

Ranking difficulties

Govt must go beyond optics to improve on doing business

The National Democratic Alliance's intention to bootstrap India into the top 50 nations in the World Bank's Doing Business rankings is praiseworthy for a regime that views corporate investment as central to its job-creating agenda. Its constructive response to India's disappointing 2016 ranking of 130 out of 190 countries, an advance of just one rank from 2015, has been to explore practical options to improve the business climate, chiefly by leveraging information technology to streamline systems and processes — such as the IceGate e-commerce platform to facilitate improved trading across borders. As a means of reducing discretionary intervention by the country's famously obstructive bureaucracy, this is an unexceptionable route to choose. For all that, the government will discover that its efforts may be good optics for the global investment community but will have limited impact because more than half the variables that are assessed for this ranking are not entirely within its control. Three of the 10 criteria that the World Bank uses are in the hands of the states and three others involve intervention by the judiciary.

In terms of criteria under the state's purview, the record has been mixed. Under "dealing with construction permits," for instance, India has dropped one rank, but has moved up two in "registering property" and a massive 25 ranks in "getting electricity". These numbers are somewhat misleading since the Doing Business methodology makes its assessments on conditions prevailing in two relatively efficient administrations: Mumbai and Delhi (a more granular survey of smaller cities has limited utility in making global comparisons). Conflated for India's 29 states and seven Union Territories, the picture is likely to be less optimistic, especially in the populous eastern regions. Mr Modi's government has been well aware of this, and India's internal "Doing Business" rankings among states, which it introduced two years ago, marks a good way to encourage local administrations to bring their systems up to a minimum standard. Even so, much depends on the willingness of states to opt for such transformations and, more importantly, institutionalise them so that they survive regime changes.

Those elements of the "Doing Business" rankings that involve the judiciary could be an even bigger challenge in improving India's overall standing significantly. Specifically, the three criteria here are: "Enforcing contracts", "resolving insolvency" and "protecting minority investors". In all three cases, reasonably robust laws exist — including the Insolvency and Bankruptcy Code of 2015, which imposes a time-bound process for insolvency resolution for companies. But, the now infamous backlog of cases clogging the judicial system seems unlikely to be resolved anytime soon, nullifying the impact of even the best-crafted of laws. The stand-off over judge selection at senior levels between the government and the judiciary does not bode well for either the efficiency of the judicial system or the independence of the judiciary. The other element of this uncertainty stems from the successive governments' predilection for dishonouring international investment treaties. These are elements that are not captured in Doing Business rankings but reflect the realities of doing business in India. The government needs to address these issues as much as technology to make a tangible difference in India's global business reputation beyond the World Bank's metrics.