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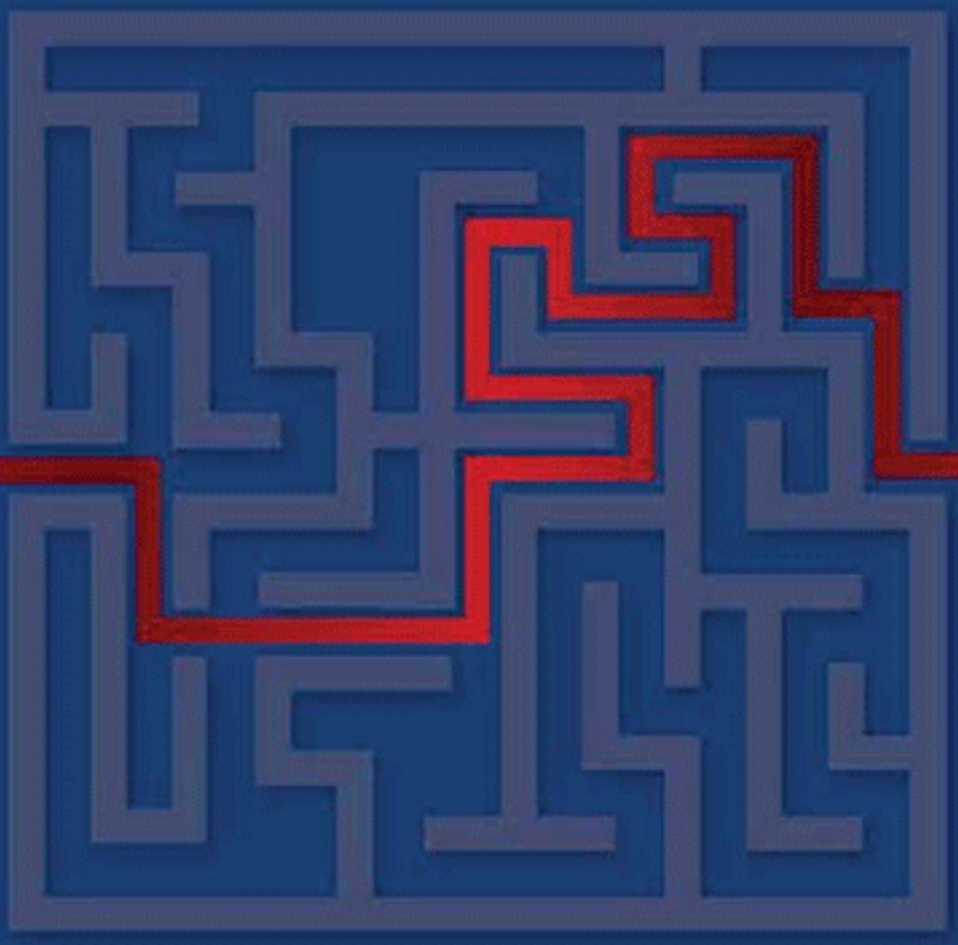
Doing Business

Doing Business 2014

Economy Profile:

India



Comparing Business Regulations for Domestic Firms in 189 Economies

11TH EDITION

A World Bank Group Corporate Flagship

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The World Bank
1818 H Street NW, Washington, DC 20433
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Cover design: The Word Express

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for India. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2013 (except for the paying taxes indicators, which cover the period January–December 2012).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2014* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2014*, are available on the *Doing Business* website at http://www.doingbusiness.org.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details). The employing workers indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

ECONOMY OVERVIEW

Region: South Asia

Income category: Lower middle income

Population: 1,236,686,732

GNI per capita (US$): 1,530

DB2014 rank: 134

DB2013 rank: 131*

Change in rank: -3

DB 2014 DTF: 52.74

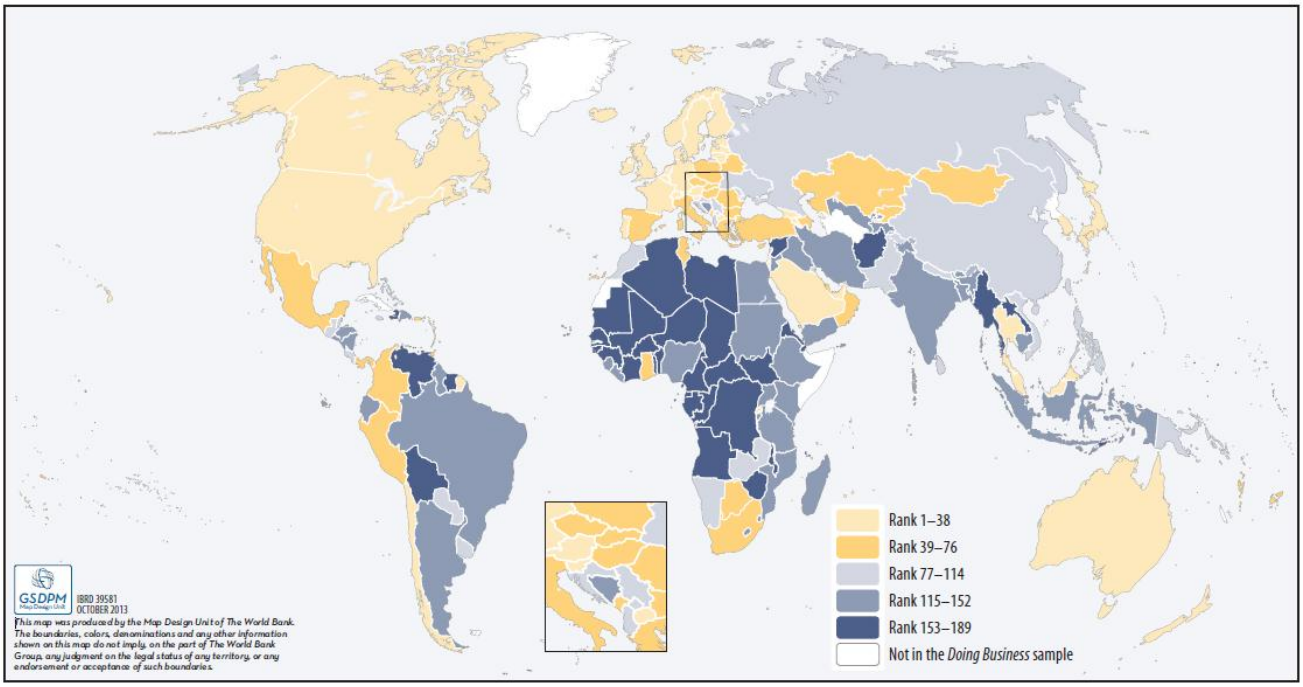
DB 2013 DTF: 52.26

Change in DTF: 0.44

* DB2013 ranking shown is not last year's published ranking but a comparable ranking for DB2013 that captures the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. See the data notes for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business

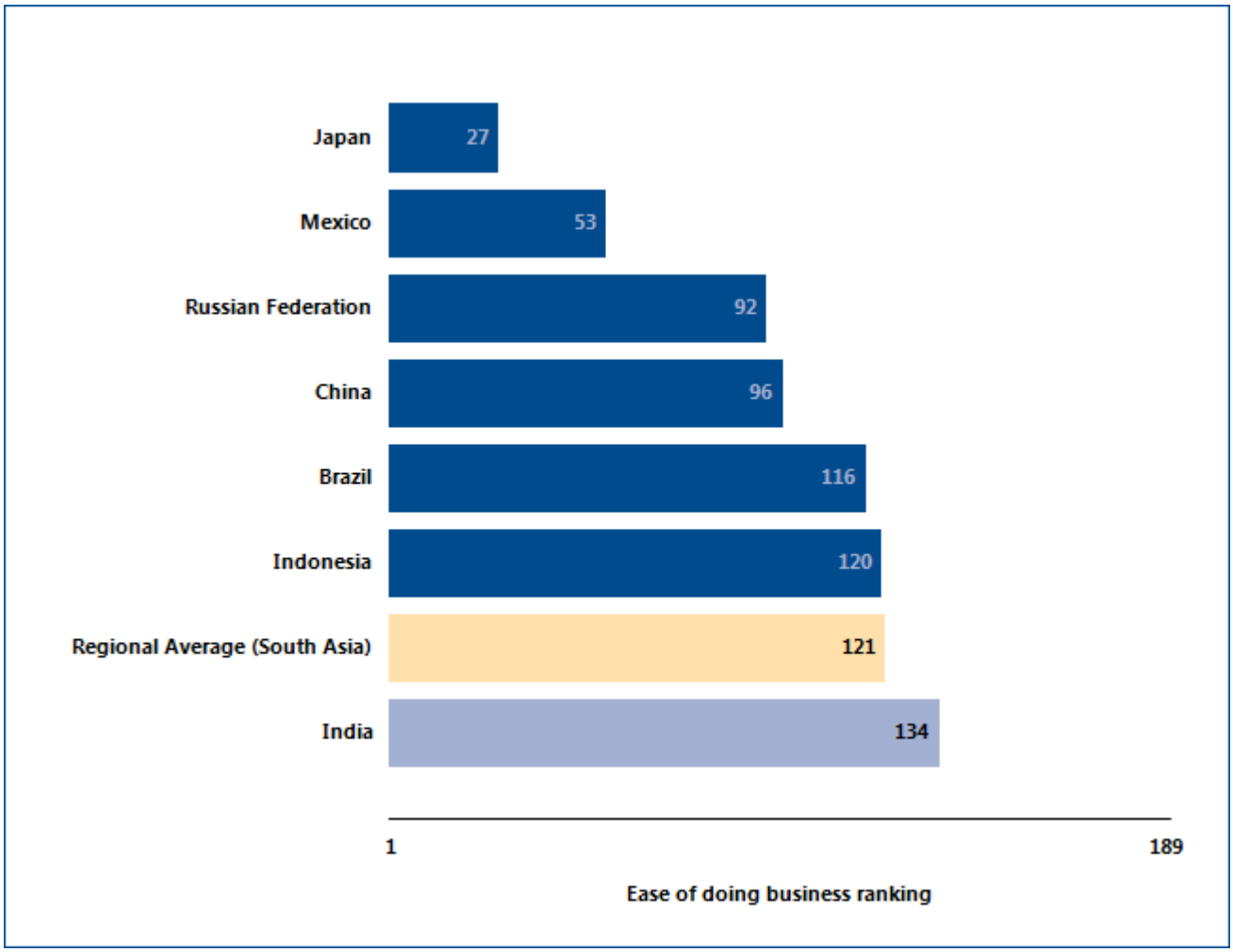


Source: Doing Business database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

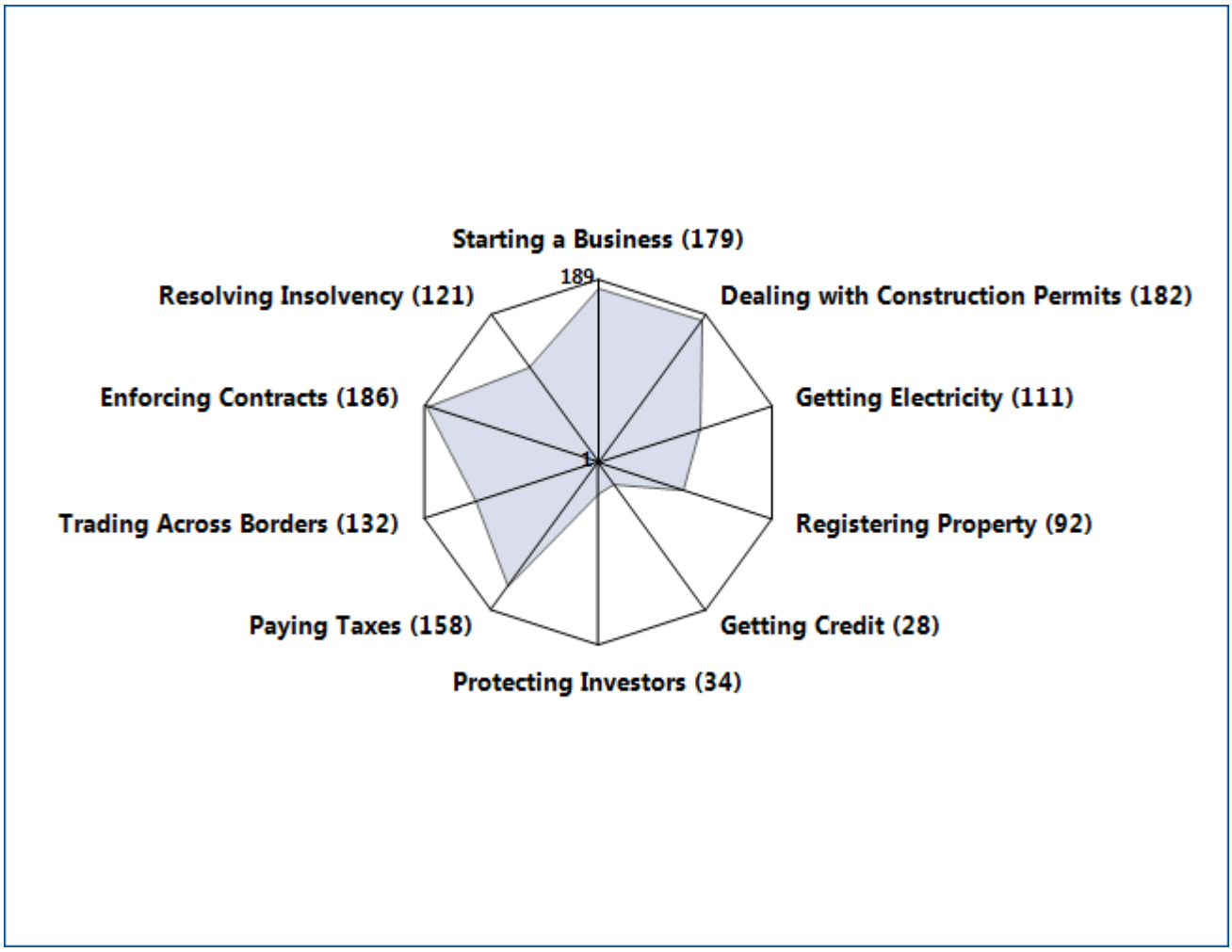
Figure 1.2 How India and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How India ranks on *Doing Business* topics



Source: Doing Business database.

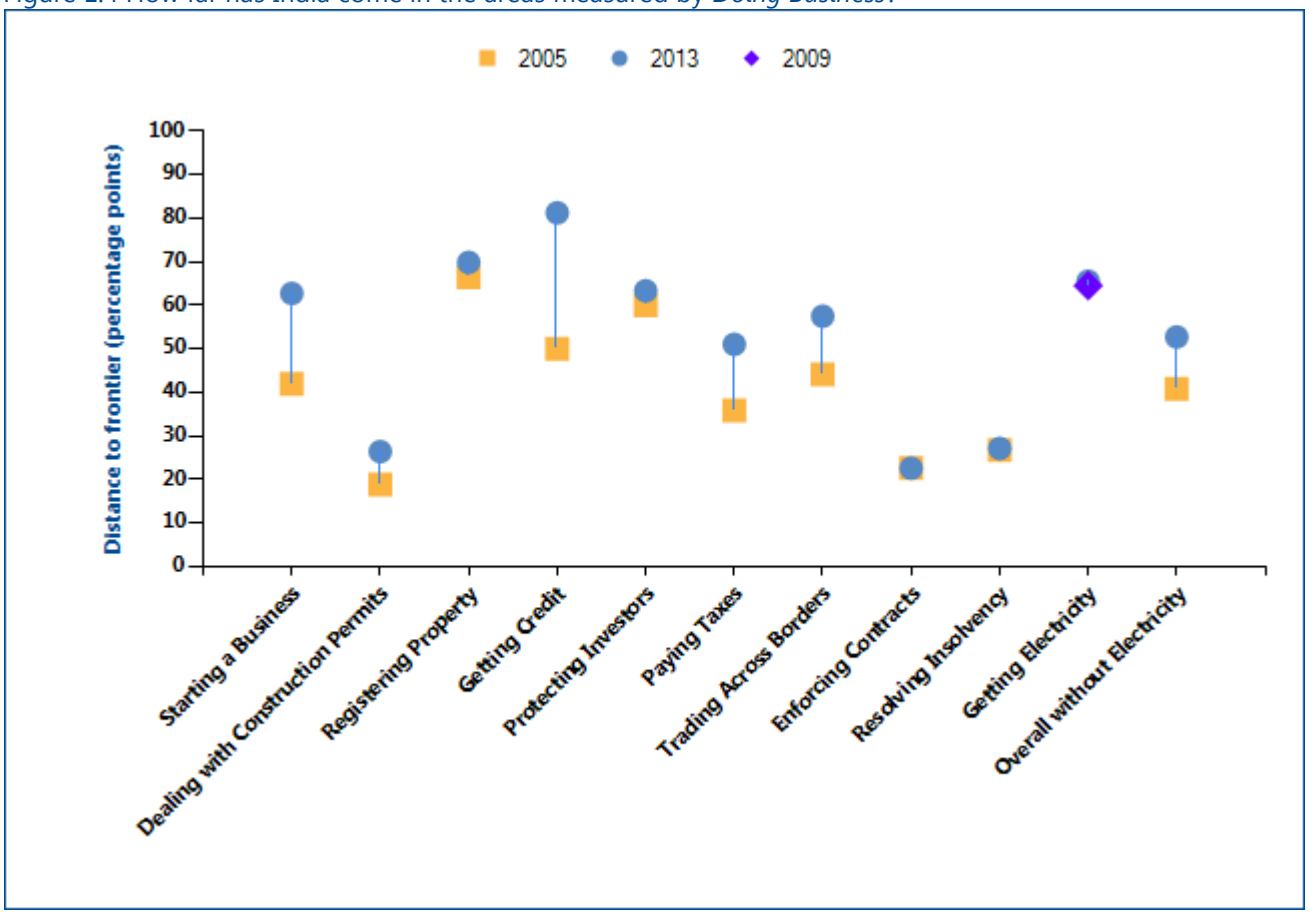
THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business* introduced the distance to frontier measure. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4).

Figure 1.4 How far has India come in the areas measured by *Doing Business*?



