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## EoDB Rankings for Indian States

### Why in news?

The latest ease of doing business rankings for Indian states was released by the Department for Promotion of Industry and Internal Trade (DPIIT).

### What is the objective?

- The objective of DPIIT's reform exercise is to provide a business-friendly environment.
- For this, regulations in a state have to be made simpler.
- Therefore, the DPIIT devised a methodology to rank the states according to the ease of doing business (EoDB) in a state.
- DPIIT provides a set of recommendations to reduce the time and effort spent by businesses on compliance with regulation called the Business Reform Action Plan (BRAP).

### What is the BRAP?

- BRAP 2019 is an 80-point list of reforms recommended to simplify, rationalise and digitise the regulatory framework in a state.
- The reforms are grouped into 12 broad areas like land administration, labour regulation, environment regulation, obtaining permits, etc.

### How are the rankings arrived at?

- States are required to submit proof of implementing each reform on the DPIIT's EoDB portal and submit a list of users of these reforms.
- A sample of these users is surveyed to determine these reforms' efficacy.
- Each question is assigned a weight.
- The final score is a weighted average of all the responses applicable to a state.

### What reforms does DPIIT recommend?

- It recommends all states have a single-window system that provides all

information on permits and licences required for starting a business.

- Permissions required from municipal or village government bodies or police for activities like filming movies should be explicitly mentioned.
- DPIIT recommends that the duration of licences be extended or that they be renewed automatically based on self-certification or third-party verification.
- A state is rewarded if a set of regulations (like labour or environment laws) are not applicable to it.

### **How did the states perform?**

- Andhra Pradesh secured the top spot for the third time since the ranking was first released in 2015.
- UP jumped ten spots to number two and Telangana slipped to three.
- Gujarat, which was first in the first-ever edition, was ranked 11 this year.
- Haryana slipped all the way to 17.

### **Are these scores comparable to those from previous years?**

- For the first time, the BRAP rankings relied entirely on the feedback it received from the businesses for whom these reforms were intended.
- Earlier editions computed scores based on the responses of the relevant state government departments.
- The 2017-18 edition used a combination of state government and user feedback to compute the score.
- So, the 2019 rankings are not comparable with those from last year.

### **Why were these rankings criticised?**

- DPIIT'S methodology does not consider the actual number of reforms implemented by the states.
- States like Haryana and Gujarat have implemented all the reforms recommended by the DPIIT, but were ranked low on the EoDB list.
- DPIIT's methodology awards points on a reform to a state only if there was an adequate response from users of that response.
- Ideally, the number of respondents for every state should be decided based on population or number of business clusters to ensure that the sample is representative of the state.
- It is not clear if DPIIT used representative samples.
- Also, business owners' expectations from the governments can differ.

### **How do these reforms affect investments?**

- An analysis shows that the top-ranking states have not necessarily been associated with higher shares of new investments announced during the

year.

- Except for Andhra Pradesh, the top-ranking states as per these rankings do not have high shares in the total investment during the year.
- This is because businesses respond to other conditions like the availability of skilled labour, infrastructure, finance, etc.
- In addition, these rankings do not consider the cost of doing business.

**Source: The Indian Express**



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