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Annual Ranking on Ease of Doing Business

Why in news?

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Annual ranking of States on 'ease of doing business' has been released by

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Department of Industrial Policy and Promotion and the World Bank .

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What is the annual ranking about?

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- The Annual ranking of States on 'ease of doing business', have been drawn up on the basis of performance across 372 parameters.

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- These cover a gamut of regulatory practices, such as factory inspections, environmental regulations, labour laws, construction permits, land availability and single-window clearances.

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- The highlight of the recent rankings is that it has been prepared after incorporating feedback from industry.

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- Such ongoing assessments will help States focus on addressing chronic issues such as multiplicity of authorities, a clutter of rules and red tape.

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What are the insights from the recent rankings?

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- The recent rankings shows that the economically backward States are keen to catch up with the industrialised western and southern States.
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- While Andhra Pradesh and Telangana have grabbed the first two slots, it is notable that Jharkhand, Chhattisgarh, Madhya Pradesh and Rajasthan are in the first 10, their incremental reforms bettering States such as Maharashtra and Tamil Nadu.
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- If this impetus translates into a certain equalisation of investment across regions, it may mitigate existing regional inequalities.
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- It is notable that, besides the north eastern States, Delhi, Punjab, Goa, Kerala and Jammu and Kashmir have been slotted as reform laggards.
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What are few shortcomings with such rankings?

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- Various rankings mechanisms in India suffer from shortcomings in methodology and perspective.
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- For example, it is not clear whether the top-ranked States have attracted domestic investment or FDI flows.
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- Rankings on ease of doing do not adequately factor in the role of public goods such as health, education, gender equality, law and order and sanitation in creating an appropriate ecosystem for business.
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- The capacity of governments to deliver these public goods varies substantially across States.
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- It is not a coincidence that the south and west, which have fared better in governance, have also attracted more investment than the north and east in the post-reform years.
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How ranking systems can be enhanced?

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- Reform steps must translate into verifiable outcomes for a State to be highly ranked.
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- There should ideally be a demonstrable uptick in registrations under the Shops and Establishments Act, the Factories Act, and so on.
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- For instance, if Jharkhand has spruced up its business climate, that should manifest itself in mining activity, infrastructure use and energy consumption, even if with a lag.
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- Such proxies must be considered by those drawing up the rankings.
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- Rankings also need to take a gamut of institutional and socio-economic concerns into account.
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- Both the State and industry need to adapt expectations to emerging technological challenges for a well-governed business climate.
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Source: Business Line

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