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the first 9 indicator sets shown in the figure and does not include getting electricity. Data on the overall distance to frontier including getting electricity is available at http://www.doingbusiness.org/data/distance-to-frontier. See the data notes for more details on the distance to frontier measure.
Source: Doing Business database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for India

Indicator	India DB2014	India DB2013	Brazil DB2014	China DB2014	Indonesia DB2014	Japan DB2014	Mexico DB2014	Russian Federation DB2014	Best performer globally DB2014
Starting a Business (rank)	179	177	123	158	175	120	48	88	New Zealand (1)
Procedures (number)	12	12	13	13	10	8	6	7	New Zealand (1)*
Time (days)	27.0	27.0	107.5	33.0	48.0	22.0	6.0	15.0	New Zealand (0.5)
Cost (% of income per capita)	47.3	49.8	4.6	2.0	20.5	7.5	19.7	1.3	Slovenia (0.0)
Paid-in Min. Capital (% of income per capita)	124.4	140.1	0.0	78.2	38.5	0.0	0.0	1.2	112 Economies (0.0)*
Dealing with Construction Permits (rank)	182	183	130	185	88	91	40	178	Hong Kong SAR, China (1)
Procedures (number)	35	35	15	25	13	14	11	36	Hong Kong SAR, China (6)
Time (days)	168.0	168.0	400.0	270.0	158.0	193.0	82.0	297.0	Singapore (26.0)

Indicator	India DB2014	India DB2013	Brazil DB2014	China DB2014	Indonesia DB2014	Japan DB2014	Mexico DB2014	Russian Federation DB2014	Best performer globally DB2014
Cost (% of income per capita)	2,640.4	2,973.4	34.8	344.7	87.2	28.1	353.1	89.0	Qatar (1.1)
Getting Electricity (rank)	111	110	14	119	121	26	133	117	Iceland (1)
Procedures (number)	7	7	4	5	6	3	7	5	10 Economies (3)*
Time (days)	67	67	58	145	101	105	85	162	Germany (17)
Cost (% of income per capita)	230.7	247.3	34.4	499.2	370.6	0.0	369.1	293.8	Japan (0.0)
Registering Property (rank)	92	91	107	48	101	66	150	17	Georgia (1)
Procedures (number)	5	5	14	4	6	6	7	4	4 Economies (1)*
Time (days)	44.0	44.0	30.0	29.0	22.0	13.0	74.0	22.0	New Zealand (1.0)*
Cost (% of property value)	7.0	7.1	2.6	3.6	10.9	5.8	5.3	0.1	5 Economies (0.0)*
Getting Credit (rank)	28	24	109	73	86	28	42	109	Malaysia (1)*
Strength of legal rights index (0-10)	8	8	3	5	5	7	6	3	10 Economies (10)*
Depth of credit information index (0-6)	5	5	5	5	4	6	6	5	31 Economies (6)*
Public registry coverage (% of adults)	0.0	0.0	50.4	30.2	41.2	0.0	0.0	0.0	Portugal (100.0)*
Private bureau coverage (% of adults)	19.8	14.9	63.4	0.0	0.0	100.0	100.0	59.2	22 Economies (100.0)*
Protecting Investors (rank)	34	32	80	98	52	16	68	115	New Zealand (1)
Extent of disclosure	7	7	5	10	10	7	8	6	10 Economies (10)*

Indicator	India DB2014	India DB2013	Brazil DB2014	China DB2014	Indonesia DB2014	Japan DB2014	Mexico DB2014	Russian Federation DB2014	Best performer globally DB2014
index (0-10)									
Extent of director liability index (0-10)	4	4	8	1	5	6	5	2	Cambodia (10)
Ease of shareholder suits index (0-10)	8	8	3	4	3	8	4	6	3 Economies (10)*
Strength of investor protection index (0-10)	6.3	6.3	5.3	5.0	6.0	7.0	5.7	4.7	New Zealand (9.7)
Paying Taxes (rank)	158	159	159	120	137	140	118	56	United Arab Emirates (1)
Payments (number per year)	33	33	9	7	52	14	6	7	Hong Kong SAR, China (3)*
Time (hours per year)	243	243	2,600	318	259	330	334	177	United Arab Emirates (12)
Trading Across Borders (rank)	132	129	124	74	54	23	59	157	Singapore (1)
Documents to export (number)	9	9	6	8	4	3	4	9	Ireland (2)*
Time to export (days)	16	16	13	21	17	11	11	22	5 Economies (6)*
Cost to export (US$ per container)	1,170	1,120	2,215	620	615	890	1,450	2,615	Malaysia (450)
Documents to import (number)	11	11	8	5	8	5	4	10	Ireland (2)*
Time to import (days)	20	20	17	24	23	11	11	21	Singapore (4)
Cost to import (US$ per container)	1,250	1,200	2,275	615	660	970	1,740	2,810	Singapore (440)
Enforcing Contracts (rank)	186	186	121	19	147	36	71	10	Luxembourg (1)

Indicator	India DB2014	India DB2013	Brazil DB2014	China DB2014	Indonesia DB2014	Japan DB2014	Mexico DB2014	Russian Federation DB2014	Best performer globally DB2014
Time (days)	1,420	1,420	731	406	498	360	400	270	Singapore (150)
Cost (% of claim)	39.6	39.6	16.5	11.1	139.4	32.2	31.0	13.4	Bhutan (0.1)
Procedures (number)	46	46	44	37	40	31	38	36	Singapore (21)*
Resolving Insolvency (rank)	121	119	135	78	144	1	26	55	Japan (1)
Time (years)	4.3	4.3	4.0	1.7	4.5	0.6	1.8	2.0	Ireland (0.4)
Cost (% of estate)	9	9	12	22	18	4	18	9	Norway (1)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	1	0	0	1	1	0	
Recovery rate (cents on the dollar)	25.6	26.0	19.5	36.0	17.9	92.8	67.6	42.8	Japan (92.8)

Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (http://www.doingbusiness.org).

Source: Doing Business database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city

Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are an exception to this rule.

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

Deposited in a bank or with a notary before registration (or within 3 months)

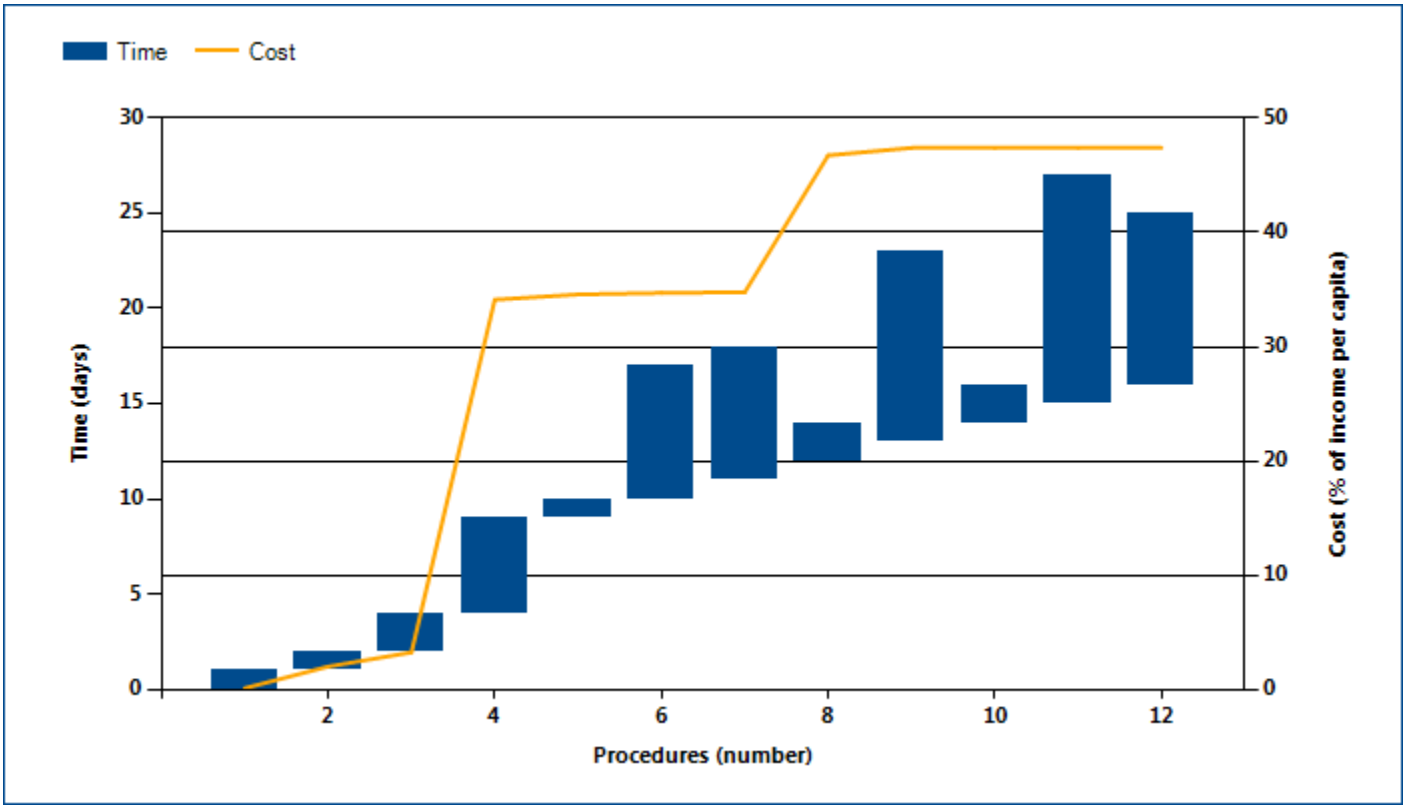
STARTING A BUSINESS

Where does the economy stand today?

What does it take to start a business in India? According to data collected by *Doing Business*, starting a business there requires 12 procedures, takes 27.0 days, costs 47.3% of income per capita and requires paid-in minimum capital of 124.4% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in India

Paid-in minimum capital (% of income per capita): 124.4



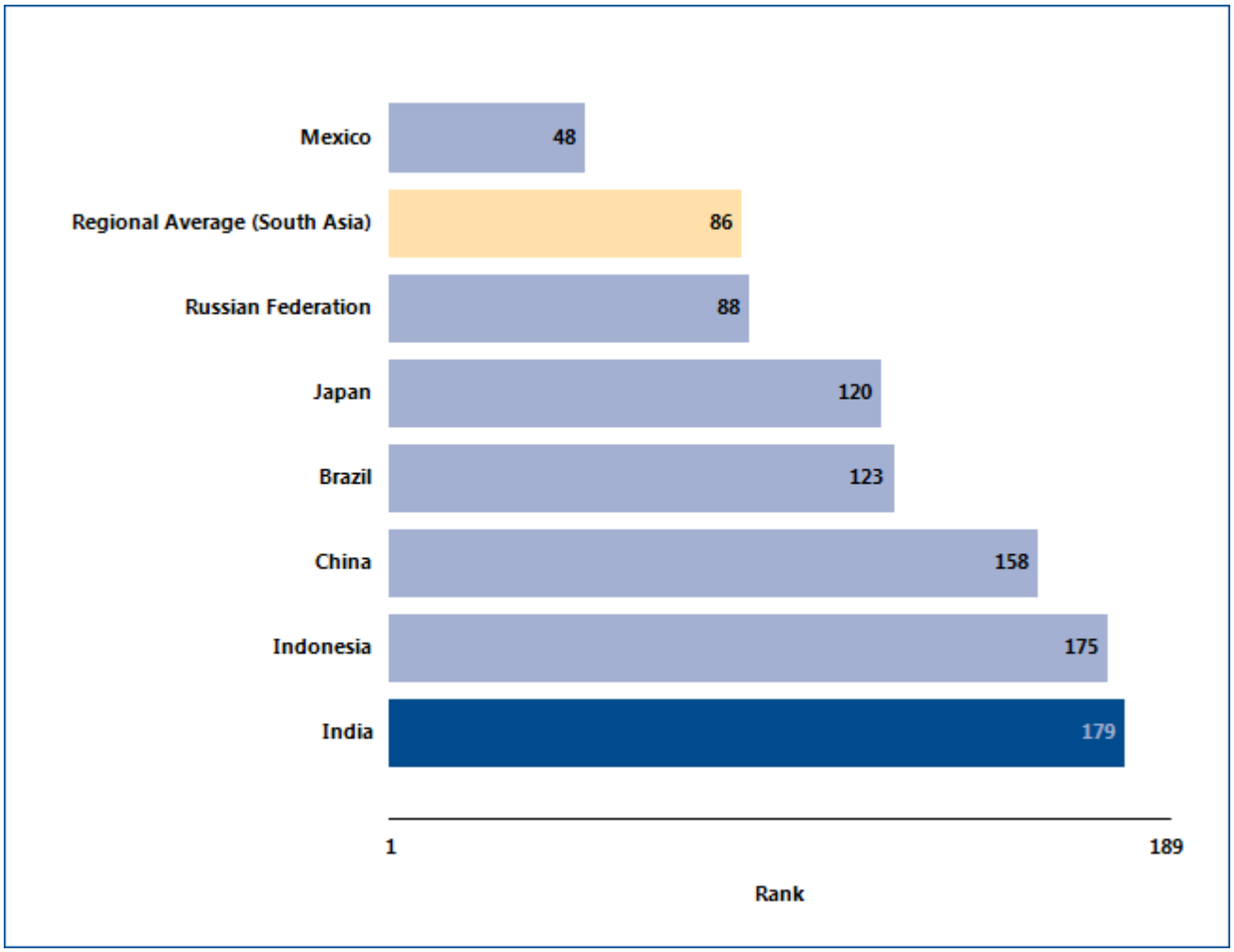
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.

Source: Doing Business database.

STARTING A BUSINESS

Globally, India stands at 179 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to start a business.

Figure 2.2 How India and comparator economies rank on the ease of starting a business



Source: Doing Business database.

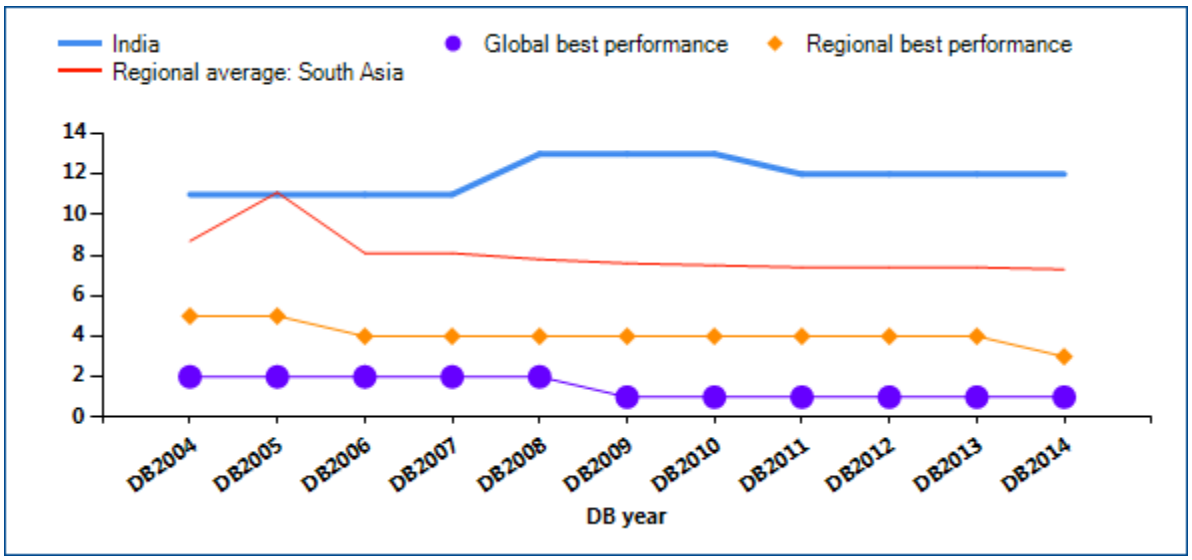
STARTING A BUSINESS

What are the changes over time?

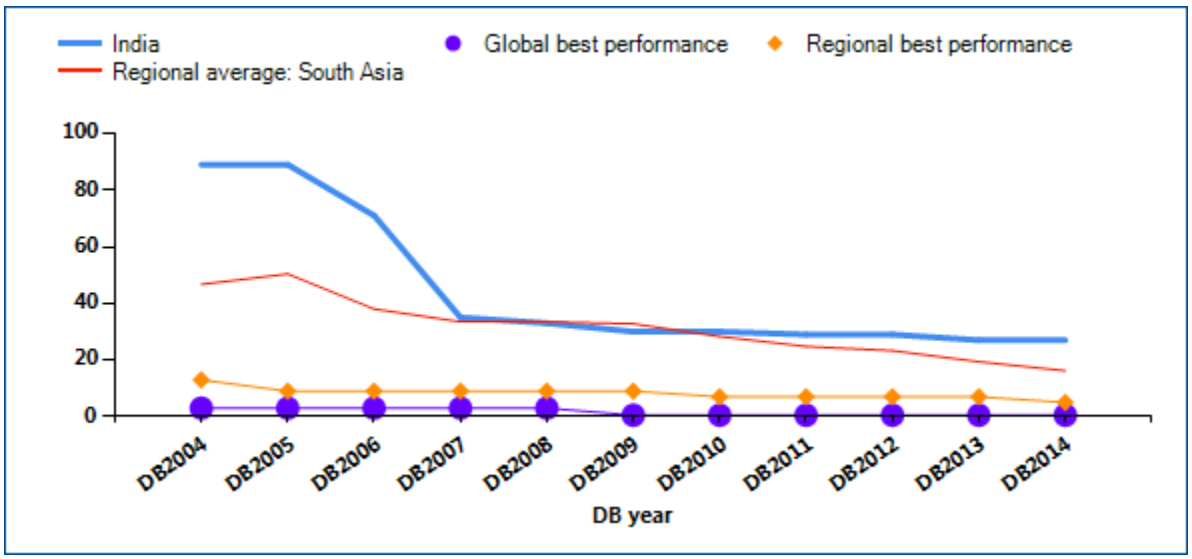
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3) can help show what is possible in making it easier to start a business. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

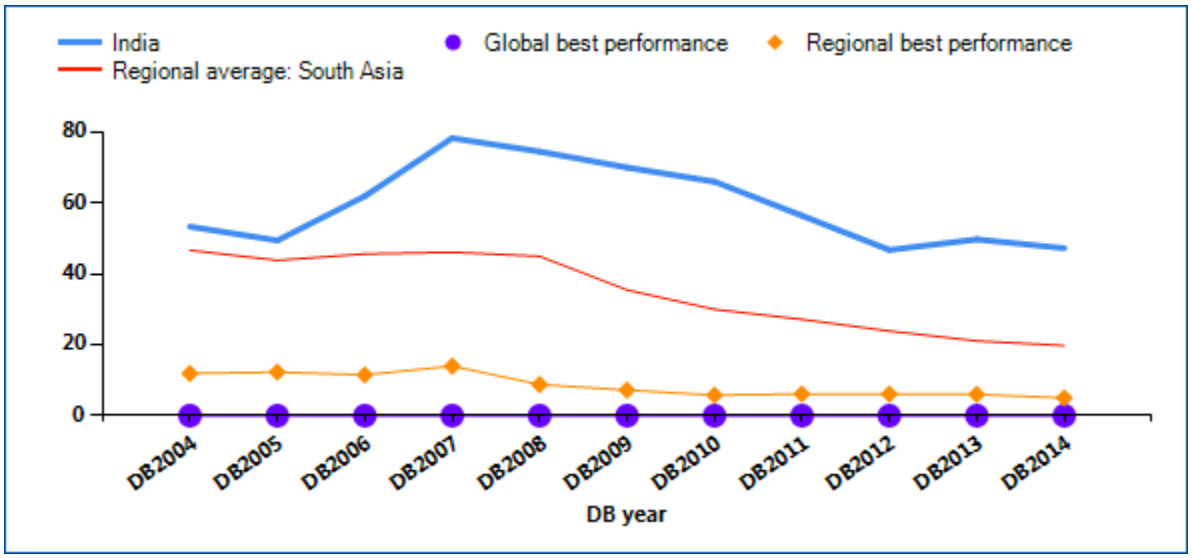


Time (days)

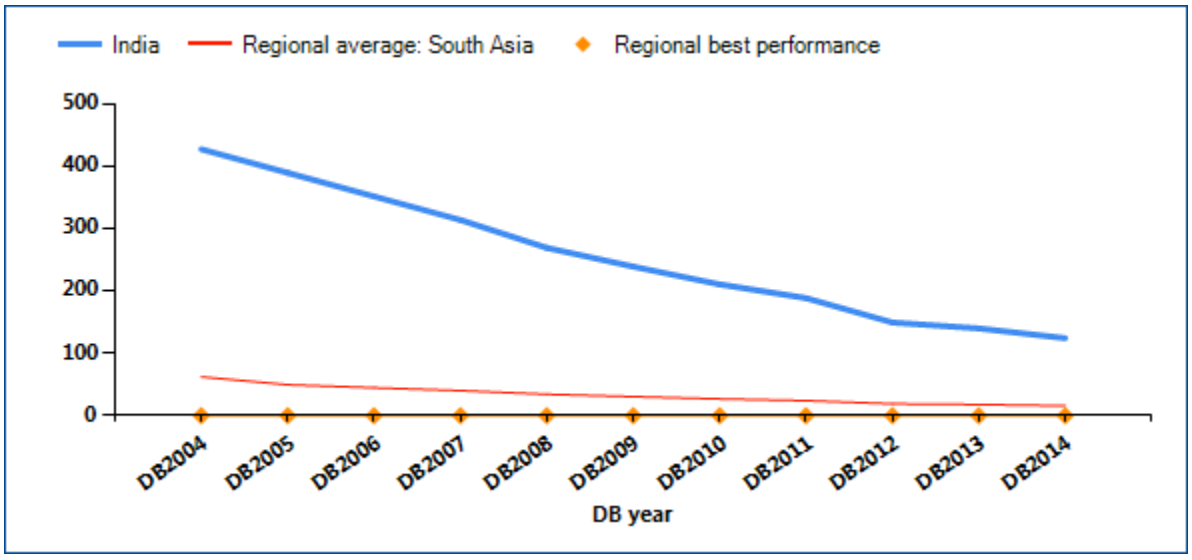


STARTING A BUSINESS

Cost (% of income per capita)



Paid-in minimum capital (% of income per capita)



Note: Ninety economies globally have no paid-in minimum capital requirement. DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.
Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in India (table 2.1)?

