asset. Even the concept of consumption-based economic progress is prone to alter when human survival is at danger. Massive reforms are the need of the hour in this emergency-like circumstance, when the economy is already in the doldrums. While tax reform is in the works, it has failed to provide the desired results. However, sub-economy level analysis is a much-needed option in the Indian context, given the vast differences in various stages of development among the various regions, social echelons, and cultural values in this country's highly diversified demographic distribution. Finally, we expect that India will soon have a better climate for doing business in a relaxed atmosphere.

REFERENCES