Table 2.1 How has India made starting a business easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for India is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the "standardized company") used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

City: **Mumbai**

Legal Form: **Private Limited Company**

Paid in Minimum Capital Requirement: **INR 100,000**

Start-up Capital: **10 times GNI per capita**

Summary of procedures for starting a business in India—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Obtain director identification number (DIN) online** By a notification dated 27 March, 2011, the Ministry of Corporate Affairs (MCA) has revised the process for obtaining a Director Identification Number (DIN). Currently the process for obtaining DIN is as follows: 1) e-Form DIN-1 has to be submitted along with photograph and scanned copy of supporting documents i.e. proof of identity, and proof of residence as per the guidelines. 2) Along with the supporting documents, the applicant has to attach a document (Affidavit) which contains the applicant's name, middle name, date of birth, text as specified and the physical signature of the applicant. The Affidavit has to be executed on non-judicial stamp paper and should be duly notarized. 3) The eForm has to be digitally signed and uploaded on MCA21 portal after which the fees for the same is paid. 4) In case Form DIN 1 is signed by a practicing professional (i.e. Chartered Accountant/ Company Secretary/ Cost and Works Accountant) and details have not been identified as potential duplicate, approved DIN is generated and if the details have been identified as potential duplicate, Provisional DIN is generated. 5) In the event of Form DIN 1 being signed by an applicant or by the Managing Director/ existing director of the company in which the applicant is a Director or the Company Secretary in full time employment of the company, or if the provided details are identified as a potential duplicate, a provisional DIN is generated. 6) In case, DIN 1 gets certified by a practicing professional (i.e. Chartered Accountant/ Company Secretary/ Cost and Works Accountant in whole time practice), the DIN will be approved by the system immediately online (in case it is not potential duplicate). 7) In case DIN 1 is signed by any other signatory (i.e. director/	1 day	INR 100

No.	Procedure	Time to complete	Cost to complete
	Managing Director/ Company Secretary of the company with which applicant is to be associated), the MCA DIN cell will examine the eForm DIN 1 and will approve the same within one or two days. Scanned documents to be submitted: • Photograph of the applicant; • Proof of identity; • Proof of residence; • Proof of date of birth; • Proof of father's name. (Proof of father's name is not required in the case of foreign nationals) Identity Proof: The identity proof (issued by the Central or the State Government or an instrumentality of the State) must contain the following information: • Applicant's name with photograph; • Father's name; • Date of birth.		
2	**Obtain digital signature certificate online** To use the new electronic filing system under MCA 21, the applicant must obtain a Class-II Digital Signature Certificate. The digital signature certificate can be obtained from one of six private agencies authorized by MCA 21 such as Tata Consultancy Services, NIC, E-Mudhra, MTNL Trust line. Company directors submit the prescribed application form along with proof of identity and address. Each agency has its own fee structure, ranging from INR 400 to INR 2650. There are total seven Certification Agencies authorized by the Controller of Certification Agencies to issue the Digital Signature Certificates. The details of these Certification Agencies are available on the portal of the Ministry of Corporate Affairs (www.mca.gov.in).	1 day	INR 400 to INR 2,650
3	**Reserve the company name with the Registrar of Companies (ROC) online** The guidelines briefly list out the conditions and norms that must be fulfilled while a name is selected for a company. Names that are offensive or are similar to already existing names would not be registered. The Name Availability Guidelines prescribe a time period of one to two days for registering the name of a company, however, due to the large number of applications received, typically this process takes up to 3 days, and is as follows: 1. Check availability of the proposed name by checking on the MCA21 portal for other companies or LLPs having similar names. Alternatively, engage a professional (practicing chartered accountant, company	2 days	INR 1000

No.	Procedure	Time to complete	Cost to complete
	secretary or cost accountant) to perform the check on the MCA 21 portal and provide a search report which can be attached to the application. 2. Prepare the application in eForm 1A with all relevant details and declarations. If a professional has been engaged to check availability of name, have the professional certify and digitally sign the eForm 1A. 3. Upload the eForm 1A to the MCA 21 portal and pay fees of Rs. 1000 electronically (net banking or credit card). 4. If the e-Form 1A has been certified by a professional (as described above), the proposed name will be made available to the applicant online, without any backend processing, provided the name is not similar to any existing trademark, any of the words proposed in the company's name does not exactly match any existing company's name and the name does not consist of a single word (other than private limited). If the e-Form 1A is not certified by a professional or if any of these provisos are not satisfied, the proposed name will be processed by the Registrar of Companies and availability or non-availability of name will be communicated to the applicant. 5. The name, if made available to the applicant, will be reserved for the applicant to use for 60 days from the date of approval. If the proposed company is not incorporated during this 60 day period, the approval will lapse and the name will be available to other applicants. This is in accordance with the Name Availability Guidelines 2011, General Circular No. 7/2012 dated 25th April 2012 issued by Ministry of Corporate Affairs, Government of India. The fee for registering the name of a company is INR 1000.		
4	**Pay stamp duties online, file all incorporation forms and documents online and obtain the certificate of incorporation** As a result of MCA's desire to further the e-governance's initiatives, as of January 1, 2010 it has been made compulsory to pay all stamp duties on incorporation documents online through the Ministry of Corporate Affairs (MCA) website. As a result of these reforms, the mode of payment of stamp duty through affixation of adhesive stamps on Articles of Association and Memorandum of Association has been replaced by the e-payment of applicable stamp duty on Articles and Memorandum of association through MCA portal. Moreover, certain forms: Form 1 (a primary form used in the incorporation process), Form 5 & Form 44 will also be stamped electronically through MCA Portal. The reforms also provide that the documents on which e-stamping has been done, need not to be filed physically: electronic filing of the same would be sufficient. For registration, the following forms are required to be electronically filed on the website of the Ministry of Company Affairs: (a) e-form 1; (b) e-form 18; (c) e-form 32	3-7 days	INR 24,800

No.	Procedure	Time to complete	Cost to complete
	Along with these documents, scanned copies of the signed and the Memorandum and Articles of Association, must be attached to Form 1. Proof of location Registered Office in the Form of Lease Deed or NOC from the Owner must be attached to Form 18. The 3 forms as well as the memorandum and articles of association must be certified by a practicing professional regarding the correctness of the information/declarations. - The fees for registering a company can be paid online using a credit card or by payment in cash at certain authorized banks. - The certificate of incorporation is immediately issued by the Registrar of Companies, signed digitally and sent via email to the Company. The registration fees paid to the Registrar are scaled according to the company's authorized capital (as stated in its memorandum): - INR 100,000 or less: INR 4,000. If the nominal share capital is over INR 100,000, additional fees based on the amount of nominal capital apply to the base registration fee of INR 4,000: - For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 100,000, up to INR 500,000: INR 300. - For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 500,000, up to INR 5,000,000: INR 200. - For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 5,000,000, up to INR 10,000,000: INR 100. - For every INR 10,000 of nominal share capital or part of INR 10,000 after the first INR 10,000,000: INR 50. The payment of fees has to be done online; the applicant makes the payment through credit cards and the system accepts the documents immediately. Please note that in Mumbai, RoC requests for pre-scrutiny of documents for any correction thereon, before the documents are uploaded, so that once the documents have been uploaded, it can be approved without any further correction. The online filing mechanism requires only one copy of scanned documents to be filed (including stamped MOA, AOA, and POA). Schedule of Registrar filing fees for the articles and for the other forms (I, 18, and 32): - INR 200 for a company with authorized share capital of more than INR 100,000 but less than INR 500,000. - INR 300 for a company with nominal share capital of INR 500,000 or more but less than INR 2,500,000. - INR 500 for a company with nominal share capital of INR 2,500,000 or more. According to Maharashtra Stamp Act, 1958, the stamp duty payable on the memorandum and articles of association for company incorporation in Mumbai, Maharashtra, is as follows: - Articles of association: INR 1000/- for every INR 500,000/- of share capital (or part thereof), subject to a maximum of INR 5,000,000. - Memorandum of association: INR 200. - Form-1 (declaration of compliance): INR 100.		

No.	Procedure	Time to complete	Cost to complete
5	**Make a seal** Although making a seal is not a legal requirement for the company to be incorporated, companies require a company seal to issue share certificates and other documents.	1 day	INR 350
6	**Visit an authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) or Unit Trust of India (UTI) Investors Services Ltd to obtain a Permanent Account Number (PAN)** Under the Income Tax Act, 1961, each person must quote his or her permanent account number (PAN) for tax payment purposes and the tax deduction and collection account number (TAN) for depositing tax deducted at source. The Central Board of Direct Taxes (CBDT) has instructed banks not to accept any form for tax payment (Chalan) without the PAN or TAN, as applicable. The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department. In order to improve PAN related services, the Income Tax department (effective July 2003) outsourced their operations pertaining to allotment of PAN and issue of PAN cards to UTI Investor Services Ltd, which was authorized to set up and manage IT PAN Service Centers in all cities where there is an Income Tax office. The National Securities Depository Limited (NSDL) has also launched PAN operations effective June 2004, setting up TIN Facilitation Centers. The PAN application is made through the above mentioned service centers on Form 49A, with a certified copy of the certificate of registration, issued by the Registrar of Companies, along with proof of company address and personal identity. A fee of INR 85 (plus applicable taxes currently at 12.36%) applies for processing the PAN application. IT PAN Service Centers or TIN Facilitation Centers will supply PAN application forms (Form 49A), assist the applicant in filling up the form, collect filled form and issue acknowledgement slip. After obtaining PAN from the Income Tax department, UTIISL or NSDL as the case may be, will print the PAN card and deliver it to the applicant. The application for PAN can also be made online but the documents still need to be physically dropped off for verification with the authorized agent. For more details (www.incometaxindia.gov.in , www.utiisl.co.in , www.tin-nsdl.com)	7 days	INR 85 for Fee and INR 5 for Application Form, (if not downloaded)

No.	Procedure	Time to complete	Cost to complete
7	*** Obtain a tax account number for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department** The tax deduction and collection account number (TAN) is a 10-digit alphanumeric number required by all persons responsible for deducting or collecting tax. The provisions of Section 203A of the Income Tax Act require that all persons who deduct or collect tax at the source must apply for a TAN. The section also makes it mandatory for the TAN to be quoted in all tax-deducted-at-source (TDS) and tax-collected-at-source (TCS) returns, all TDS/TCS payment Chalans, and all TDS/TCS certificates issued. Failure to apply for a TAN or to comply with any of the other provisions of the section is subject to a penalty of INR 10,000/- . The application for allotment of a TAN must be filed using Form 49B and submitted at any TIN Facilitation Center authorized to receive e-TDS returns. Locations of TIN Facilitation Centers are at www.incometaxindia.gov.in and tin.nsdl.com. The processing fee for both applications (a new TAN or a change request) is INR 55 (plus applicable taxes - currently at 12.36%). After verification of application, the same is sent to Income Tax Department and upon satisfaction the department issues the TAN to the applicant. The national government levies the income tax. Since outsourcing, any authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) can accept and process the TAN application. The application for TAN can be made either online TAN can be through the NSDL website www.tin-nsdl.com or offline. However, after the payment of the fee by credit card, the hard copy of the application must be physically filed with NSDL.	7 days, simultaneous with previous procedure	INR 55
8	*** Register with Office of Inspector, Mumbai Shops and Establishment Act** A statement containing the employer's and manager's name and the establishment's name (if any), postal address, and category must be sent to the local shop inspector with the applicable fees. According to Section 7 of the Bombay Shops and Establishments Act, 1948, the establishment must be registered as follows: - Under Section 7(4), the employer must register the establishment in the prescribed manner within 30 days of the date on which the establishment commences its work. - Under Section 7(1), the establishment must submit to the local shop inspector Form A and the prescribed fees for registering the establishment.	2 days, simultaneous with previous procedure	INR 2,400 (registration fee) + 3 times registration fee for Trade Refuse Charges (INR 7,200)

No.	Procedure	Time to complete	Cost to complete
	- Under Section 7(2), after the statement in Form A and the prescribed fees are received and the correctness of the statement is satisfactorily audited, the certificate for the registration of the establishment is issued in Form D, according to the provisions of Rule 6 of the Maharashtra Shops and Establishments Rules of 1961. Since the amendments in the Maharashtra Shops & Establishment (Amendment) Rules, 2003 dated 15th December 2003, the Schedule for fees for registration & renewal of registration (as per Rule 5) is as follows: 0 employees: INR 120 1 to 5 employees: INR 360 6 to10 employees: INR 720 11 to 20 employees: INR 1200 21 to 50 employees: INR 2400 51 to 100 employees: INR 4200 101 or more: INR 5400. Hence in the given case the registration fees would be INR 2400, as there are 50 employees. In addition, an annual fee (three times the registration and renewal fees) is charged as trade refuse charges (TRC), under the Mumbai Municipal Corporation Act, 1888.		
9	*** Register for VAT online** VAT online registration was introduced by the Commissioner of Sales Tax, Maharashtra State, Mumbai, Trade Circular No. 4T of 2009, dated January 23, 2009. According to Notification No. VAT/AMD-1009/ IB/Adm-6, dated 26th August 2009, application for registration of VAT by the founders who are required to obtain registration or those who voluntarily desire to get registration can be, as of 1st October 2009, filed electronically on the website www.mahavat.gov.in. After the completed application form is submitted online, an acknowledgment containing the date and time for attending before the registering authority along with code/designation and address of registering authority is generated. The company should print a copy of the completed e-application and submit it along with the acknowledgement to the registration authority for verification and photo attestation on a given date and time along with relevant documents. If the application is correct and complete in all respect along with relevant documents then the registering authority will generate TIN after verification of the documents. Registration certificate will be printed and issued to the company on the appointed date. Usually, the appointment date is scheduled in the next 10 days. Other accompanying documentation includes: - Certified true copy of the memorandum and articles of association of the company. - Proof of permanent residential address. At least 2 of the following	10 days, simultaneous with previous procedure	INR 500 (Registration Fee) + INR 25 (Stamp Duty) for compulsory VAT registration

No.	Procedure	Time to complete	Cost to complete
	documents must be submitted: copy of passport, copy of driving license, copy of election photo identity card, copy of property card or latest receipt of property tax of Municipal Corporation, copy of latest paid electricity bill in the name of the applicant. - Proof of place of business (for an owner, the case of Doing Business): Proof of ownership of premises or lease agreement or any other relevant documents - One recent passport size photograph of the applicant - Copy of Income Tax Assessment Order having PAN or copy of PAN card - Chalan in Form No. 210 (original) showing payment of registration fee at INR 5000/in case of voluntary RC and INR 500/in other cases		
10	*** Register for profession tax** Profession Tax online registration was introduced by the Commissioner of Sales Tax (Profession Tax), Maharashtra State, Mumbai vide Notification No. PFT2012/NTF 15/Adm-20, dated 19 March 2012. As of April 2012, all applications for registration (i.e. for obtaining a Profession Tax Registration Certificate) are required to be made online, on the website of www.mahavat.gov.in, in 'Form I'. In addition, the employer must obtain a certificate of enrolment under section 5(2) of the Profession tax Act; thus, the company is required to submit Form II. The form I and II are submitted simultaneously to the registering authority's online portal. According to section 5 of the Profession Tax Act, every employer (not being an officer of the government is liable to pay tax and shall obtain a certificate of registration from the prescribed authority. Depending on the nature of the business, the application should be supported with such documents as address proof, details of company registration number under Indian Companies Act (1956), details of head office (if the company is a branch of company registered outside the state), company deed, certificates under any other act, and so forth.	2 days, simultaneous with with previous procedure	no charge
11	*** Register with Employees' Provident Fund Organization** The Employees Provident Funds & Miscellaneous Provisions Act, 1952 applies to an establishment, employing 20 or more persons and engaged in any of the 183 Industries and Classes of business establishments, throughout India excluding the State of Jammu and Kashmir. The Provident Fund registration focuses on delinquent reporting, underreporting, or non-reporting of workforce size. Provident Fund registration is optional if workforce size is not more than 20.	12 days, simultaneous with with previous procedure	no charge

No.	Procedure	Time to complete	Cost to complete
	As of April 2012, all employers must register online with the EPFO online portal in order to generate challans for making any remittances (www.epfindia.gov.in). Filing of Electronic Challan cum Return (ECR) and deposit of contributions are also done online through the same website. Along with the information regarding the employees to be provided by the employer for registration, it has been made mandatory to submit the AADHAAR (unique identification) details of employees. All eligible employees are required to become members of the Fund and individual account number is allotted by the employer in prescribed manner.		
12	*** Register for medical insurance (ESIC)** Registration is the process by which every employer/factory and every employee employed for wages are identified for the purpose of the medical insurance scheme and their individual records are set up for them. As per the Employees' State Insurance (General), Form 01 is the form required to be submitted by Employer for registration. It takes 3 days to a week for the Employer Code Number to be issued. The "intimation letter" containing the Code Number is sent by post to the employer and that takes an additional couple of days. The Employee's individual insurance is a separate process and occurs after Employer's registration. The Employer is responsible for submitting the required Declaration Form and employees are responsible for providing correct information to the employer. The employee temporary cards (ESI Cards) are issued on the spot by the local offices in many places. The temporary cards are valid for 13 weeks from the date of appointment of the employees. It takes about 4 to 5 weeks to get a permanent ESI card. In order to insure that all the insured persons receive their identity cards to enable them to receive cash and medical benefit, the identity cards will be delivered to the insured persons directly by the ESI Corporation rather than through the employers. The ESI Act applies to all establishments employing 20 or more persons. The ESI Act provides for sickness benefits, medical relief, maternity benefits for women workers, compensation for fatal and other employment injuries, etc. Every employee who receives wages up to Rs. 15,000 per month is covered by this Act. Employers can now submit application online for registration under ESI Act on the ESIC website (www.esic.in).	9 day, simultaneous with with previous procedure	no charge

* Takes place simultaneously with another procedure.
Note: Online procedures account for 0.5 days in the total time calculation.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect or engineer.

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a land telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

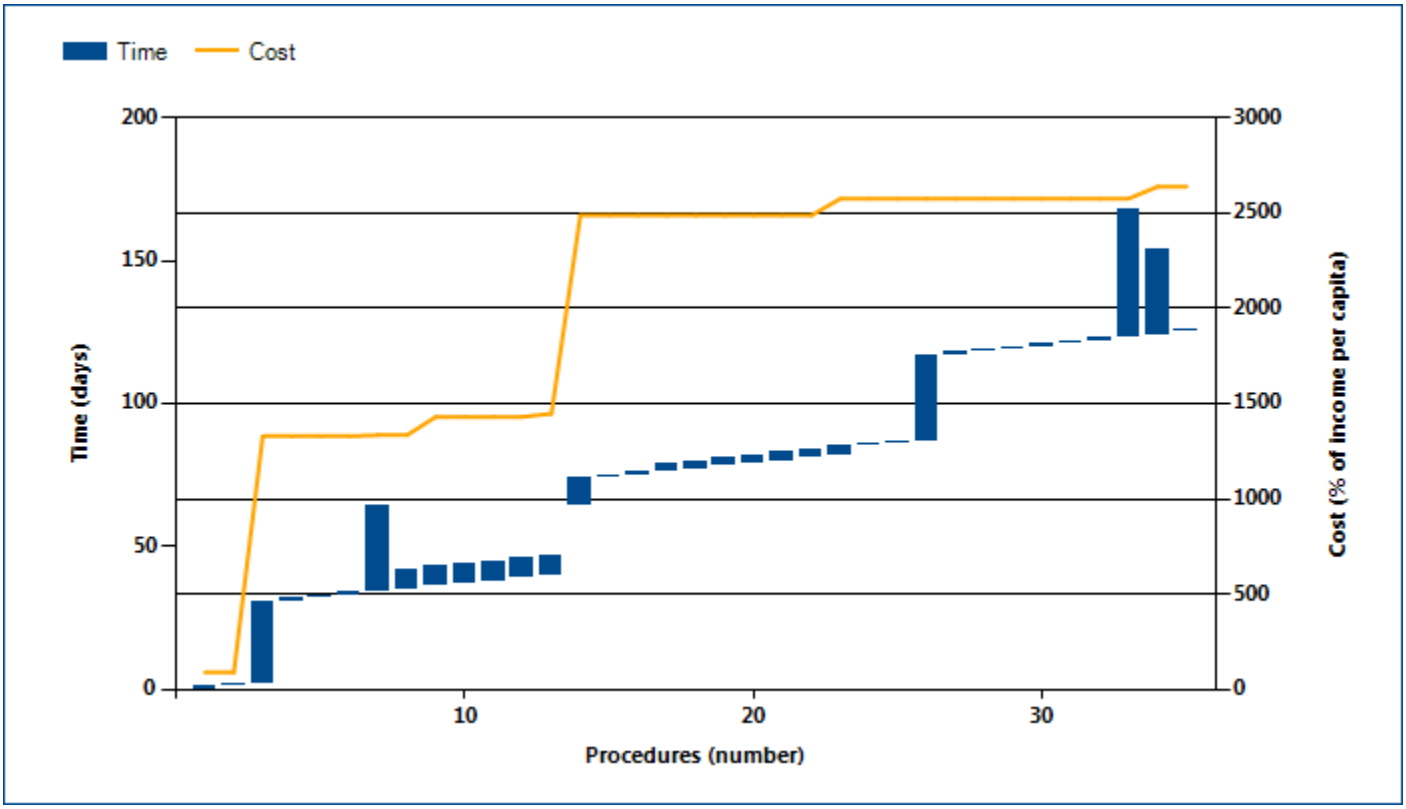
- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in India? According to data collected by *Doing Business*, dealing with construction permits there requires 35 procedures, takes 168.0 days and costs 2640.4% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in India

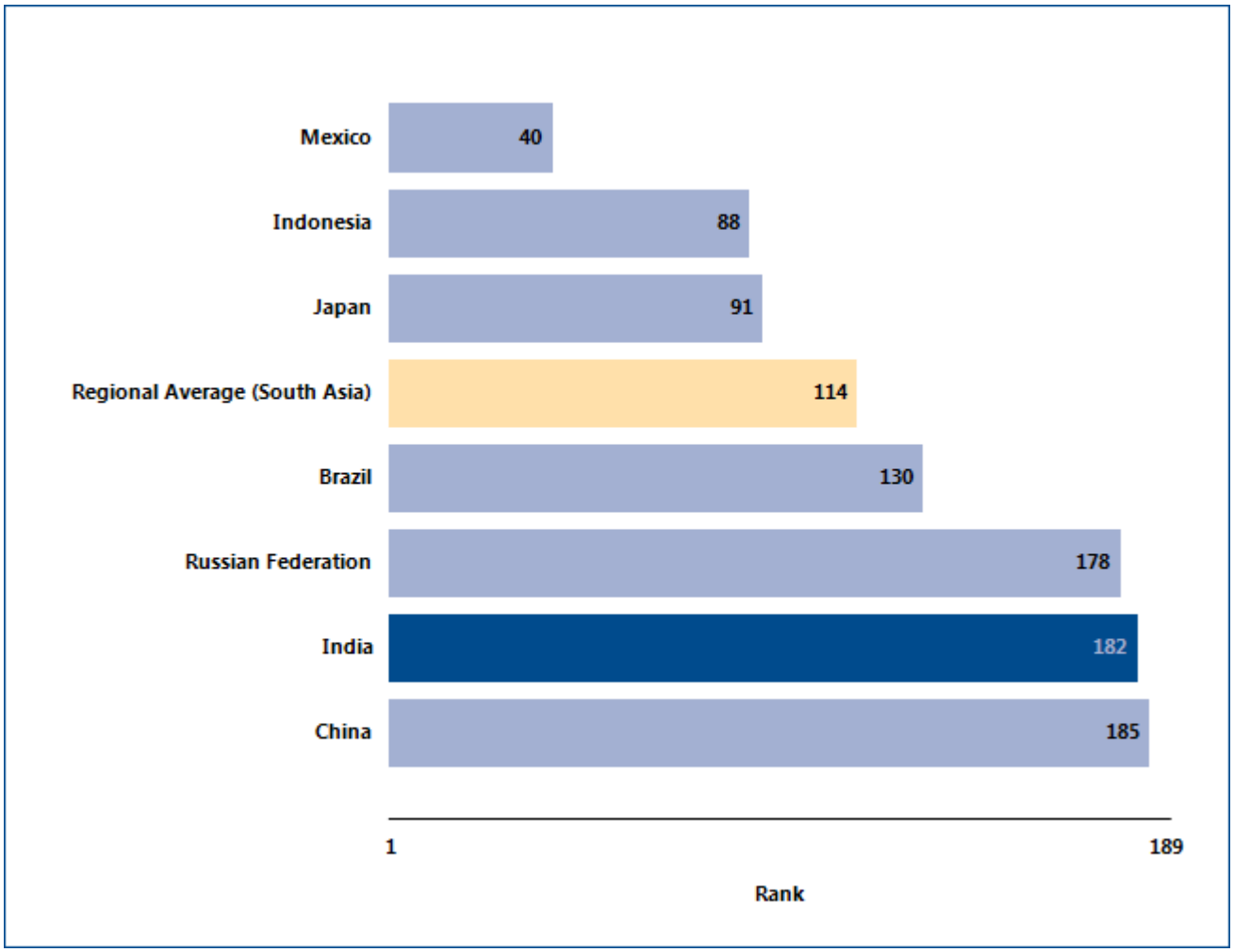


Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Globally, India stands at 182 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to legally build a warehouse.

Figure 3.2 How India and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

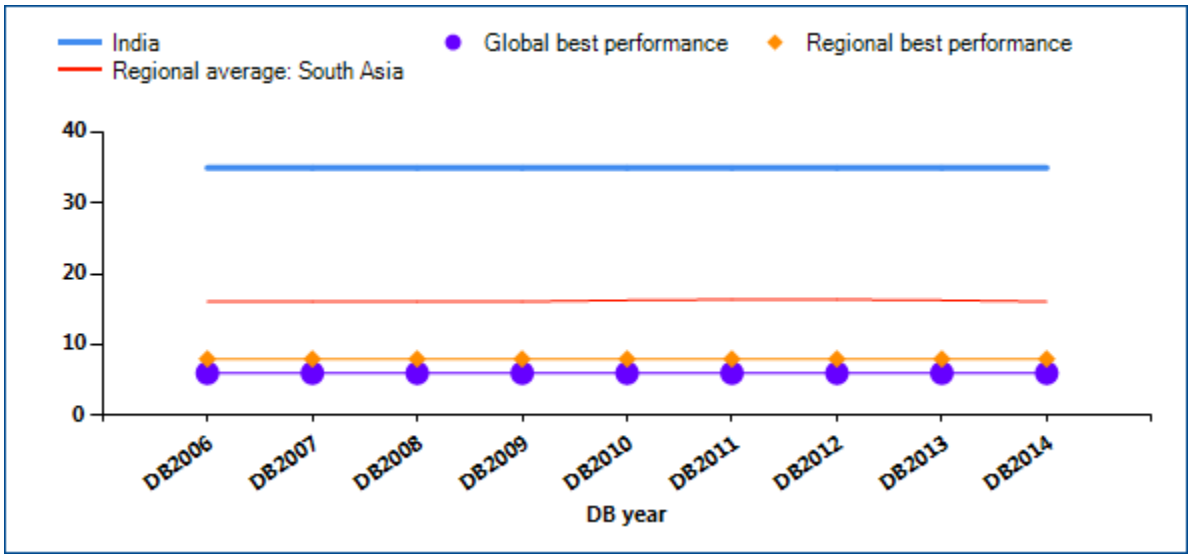
DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

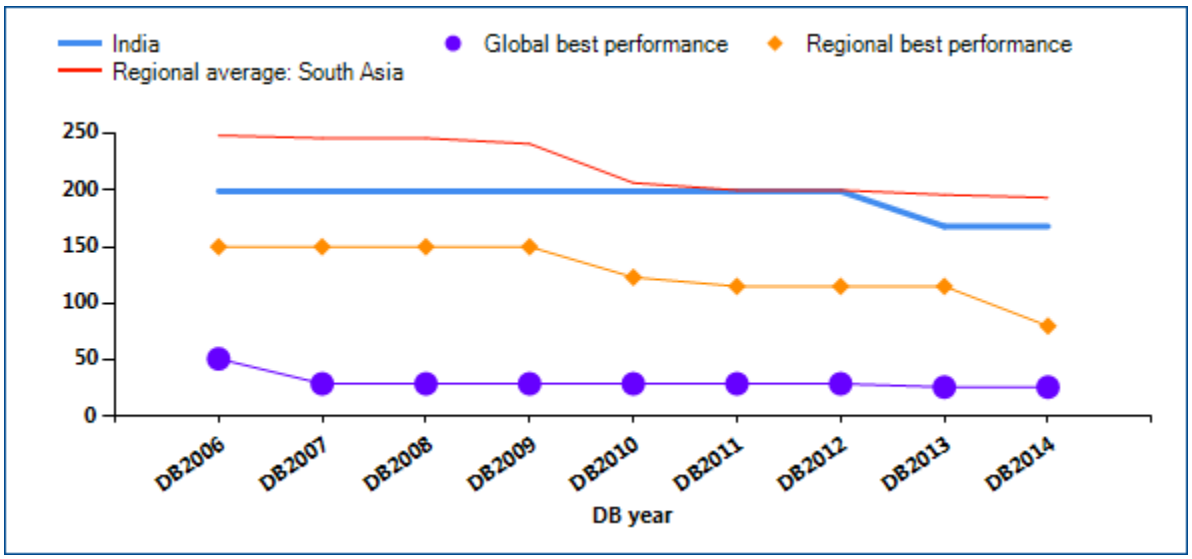
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3) help show what is possible in making it easier to deal with construction permits. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

Procedures (number)

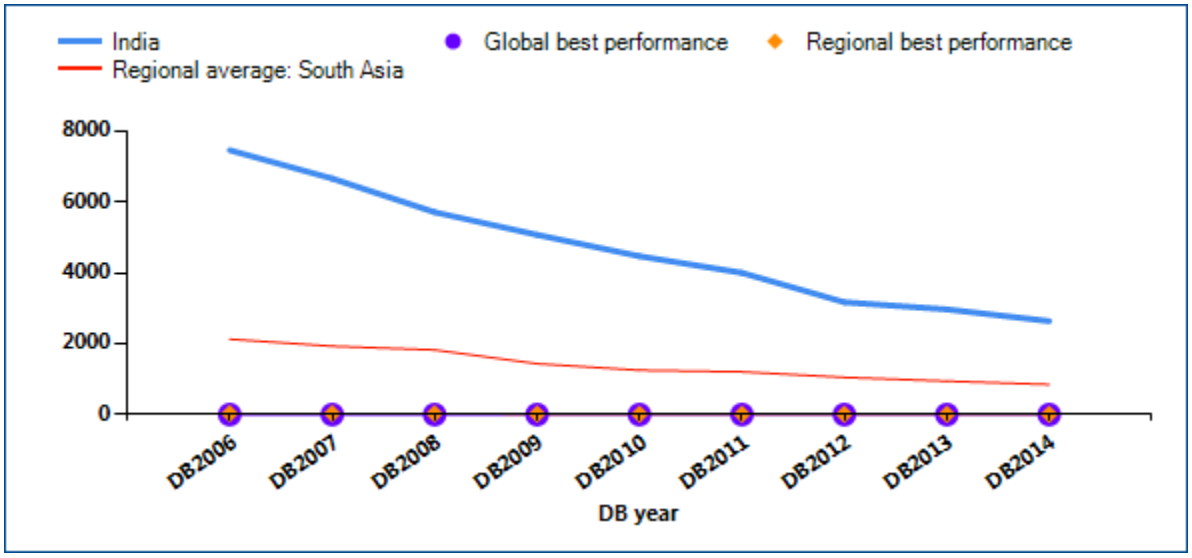


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in India (table 3.1)?

Table 3.1 How has India made dealing with construction permits easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	India reduced the time required to obtain a building permit by establishing strict time limits for preconstruction approvals.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for India are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE	
City :	**Mumbai**
Estimated Warehouse Value :	**INR 5,203,000**

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for dealing with construction permits in India —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Submit application and design plans and pay scrutiny fee** BuildCo submits application form with plans and all required documents, as prescribed by Section 337 of the BMC Act, at the Andhuri Building Proposal Office of the BMC. If all documents are in order and the file is complete, BuildCo can proceed to pay the scrutiny fees in the same building by cash or bank draft. Once the fees have been paid, the application file is forwarded to the concerned officer in the Building Proposal Office. Then the file is forwarded to the Survey Office, which will remark on the application file and check the remarks from the Development Plan Office (obtained during the design stage of the project). If the Survey Office is satisfied with their review, they will send back the application file to the Building Proposal Office within one week. The cost for this procedure is INR 56 per sq. m. for commercial projects and INR 28 per sq. m. of the built up area or the plot area, whichever is larger.	1 day	INR 72,834
2	**Receive site inspection from Building Proposal Office** A sub-engineer from the Building Proposal Office will conduct a site inspection within 3 -- 4 days of receiving the file from the survey office. The date and time of the site inspection are arranged by BuildCo's architect. BuildCo must be on-site when the inspection takes place.	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
3	**Obtain Intimation of Disapproval and pay fees** After the site inspection, the application file returns to the Building Proposal Office to receive an intimation of disapproval (authorization). The concerned Sub Engineer reviews the proposal and forwards the report to the Assistant Engineer and Executive Engineer. The proposal is approved at the Executive Engineer's level if no concessions are involved. There are 3 executive engineers in the main Municipal Corporation of Greater Mumbai (MCGM) office and 2 in the Andhuri office (the latter is the office considered for the purposes of this study). Complete applications that do not require concessions (i.e. claiming of areas free of FSI as per provision in DCR 1991, deficiency in open spaces etc.) can be approved within a week. However, the majority of applications require some concessions and further scrutiny so they must be forwarded to the competent authorities. This latter process may take 30 -- 90 days to complete. The intimation of disapproval is issued with a list of NOC's which the applicant must obtain separately from various departments and government authorities. Final clearance to build will only be given once BuildCo obtains all NOC's. The NOC's assigned to the intimation of disapproval are case specific. For the purpose of this study, Doing Business has determined 7 basic NOC's that are required of almost all projects: • Tree Authority • Storm Water and Drain Department • Sewerage Department • Hydraulic Department • Environmental Department (concerned with debris management) • Traffic and Coordination Department • CFO (fire clearance) BuildCo's architect must take the Intimation of Disapproval and the design plans to each clearance office separately. NOCs can be applied for simultaneously, but NOC offices are spread out so the submission for these 7 NOC's is likely to take some time. The cost for this procedure is INR 1.00 per sq. m. for Intimation of Disapproval + INR 2.00 per sq. m. (or a maximum of INR 45,000.00) as a deposit for debris clearance. The latter is returned after the completion of construction if the BMC has deemed all debris cleared.	29 days	INR 996,260
4	**Submit structural plans approved by a structural engineer** The Intimation of Disapproval (IOD) is only an approval of the civil plans. Review of the structural plans is done in parallel with the NOC process. No approval to this plan is required from the Municipal Corporation but copies are required to be submitted. Time required for submitting these structural plans is one day.	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
5	*** Apply for no-objection certificate (NOC) from Tree Authority** Due to stringent environmental regulations, BuildCo must receive clearance from the Tree Authority (set up under the Maharashtra (urban areas) Preservation of Trees Act, 1975). The Tree Authority commission only meets once a month. The Tree Authority must ascertain what trees (if any) will be cut down as a result of construction. If trees are to be cut down, BuildCo will have to plant trees to replace them.	1 day	no charge
6	*** Receive inspection from Tree Authority** Upon receipt of application for NOC, the Tree Authority will send a Tree Officer to personally inspect the trees on the premise. The Tree Officer then submits a report to the Tree Authority within a period of 30 days from the receipt of the application.	1 day	no charge
7	*** Obtain NOC from Tree Authority**	30 days	INR 4,500
8	*** Request and obtain NOC from Storm Water and Drain Department**	7 days	no charge
9	*** Request and obtain NOC from Sewerage Department**	7 days	INR 77,306
10	*** Request and obtain NOC from Electric Department** BuildCo has to inform Brihanmumbai Electric Supply and Transport (BEST) of the project's power requirements along with a copy of the application submitted for building plan approval. BEST will assess whether an electrical substation upgrade is required at this stage.	7 days	no charge
11	*** Request and obtain NOC from Environmental Department**	7 days	no charge
12	*** Request and obtain NOC from Traffic & Coordination Department**	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
13	*** Request and obtain NOC from Chief Fire Office** All commercial structures require a fire safety clearance.	7 days	INR 13,006
14	**Obtain Commencement Certificate and pay development charges** Upon submission of all required NOCs mentioned in the IOD and on compliance of the IOD conditions, the applicant may submit a request for the Commencement Certificate. The documents and NOC submitted by the applicants are verified by the staff and the necessary Commencement Certificate is approved. After payment of development charges and other applicable premium the Commencement Certificate is issued within 7 to 15 days. The cost for the CC is INR 200.00 per sq. m. of land + INR 500.00 per sq. m. of building area.	10 days	INR 836,100
15	**Request and receive inspection of plinth**	1 day	no charge
16	**Submit letter stating completion of building works to obtain an occupancy certificate and certificate of completion** BuildCo's architect must submit a formal letter stating that construction has been completed according to the standards set forth in the IOD and CC.	1 day	no charge
17	*** Request and obtain completion NOC from Tree Authority**	3 days	no charge
18	*** Request and obtain completion NOC from Storm Water and Drain Department**	3 days	no charge
19	*** Request and obtain completion NOC from Sewerage Department**	3 days	no charge

No.	Procedure	Time to complete	Cost to complete
20	*** Request and obtain completion NOC from Electric Department**	3 days	no charge
21	*** Request and obtain completion NOC from Environmental Department**	3 days	no charge
22	*** Request and obtain completion NOC from Traffic & Coordination Department**	3 days	no charge
23	*** Request and obtain completion NOC from Chief Fire Office** All commercial structures require fire safety clearance according to fire and safety rules and regulations stipulated in Development Control Rules 1991 and the National Building Code. The fee for low-rise commercial buildings is INR 5.00 per sq. m.	3 days	INR 70,000
24	**Request and receive competition inspection from Building Proposal Office**	1 day	no charge
25	**Obtain occupancy certificate** The Occupancy Certificate allows BuildCo to occupy the building but is not considered a final document because BuildCo must still obtain the Certificate of Completion.	1 day	no charge
26	**Obtain completion certificate** The Completion Certificate is considered to be the final document that BuildCo requires to fully occupy the building and connect to utilities.	30 days	no charge
27	**Apply for permanent water connection** An application for water connection is made to the Assistant Engineer of the Municipal Corporation. The Assistant Engineer of the Municipal Corporation makes the inspection. There are two inspections: one before the water connection is completed and another after completion. The inspection would not take more than a day. An officer of the water department of the Municipal Corporation inspects the premises and prepares a report on the connection.	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
28	*** Apply for permanent sewerage connection** BuildCo must visit the ward office and submit a written request for a sewerage connection. The connection request must be submitted along with a copy of the building plans and the application request made to the Water Department.	1 day	no charge
29	*** Apply for telephone connection** An application for the telephone connection is submitted to the utility company along with a security deposit.	1 day	no charge
30	*** Receive on-site inspection for water connection**	1 day	no charge
31	*** Receive on-site inspection for sewerage connection** A private contractor hired by BuildCo completes most of the inspections related to the connection, but the ward office will visit the site once to inspect the connection as well.	1 day	no charge
32	*** Receive on-site inspection for telephone connection**	1 day	no charge
33	*** Obtain permanent water connection** Fees for water connection include: • Water connection charges: INR 1,060.00 • Water meter: INR 150.00 • Refundable security deposit towards water charges bills at INR 25.00 per 1,000 liter + 60% of sewerage charges for the requirement of the building	45 days	INR 1,210
34	*** Obtain permanent sewerage connection**	30 days	INR 50,000

No.	Procedure	Time to complete	Cost to complete
35	*** Obtain telephone connection**	1 day	INR 500

* Takes place simultaneously with another procedure.
Note: Online procedures account for 0.5 days in the total time calculation.
Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

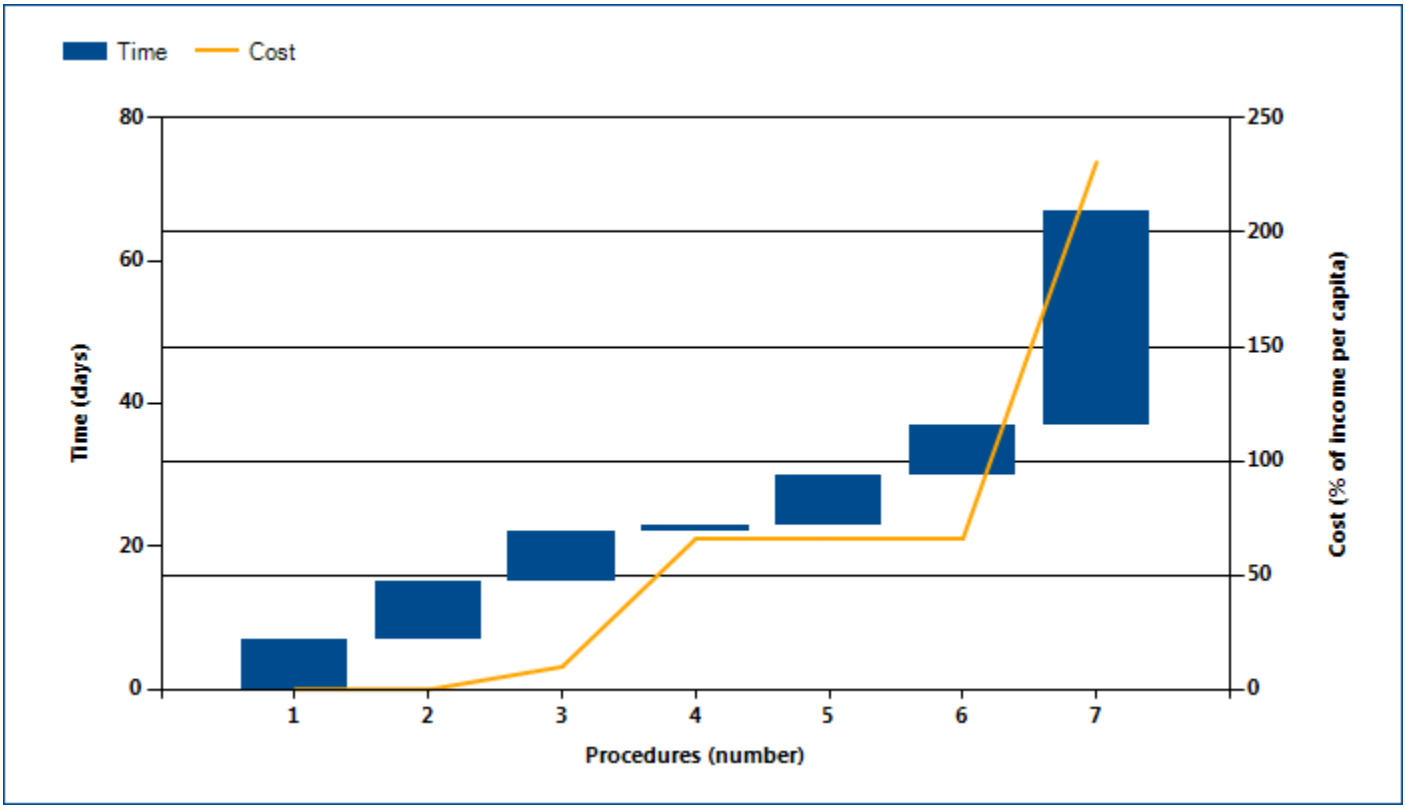
Excludes value added tax

GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in India? According to data collected by *Doing Business,* getting electricity there requires 7 procedures, takes 67 days and costs 230.7% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in India

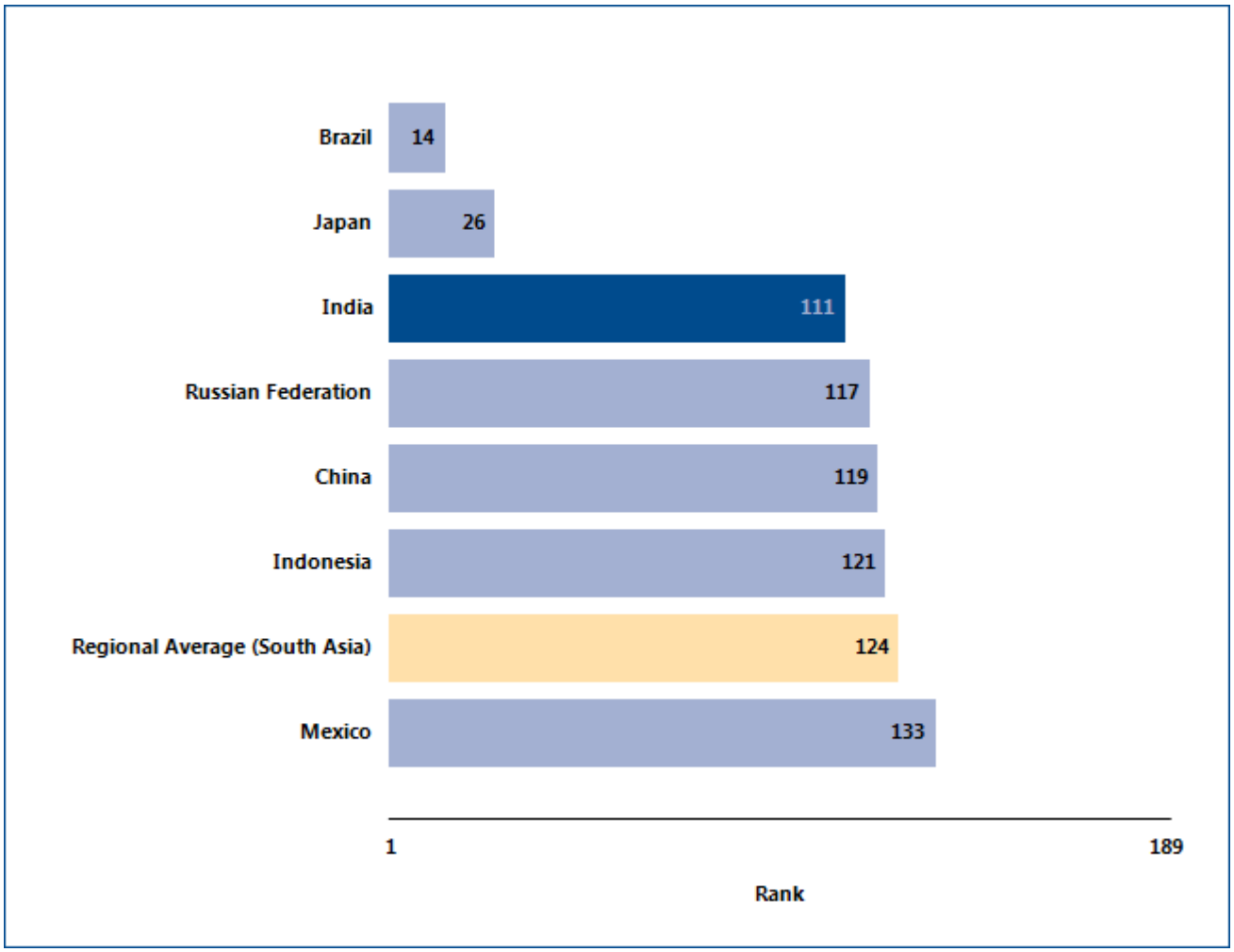


Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

GETTING ELECTRICITY

Globally, India stands at 111 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in India to connect a warehouse to electricity.

Figure 4.2 How India and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

Even more helpful than rankings on the ease of getting electricity may be the indicators underlying those rankings (table 4.1). And regional and global best performers on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in India

Indicator	India DB2014	India DB2013	Best performer in South Asia DB2014	Best performer globally DB2014
Rank	111	110	Sri Lanka* (91)	Iceland (1)
Procedures (number)	7	7	Sri Lanka* (4)	10 Economies* (3)
Time (days)	67	67	India (67)	Germany (17)
Cost (% of income per capita)	230.7	247.3	India (230.7)	Japan (0.0)

Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

* Two or more economies share the top ranking on this indicator. For a list of these economies, see the *Doing Business* website (http://www.doingbusiness.org).

Source: Doing Business database.

GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in India (table 4.2)?

Table 4.2 How has India made getting electricity easier—or not?
By *Doing Business* report year

DB year	Reform
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for India are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION

City:	**Mumbai**
Name of Utility:	**Bhrihan Mumbai Electricity & Transport Undertaking**

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for getting electricity in India—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Submit application to Brihan Mumbai Electricity Supply and Transport Undertaking (BEST) and await site inspection** An application for supply, addition or reduction in supply of electrical energy, shifting of service, extension of service, change of name or restoration of supply shall be made to BEST, copies of which are obtainable from the relevant ward offices or relevant consumer center of the Undertaking as well as downloadable from BEST's website. The application duly filled in and signed by the owner or occupier of the premises in respect of which the supply or additional supply is required shall be accepted after preliminary scrutiny at the relevant Ward Office on payment of processing fee in accordance with Annex 1 of Schedule of Charges approved by the Commission. Documents needed to be submitted – completed application form; proof of occupancy; details of load requirement; purpose for which electric connection is required. Site inspection includes confirmation of premises, identification of location of terminating service cable, and position of meter cabin.	7 calendar days	INR 50.0
2	**Receive external site inspection from BEST and await estimate** Appointment can be made over the phone giving reference of application no; electrical contractor should be licensed, registration with BEST of electrician not necessary. The Authorized Representative of the Undertaking on receipt of the application, with prior intimation, shall inspect the premises to confirm its eligibility and study the technical requirements of giving supply to the consumer and fix the position of	8 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
	main cut outs or circuit breakers and meters and sanction the load for the premises in consultation with the consumer and/or his Licensed Electrical contractor. Subsequently, BEST shall intimate the applicant of the details of any works that are required to be undertaken, the charges to be borne by the applicant thereon in accordance with Annex 2 of Schedule of Charges approved by the Maharashtra Electricity Regulatory Commission.		
3	**Electrical contractor conducts external connection works** Consumers supplied with low and medium voltage electrical energy shall provide and maintain an enclosure with a dry masonry wall not less than 250 millimeters thick or such other structure as may be approved by the Utility on which the utility's meter boards and service cutouts shall be supported and shall provide and maintain adequate protection for the meter board from ingress of water, tampering and mechanical damage. The consumer's mains shall in all cases, be brought to the Utility's point of supply.	7 calendar days	INR 8,000.0
4	**Submit electrical contractor's wiring and test report and estimated amount to BEST** The connection cost is standard for connections between 100 KW - 150 KW. As required by Rule 45 of the Indian Electricity Rules, 1956, no electrical installation work (including additions, alterations, repairs and adjustment to existing installation) except such replacements of lamps, fans, fuses, switches and other component parts of the installation, as in no way alters the capacity and character of the installation, shall be carried out upon the premises on behalf of any consumer or owner for the purposes of supply of energy to such consumer or owner, except by an Electrical Contractor Licensed by Government in this behalf and under the direct supervision of a person holding a certificate of competency, issued by Government. As soon as the consumer's installation is completed in all respects and tested by the consumer's contractor, the consumer must submit to BEST a wiring contractor's work Terms & Conditions of Supply completion and test report.	1 calendar day	INR 45,000.0
5	**BEST inspects wiring and installs meter** Upon receipt of the test report, the Authorized representative of the distribution company, with prior intimation, shall inspect the equipment / apparatus / wiring to confirm compliance as per the test report given. Upon successful verification of the test report the distribution company shall proceed with the fixing of meters and coupling them with the consumer's installation preparatory to the inspection and testing of the installation and connection of supply. The consumer's wiring contractor should ensure that each installation is properly identified by a tag or otherwise, at the point of supply.	7 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
6	**BEST inspects and tests installation** After the meters have been coupled to the installation the undertaking will notify the consumer's Licensed Electrical Contractor the time and the day when the undertaking's representative proposes to inspect and test the installation. It will then be the duty of the Licensed Electrical Contractor to arrange for his supervisor to be present, at the inspection to give the Undertaking or its representative any information or assistance required concerning the installation.	7 calendar days	no charge
7	**Submit meter security deposit, receive external connection and electricity starts flowing** Security deposit - A consumer with a consumption of electricity of not less than one lac (1,00,000) kilo-watt hours per month and with no undisputed sums payable to the Undertaking may, at the option of such consumer, deposit security, by way of cash (including cheque and demand draft), irrevocable letter of credit or unconditional bank guarantee issued by a scheduled commercial bank. In case a consumer who has deposited security subsequently opts to receive supply through a prepaid meter, the amount of such security deposit shall, after deduction of all monies owing from such consumer, be either refunded to such consumer or treated as a part of the value of the prepaid credit to the account of such consumer, from which the value of his future consumption is to be deducted. The Undertaking shall apply any security so deposited, towards satisfaction of any amount which is due or owing from the consumer.	30 calendar days	INR 132,297.5

* Takes place simultaneously with another procedure.
Source: Doing Business database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system. The property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

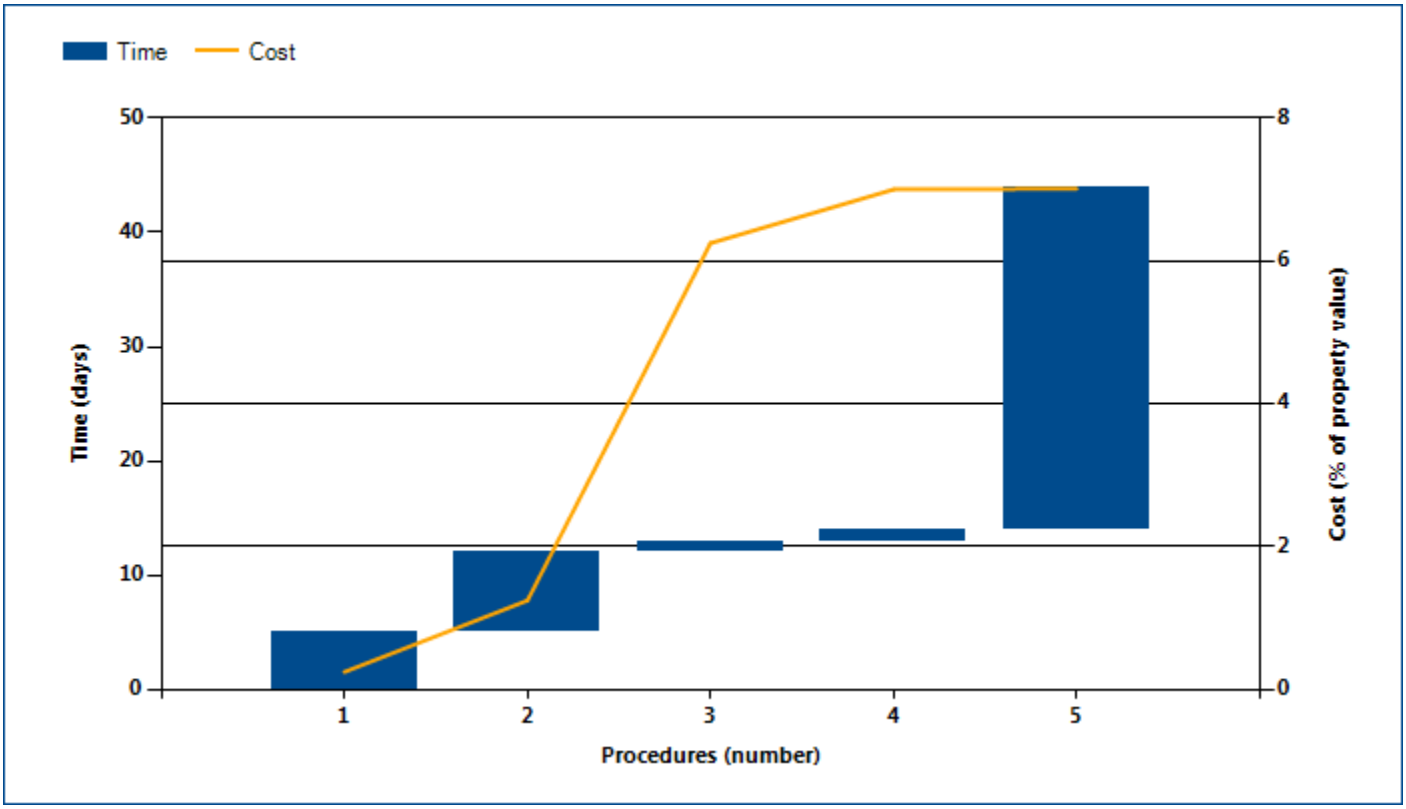
No value added or capital gains taxes included

REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in India? According to data collected by *Doing Business*, registering property there requires 5 procedures, takes 44.0 days and costs 7.0% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in India

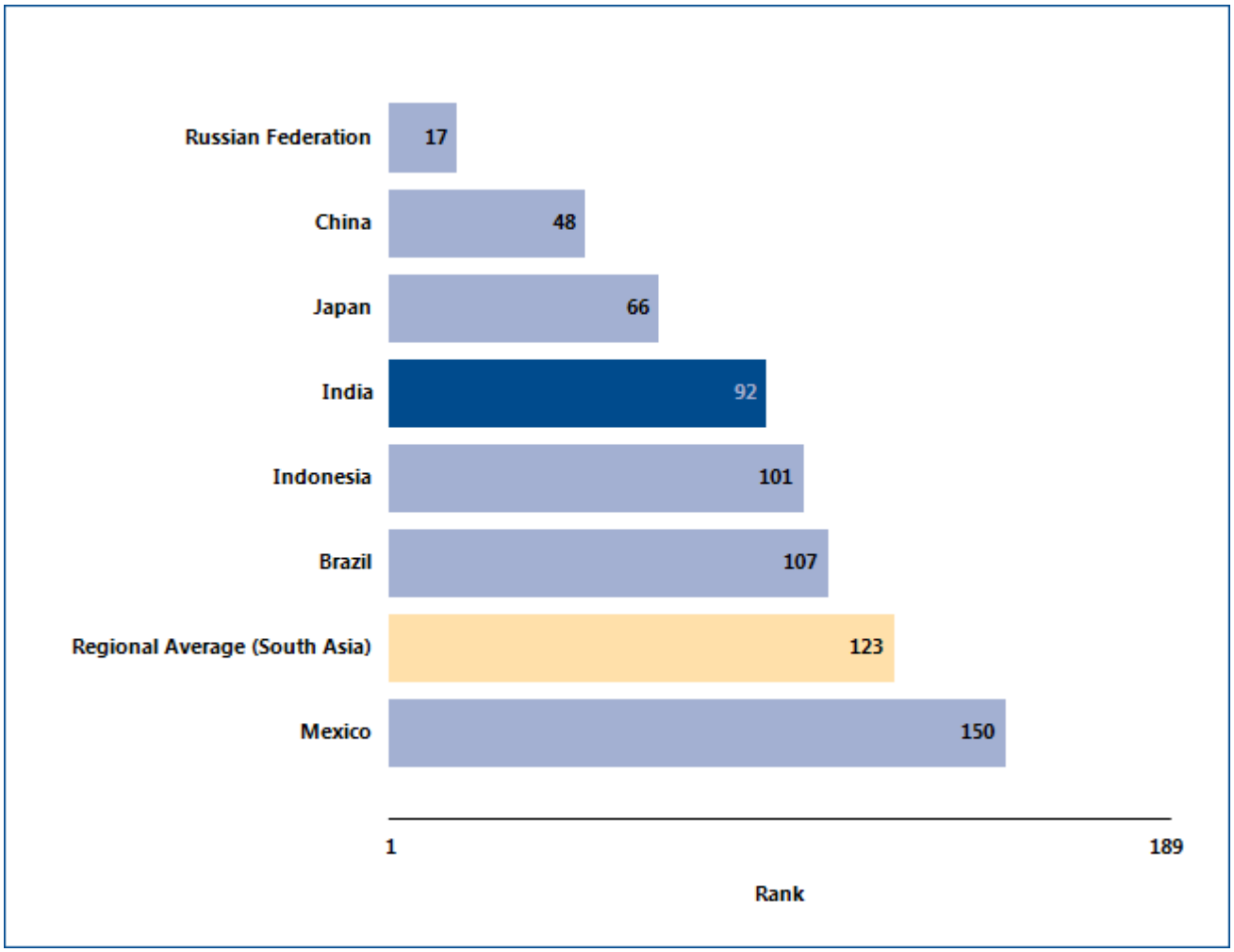


Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

REGISTERING PROPERTY

Globally, India stands at 92 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to transfer property.

Figure 5.2 How India and comparator economies rank on the ease of registering property



Source: Doing Business database.

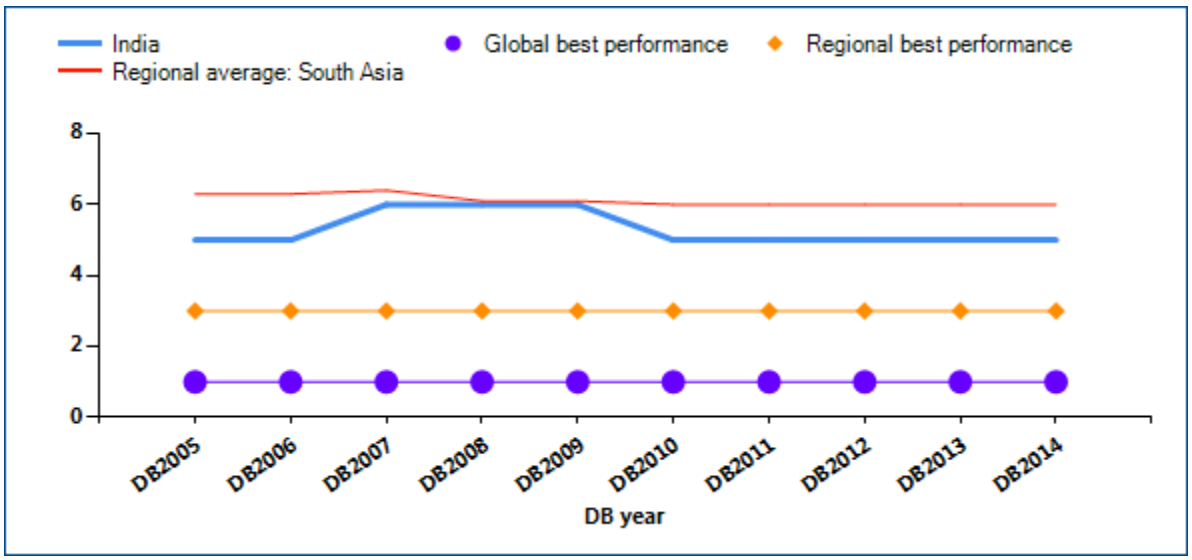
REGISTERING PROPERTY

What are the changes over time?

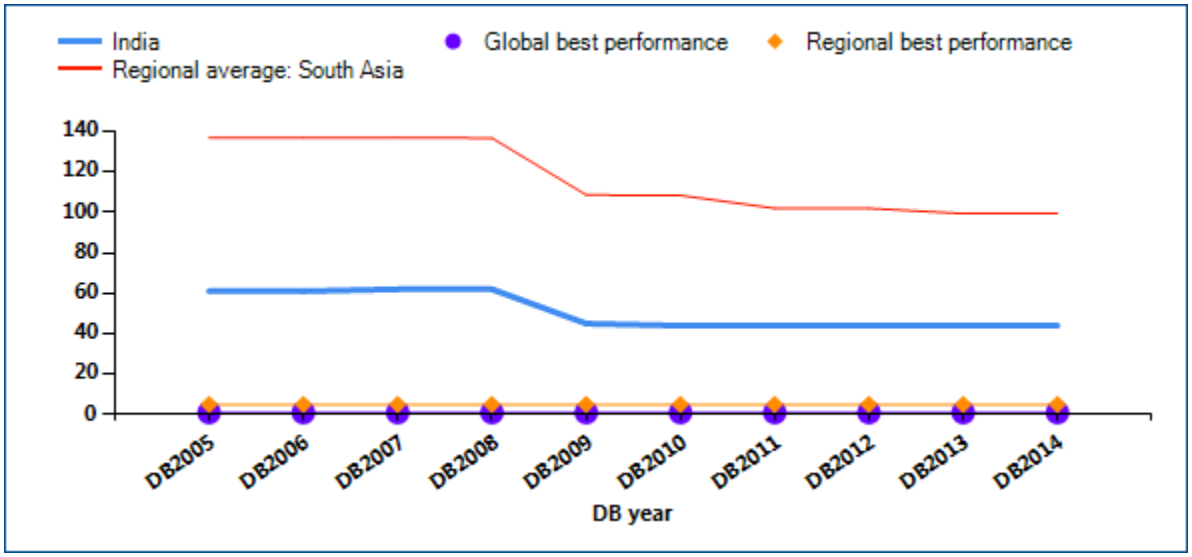
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3) help show what is possible in making it easier to register property. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

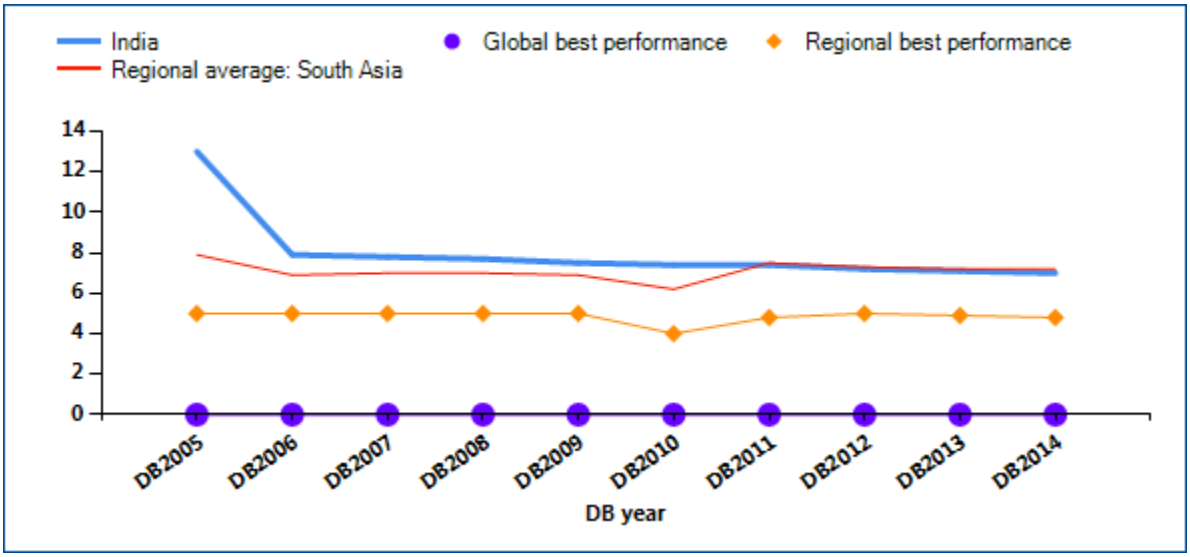


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.
Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in India (table 5.1)?

Table 5.1 How has India made registering property easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER

City:	**Mumbai**
Property Value:	**INR 4,017,793**

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for registering property in India—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Check for encumbrances at the office of Sub-Registrar of Assurance** The purchaser should conduct a search of the property in the Registry and the Revenue Office, noting the location details of the property and the time period to be checked. While investigating the title it should be verified (1) that the legal ownership document is in the name of the owner, issued by the Revenue Record Department under the seal of the Tahsildar, (2) that on the date of purchase the title of the owner for the preceding 30 years (preferably) shows no mortgage or other encumbrance as still existing on the date of purchase, (3) the property is transferable and heritable, (4) the transferor is competent and/or authorized to transfer the property, (5) the transferee is qualified to be a transferee, (6) the object or consideration for the transfer is lawful, (7) the transfer has been made and completed in the manner prescribed by law. Also, all papers with regard to payment of taxes, the electricity bills and water bills need to be checked. If the seller is a Company incorporated under the provisions of the Companies Act, 1956 then it is prudent to take search in the office of the Registrar of Companies to verify whether there is any charge on the property registered under the provisions of Section 125 of the Companies Act, 1956.	5 days	Rs. 10,000

No.	Procedure	Time to complete	Cost to complete
2	**Preparation of the final sale deed by the purchaser's lawyer** The lawyer prepares the final sale deed and then engrosses the document on green paper leaving the date and place blank. This document is then submitted for stamping. The fee for the lawyer varies from transaction to transaction.	7 days	1% of the property value (About INR 40,000)
3	**Payment of Stamp Duty on the final Sale Deed through franking at the designated bank.** Deposits the said fees in the designated bank or authorised collection center of the Stock Holding Corporation of India for stamping of the Sale Deed. The designated bank issues a receipt and marks the first page of the printed sale deed with the stamp duty received. This printed sale deed with stamp duty details will then be executed. The True Market Value is computed on the basis of rates of property published in the Ready Reckoner issued by the Government every year.	1 day	5% of property value
4	**Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances** The execution of the sale deed in front of the 2 witnesses is commonly done at the same time and place where the buyer submits documents to the Sub-Registrar. The documents are submitted to the office of the Sub Registrar of Assurances within whose jurisdiction the property is located. The authorized signatories of the seller and purchaser are required to be present along with two witnesses. Once the document is registered, a distinct document number is assigned to that document. The record of registration is kept in the office of sub registrar of assurance. The documents are submitted to the Reader of the Sub-Registrar of Assurances for scrutiny. After scrutiny, the Reader indicates the registration fee required, which is 1% of the transaction value or Rs. 30,000/- whichever is less on the document itself. The due registration fee is to be deposited with the cashier against a receipt. After depositing the fees, the documents are presented before the Sub-Registrar in accordance with Section 32 of the Registration Act, 1908. Normally, the Seller hands over the peaceful vacant and physical possession of the property to the buyer simultaneous to the deed being presented for registration. Upon payment of the required registration fees and computer service charges in cash, as per the receipt, the document is returned within 30 minutes of getting the receipt. The documentation shall include: (1) Document required to be registered (in duplicate) (2) Two passport-size photographs of the authorized signatories of both parties. (3) Photo identification of each party and witnesses i.e. voters' identity	1 day	1% of market value of the property (Maximum INR 30,000) + INR 20 per page of final sale deed for scanning charges (paid in cash)

No.	Procedure	Time to complete	Cost to complete
	card, passport, identity card issued by Govt. of India, Semi Govt. and Autonomous bodies or identification by a Gazette Officer. (4) Certified true copies of certificate of incorporation of both seller and purchaser. (5) Copy of the latest property register card (to be obtained from the City Survey Department) to indicate that the property does not belong to the government (6) Copy of the Municipal Tax bill to indicate the year in which the building was constructed (7)Copy of PAN Card of Income Tax of the Seller and the Buyer annexed along with the Sale Deed. It is also mandatory to affix thumb impression on the document to be registered in addition to signature and photograph.		
5	**Apply to the Land & Survey Office for mutation of the tile of the property** An application for mutation of the title of the property will have to be made to the City Survey and Land Records office for seeking mutation of the title of the property in the name of the purchaser. The authorised signatory has to submit the duly signed application along with the affidavit, indemnity bond and a notarised copy of the registered Sale Deed. After the assessment of the request for mutation, the City Survey and Land Records office decides the value of the tax on the property and issues a letter of mutation in favour of the purchaser. Cost included application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50.	30 days	INR 450 (Application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50)

* Takes place simultaneously with another procedure.
Note: Online procedures account for 0.5 days in the total time calculation.
Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.
- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

Private credit bureau coverage (% of adults)

Number of individuals and firms listed in largest private credit bureau as percentage of adult population

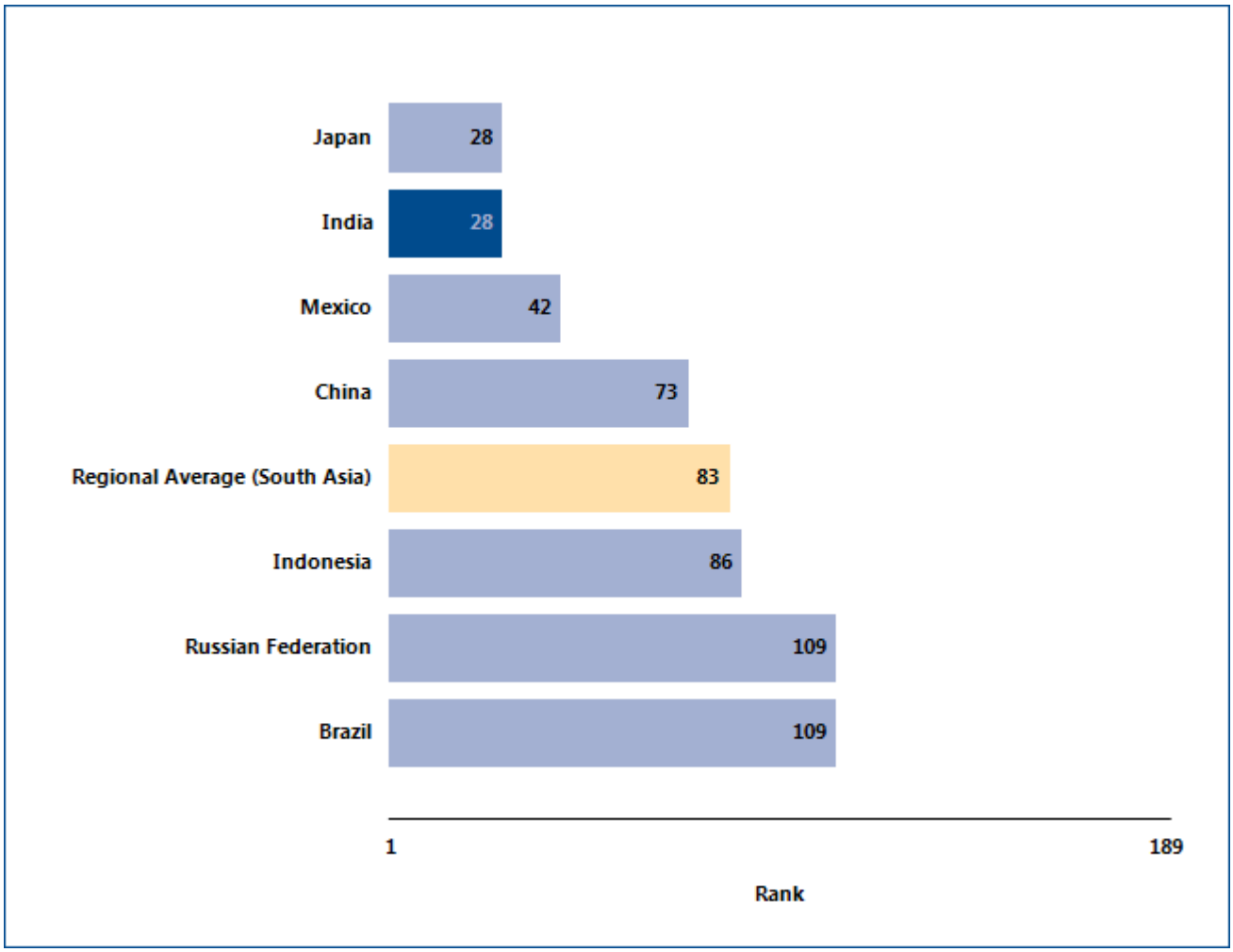
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in India facilitate access to credit? The economy has a score of 5 on the depth of credit information index and a score of 8 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, India stands at 28 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in India support lending and borrowing.

Figure 6.1 How India and comparator economies rank on the ease of getting credit



Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in India support lending and borrowing today, data over time can help show where institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in India over time

By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	..	24	28
Strength of legal rights index (0-10)	6	6	7	8	8	8	8	8	8	8
Depth of credit information index (0-6)	0	2	4	5	5	5	5	5	5	5
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private bureau coverage (% of adults)	0.0	1.7	6.1	10.8	10.5	10.2	10.0	15.1	14.9	19.8

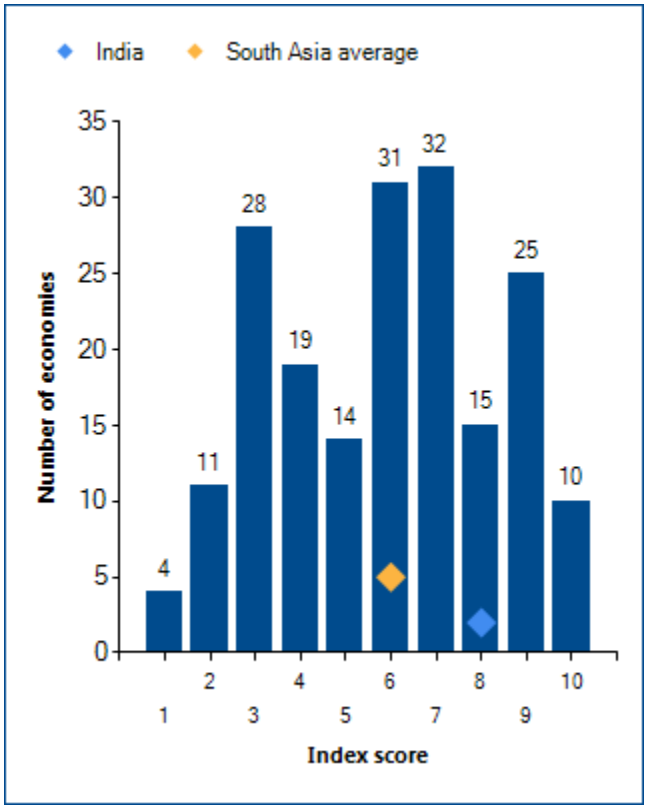
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.
Source: Doing Business database.

GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal rights index for India in 2013 and shows the number of economies with this score in 2013 as well as the regional average score. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

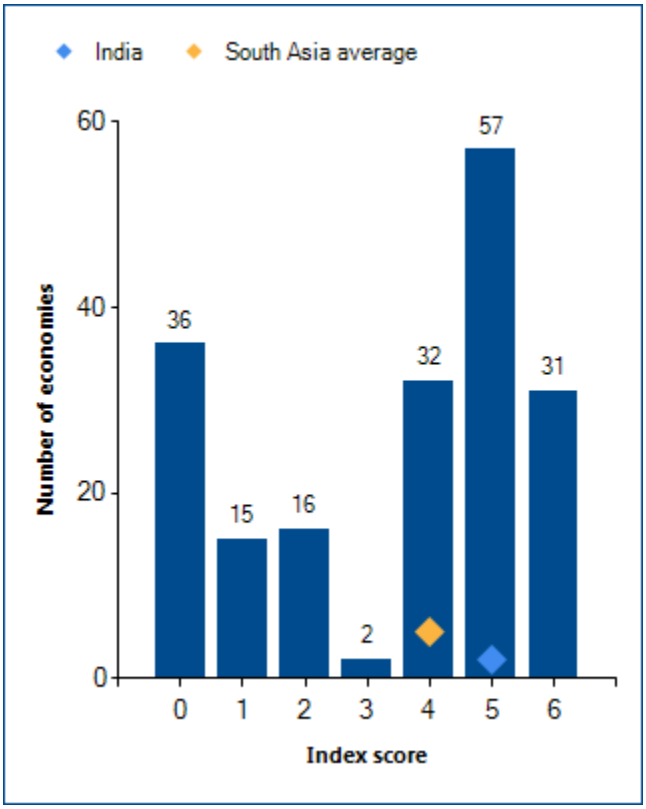
Number of economies with each score on strength of legal rights index (0–10), 2013



Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.
Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Number of economies with each score on depth of credit information index (0–6), 2013



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. Regional averages for the depth of credit information index exclude economies with no credit registry or credit bureau.
Source: Doing Business database.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in India (table 6.2)?

Table 6.2 How has India made getting credit easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for India are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Summary of scoring for the getting credit indicators in India

Indicator	India	South Asia average	OECD high income average
Strength of legal rights index (0-10)	8	6	7
Depth of credit information index (0-6)	5	4	5
Public registry coverage (% of adults)	0.0	10.5	42.9
Private bureau coverage (% of adults)	19.8	15.4	73.9

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once. Regional averages for the depth of credit information index exclude economies with no credit registry or credit bureau. Regional averages for the credit registry coverage exclude economies with no credit registry. Regional averages for the credit bureau coverage exclude economies with no credit bureau.

Strength of legal rights index (0–10)	Index score: 8
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	Yes

Strength of legal rights index (0–10)	Index score: 8
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure, or does the law provide secured creditors with grounds for relief from an automatic stay or/and sets a time limit to it?	Yes
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	Yes

Depth of credit information index (0–6)	Credit bureau	Credit registry	Index score: 5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	5,241,709	0
Number of individuals	154,700,919	0

Source: Doing Business database.

PROTECTING INVESTORS

Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not protect minority shareholders, investors may be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and minority shareholders' access to evidence before and during trial (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Approval process for related-party transactions

Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to file a direct or derivative lawsuit

Ability of minority shareholders to hold interested parties and members of the approving body liable for prejudicial related-party transactions

Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents (directly or through a government inspector)

Documents and information available during trial

Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

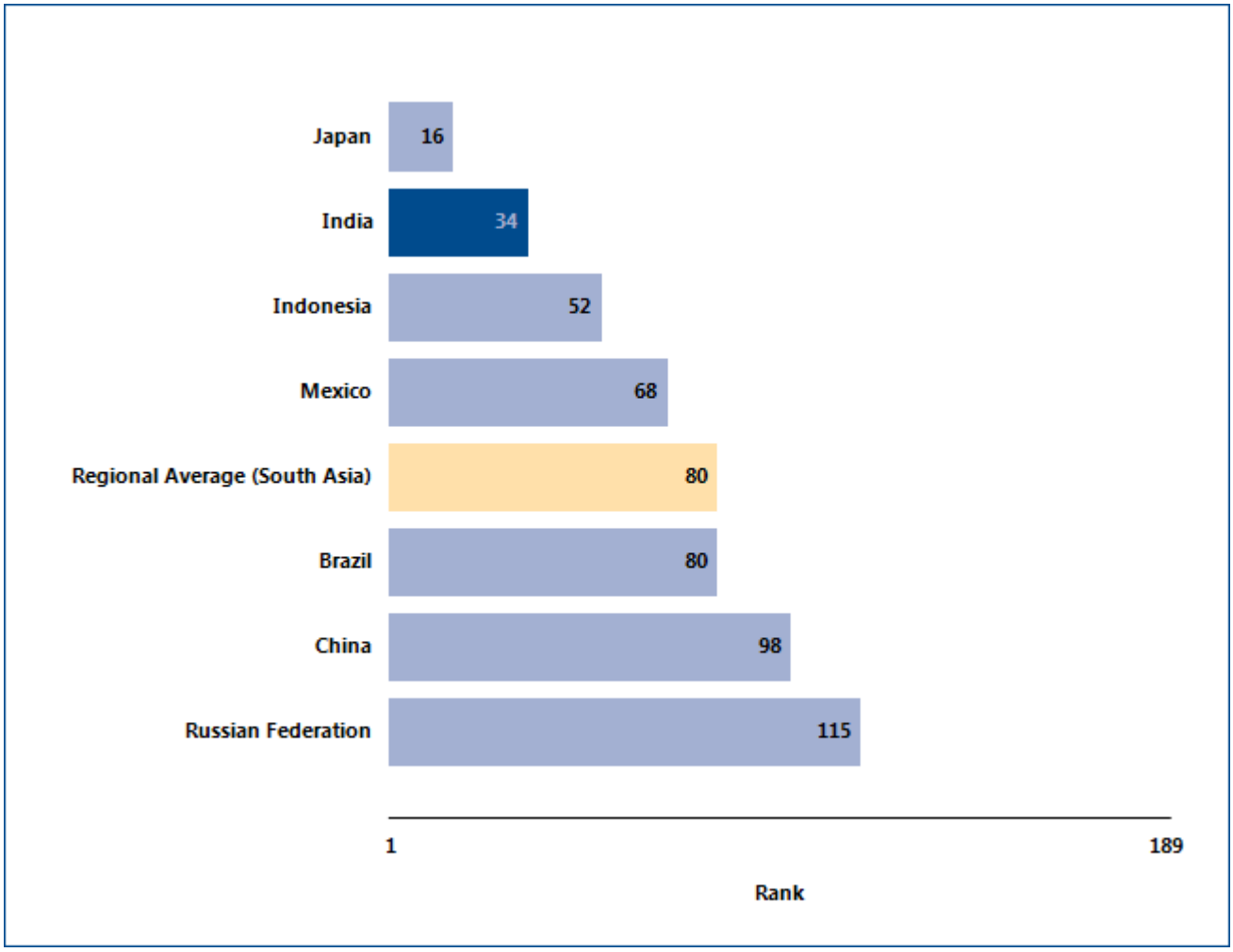
PROTECTING INVESTORS

Where does the economy stand today?

How strong are investor protections against self-dealing in India? The economy has a score of 6.3 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, India stands at 34 in the ranking of 189 economies on the strength of investor protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How India and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in India protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And the global ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in India over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	32	34
Extent of disclosure index (0-10)	7	7	7	7	7	7	7	7	7
Extent of director liability index (0-10)	4	4	4	4	4	4	4	4	4
Ease of shareholder suits index (0-10)	7	7	7	7	7	8	8	8	8
Strength of investor protection index (0-10)	6.0	6.0	6.0	6.0	6.0	6.3	6.3	6.3	6.3

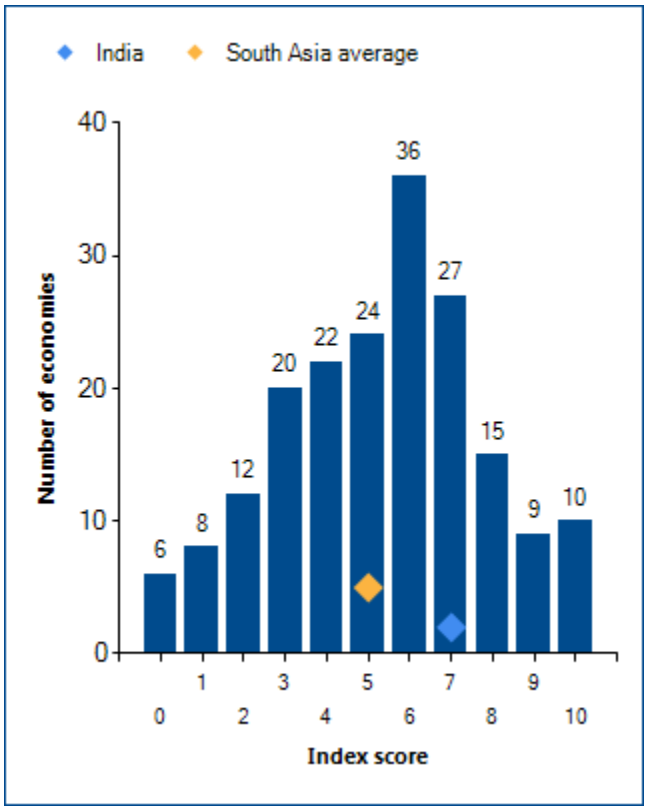
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.
Source: Doing Business database.

PROTECTING INVESTORS

One way to put an economy's scores on the protecting investors indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 7.2 highlights the score on the extent of disclosure index for India in 2013 and shows the number of economies with this score in 2013 as well as the regional average score. Figure 7.3 applies to the extent of director liability index, and figure 7.4 to the ease of shareholder suits index.

Figure 7.2 How strong are disclosure requirements?

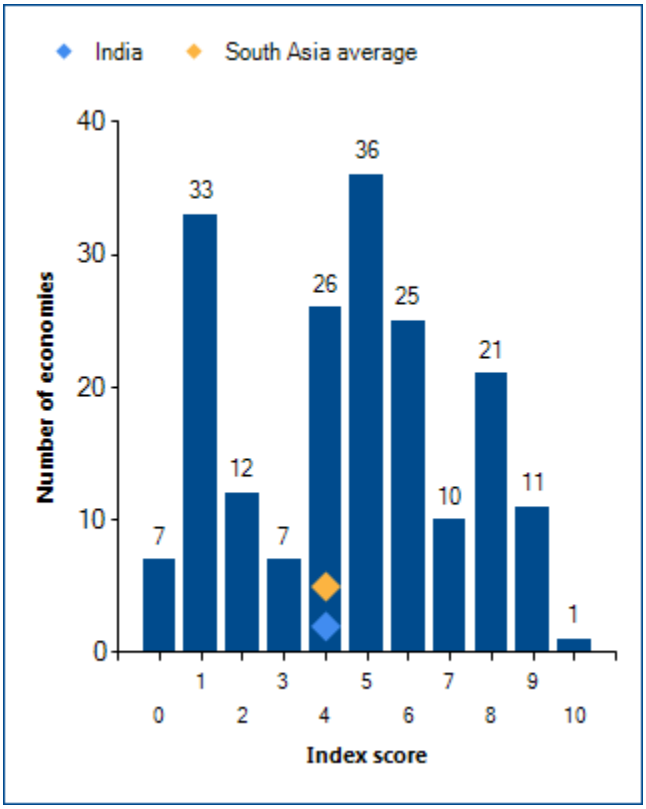
Number of economies with each score on the extent of disclosure index (0–10), 2013



Note: Higher scores indicate greater disclosure.
Source: Doing Business database.

Figure 7.3 How strong is the liability regime for directors?

Number of economies with each score on the extent of director liability index (0–10), 2013

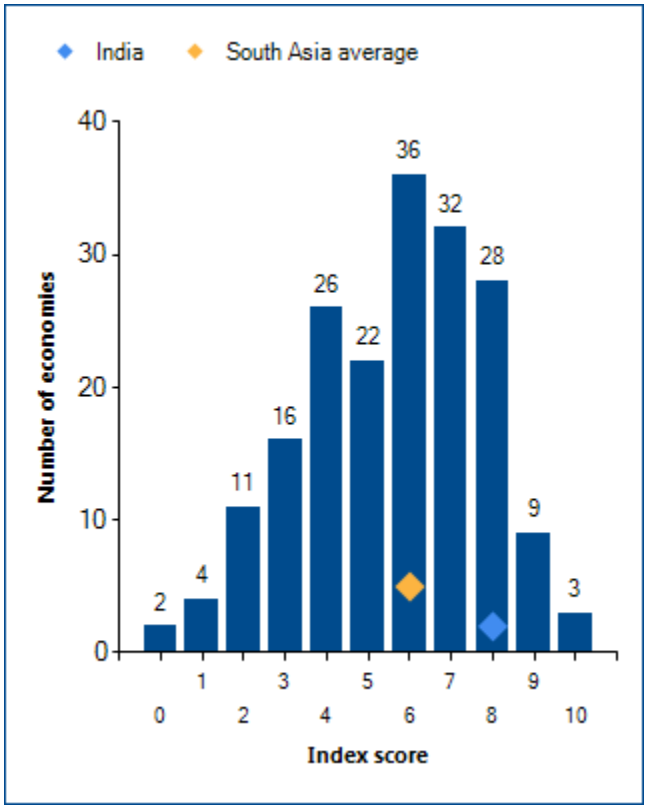


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Number of economies with each score on the ease of shareholder suits index (0–10), 2013



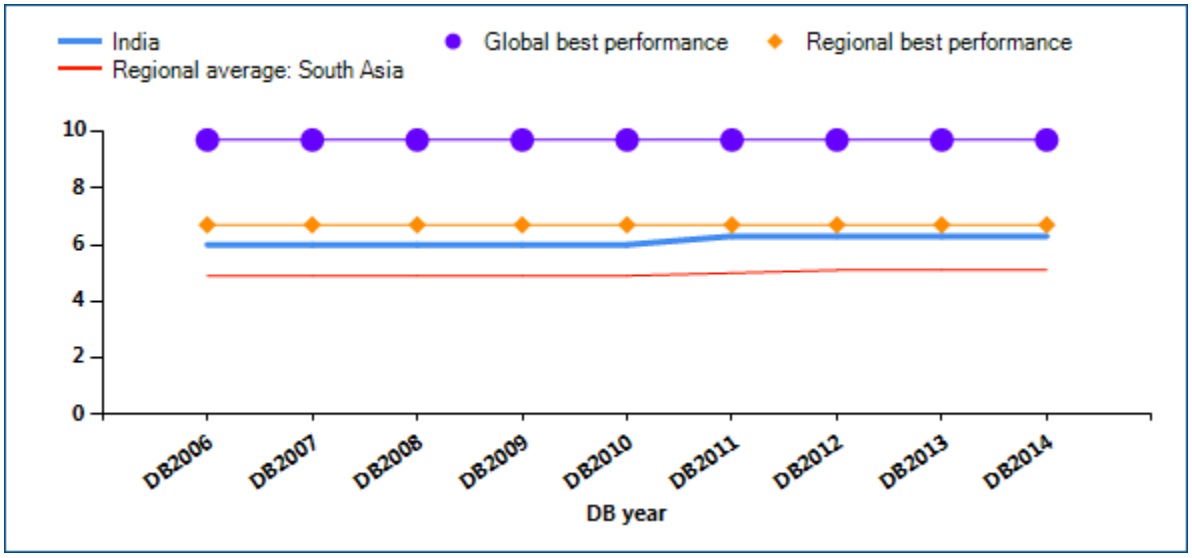
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.
Source: Doing Business database.

PROTECTING INVESTORS

The scores recorded over time for India on the strength of investor protection index may also be revealing (figure 7.5). Equally interesting may be the changes over time in the regional average score on this index.

Figure 7.5 Have investor protections become stronger over time?

Strength of investor protection index (0–10)



Note: The higher the score, the stronger the protections.
Source: Doing Business database.

PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. As a result, reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What investor protection reforms has *Doing Business* recorded in India (table 7.2)?

Table 7.2 How has India strengthened investor protections—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

PROTECTING INVESTORS

What are the details?

The protecting investors indicators reported here for India are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the extent of disclosure, extent of director liability and ease of shareholder suits indices, scores are assigned to each based on a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the data notes at the end of this chapter). The summary below shows the details underlying the scores for India.

Summary of scoring for the protecting investors indicators in India

Indicator	India	South Asia average	OECD high income average
Extent of disclosure index (0-10)	7	5	7
Extent of director liability index (0-10)	4	4	5
Ease of shareholder suits index (0-10)	8	6	7
Strength of investor protection index (0-10)	6.3	5.1	6.2

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

	Score	Score description
Extent of disclosure index (0-10)	7	
What corporate body provides legally sufficient approval for the transaction?	2	Board of directors and Mr. James is not allowed to vote
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2	Full disclosure of all material facts
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0	No disclosure obligation
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2	Disclosure on the transaction and Mr. James' conflict of interest
Whether an external body must review the terms of the transaction before it takes place?	1	Yes
Extent of director liability index (0-10)	4	
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0	Not liable
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	2	Liable for unfair/oppressive transaction or prejudicial to minority shareholders

	Score	Score description
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1	Possible when the transaction is oppressive or prejudicial to minority shareholders
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0	No
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0	No
Whether fines and imprisonment can be applied against Mr. James?	0	No
Ease of shareholder suits index (0-10)	8	
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0	No
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1	Yes
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4	Any information that may lead to the discovery of relevant information
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0	No
Whether the plaintiff can directly question the defendant and witnesses during trial?	2	Yes, without approval from the judge
Whether the level of proof required for civil suits is lower than that of criminal cases?	1	Yes
Strength of investor protection index (0-10)	6.3	

Source: Doing Business database.

PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.[1] To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.
- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2012 (number per year adjusted for electronic and joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

- Profit or corporate income tax
- Social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

[1] The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.5%.

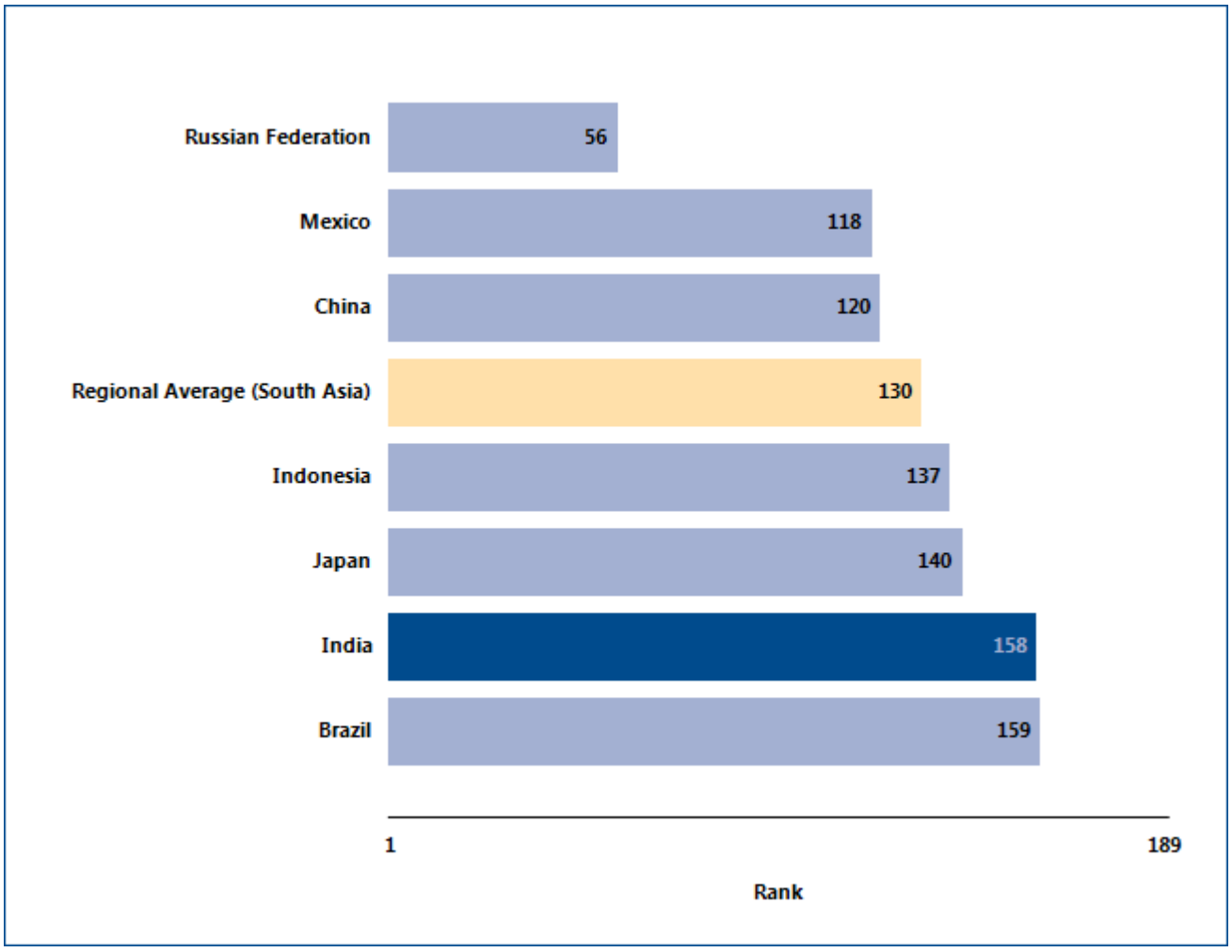
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in India—and how much do firms pay in taxes? On average, firms make 33 tax payments a year, spend 243 hours a year filing, preparing and paying taxes and pay total taxes amounting to 62.8% of profit (see the summary at the end of this chapter for details).

Globally, India stands at 158 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in India.

Figure 8.1 How India and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

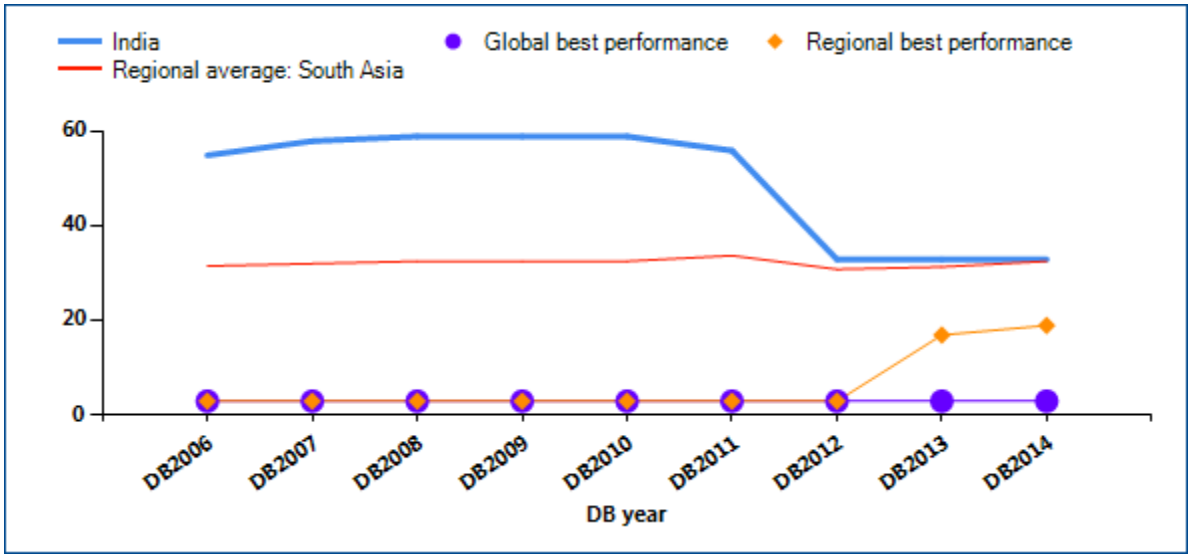
PAYING TAXES

What are the changes over time?

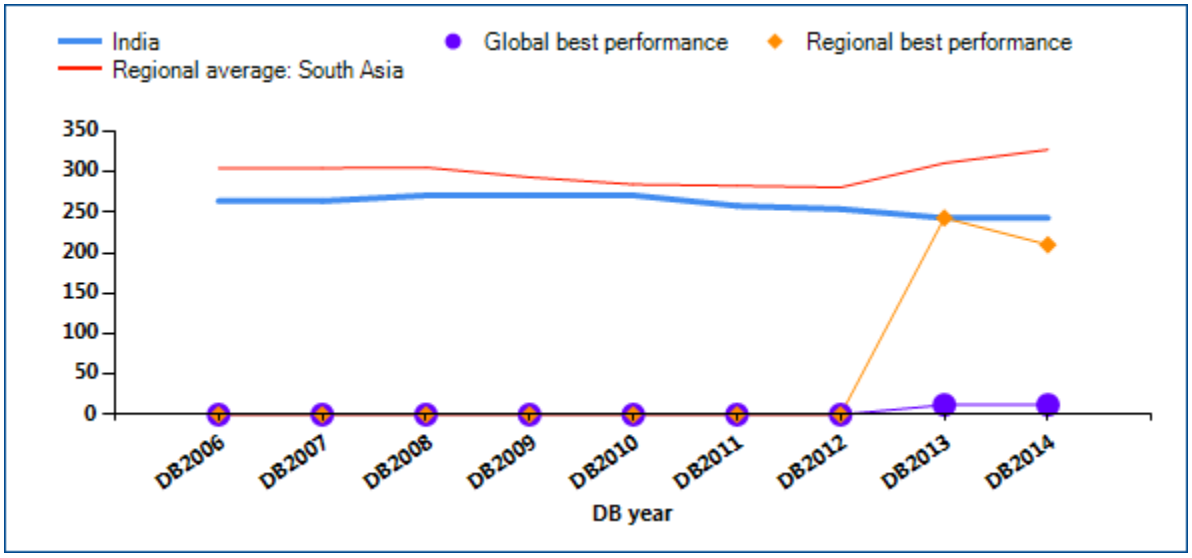
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2) help show what is possible in easing the administrative burden of tax compliance. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

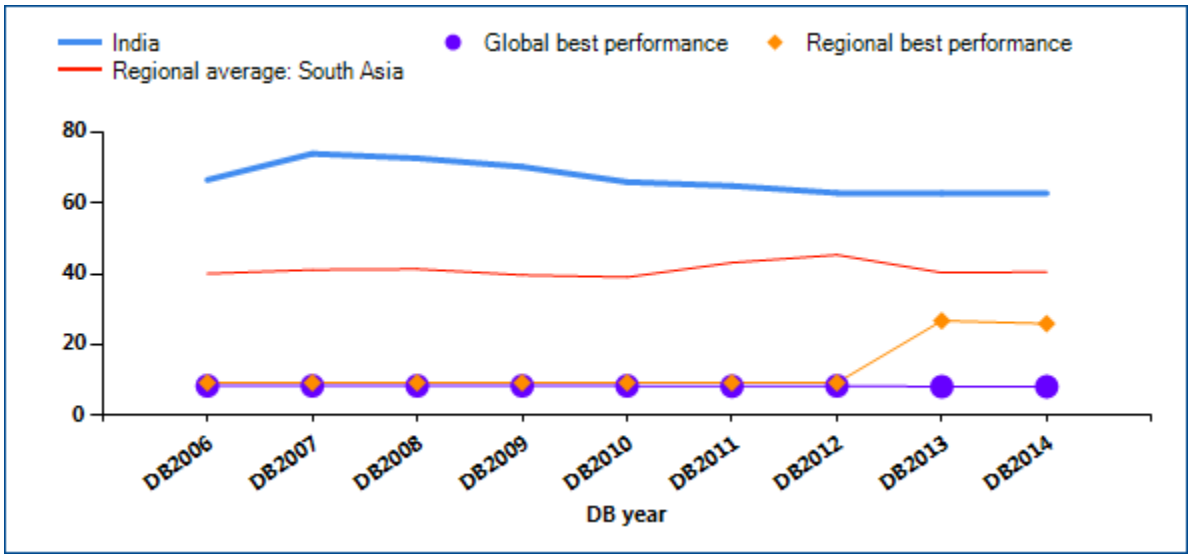


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.5% applied in DB2014, the total tax rate is set at 25.5% for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in India (table 8.1)?

Table 8.1 How has India made paying taxes easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
DB2012	India eased the administrative burden of paying taxes for firms by introducing mandatory electronic filing and payment for value added tax.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

PAYING TAXES

What are the details?

The indicators reported here for India are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.

LOCATION OF STANDARDIZED COMPANY

City: Mumbai

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Summary of tax rates and administrative burden in India

Indicator	India	South Asia average	OECD high income average
Payments (number per year)	33	33	12
Time (hours per year)	243	328	175
Profit tax (%)	24.4	16.8	16.1
Labor tax and contributions (%)	20.7	9.0	23.1
Other taxes (%)	17.8	14.8	2.0
Total tax rate (% profit)	62.8	40.6	41.3

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	45	30%	taxable profit	20.6	
Social security contributions	12		93	13.61%	gross salaries	15.4	
Central Sales Tax	1	online filing	105	2%	purchase price	14.1	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Employee's state insurance contribution	12		0	4.75%	gross salaries	5.4	
Dividend tax	1		0	16.2225%	dividend distributions	3.7	
Property tax	1		0	10%	assessed value	3.3	
Tax on insurance contracts	1		0	12.36%	insurance premium	0.2	
Vehicle tax (pollution tax)	1		0	INR 200	fixed fee per vehicle	0	
State VAT	1	online filing	0	12.5%	value added	0	not included
CENVAT (Excise Duty)	1	online filing	0	12.36%	value added	0	not included
Tax on interest	0	withheld	0	10%	interest income	0	included in other taxes
Fuel tax	1		0		fuel consumption	0	small amount
Income surcharge	0	paid jointly	0	7.5%	on all federal taxes	0	included in other taxes
Education cess	0	paid jointly	0	2%	all federal taxes including the surcharge	0	included in other taxes
Secondary & Higher education cess	0	paid jointly	0	1%	all federal taxes including the surcharge	0	included in other taxes
Totals	**33**		**243**			**62.8**	

Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.
- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea transport time

Cost required to export and import (US$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

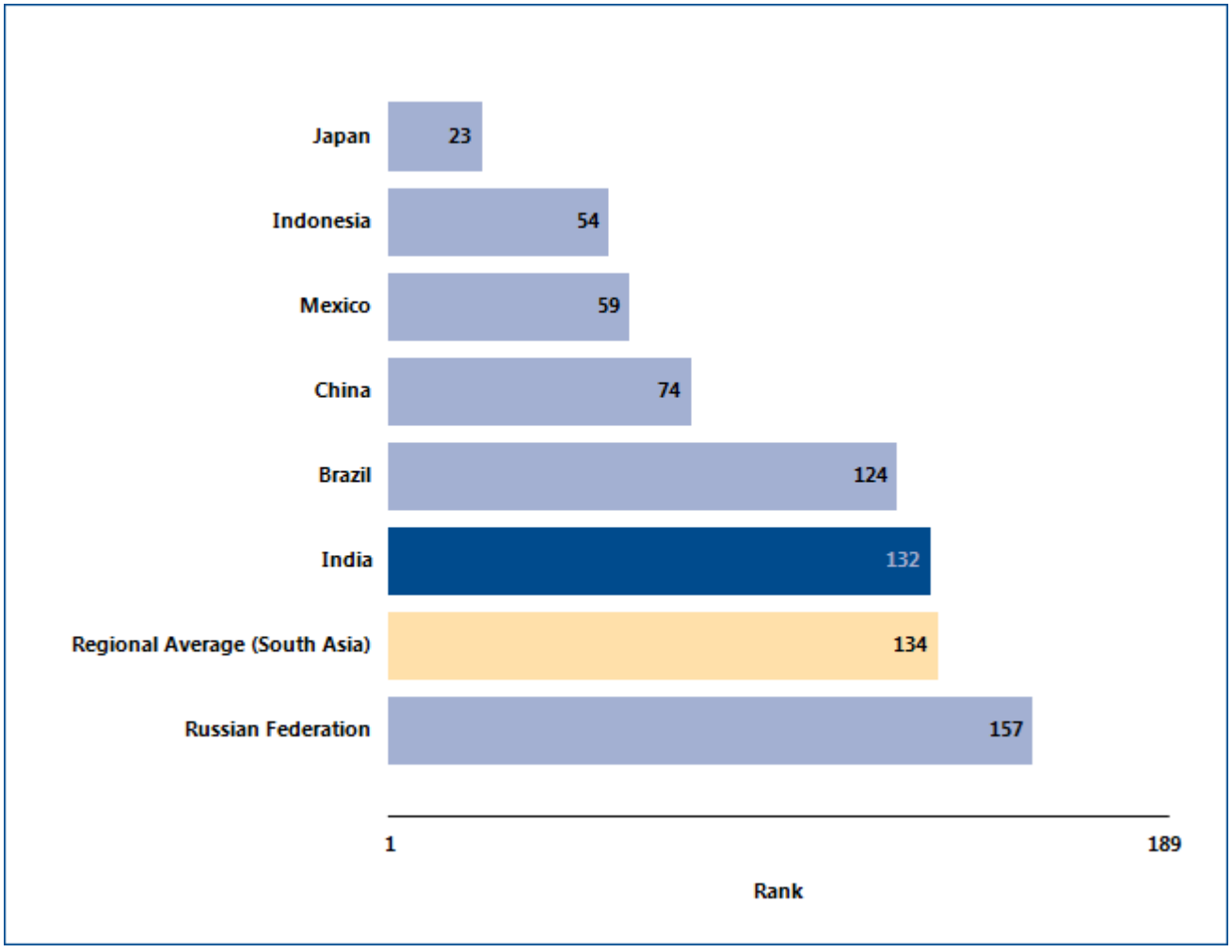
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in India? According to data collected by *Doing Business*, exporting a standard container of goods requires 9 documents, takes 16 days and costs $1170. Importing the same container of goods requires 11 documents, takes 20 days and costs $1250 (see the summary of procedures and documents at the end of this chapter for details).

Globally, India stands at 132 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in India to export and import goods.

Figure 9.1 How India and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

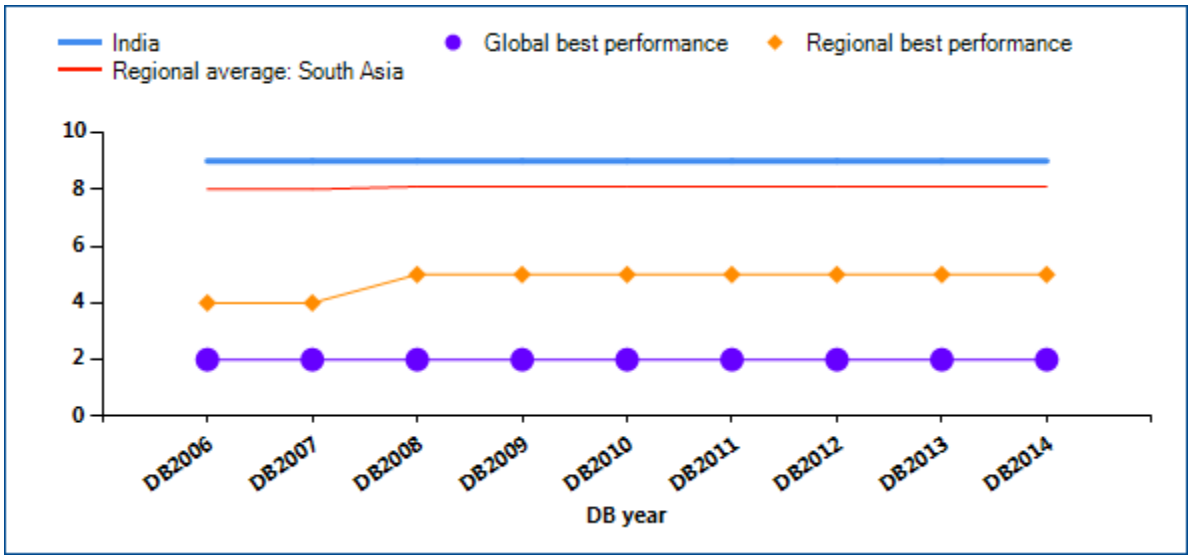
TRADING ACROSS BORDERS

What are the changes over time?

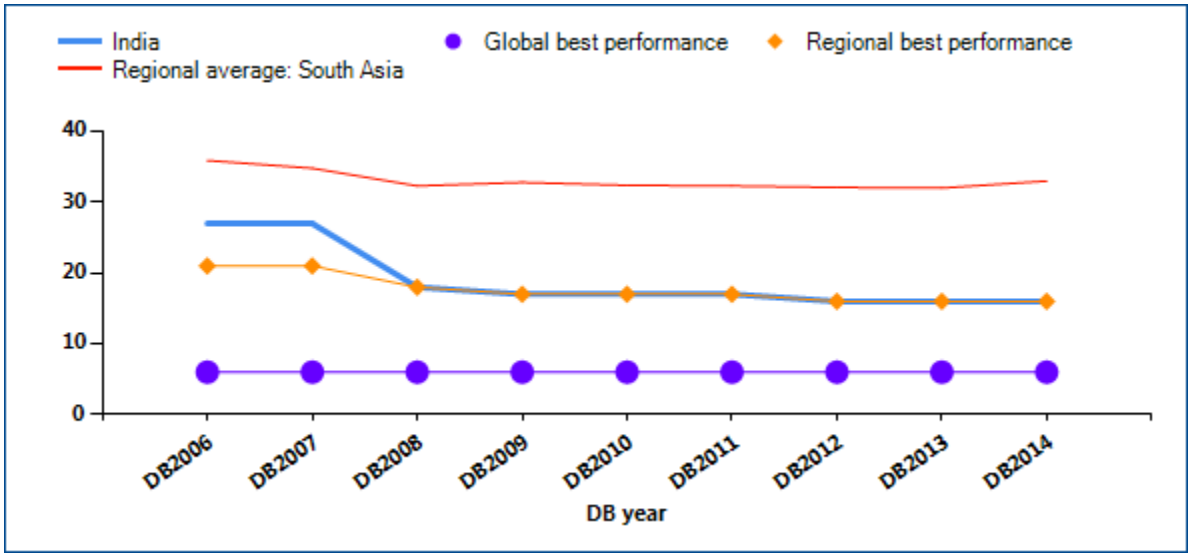
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2) help show what is possible in making it easier to trade across borders. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

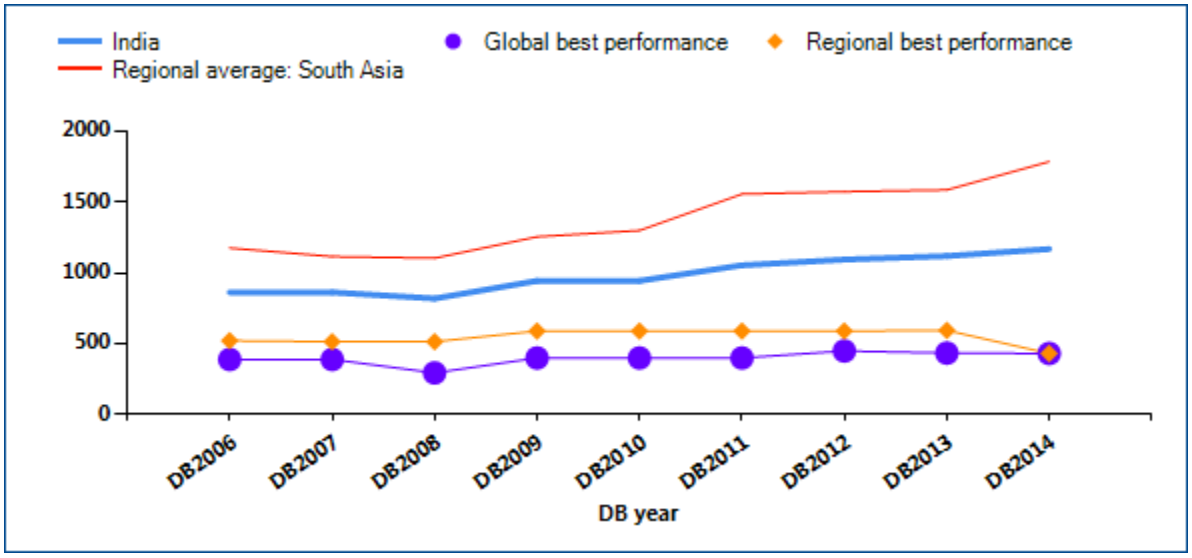


Time to export (days)

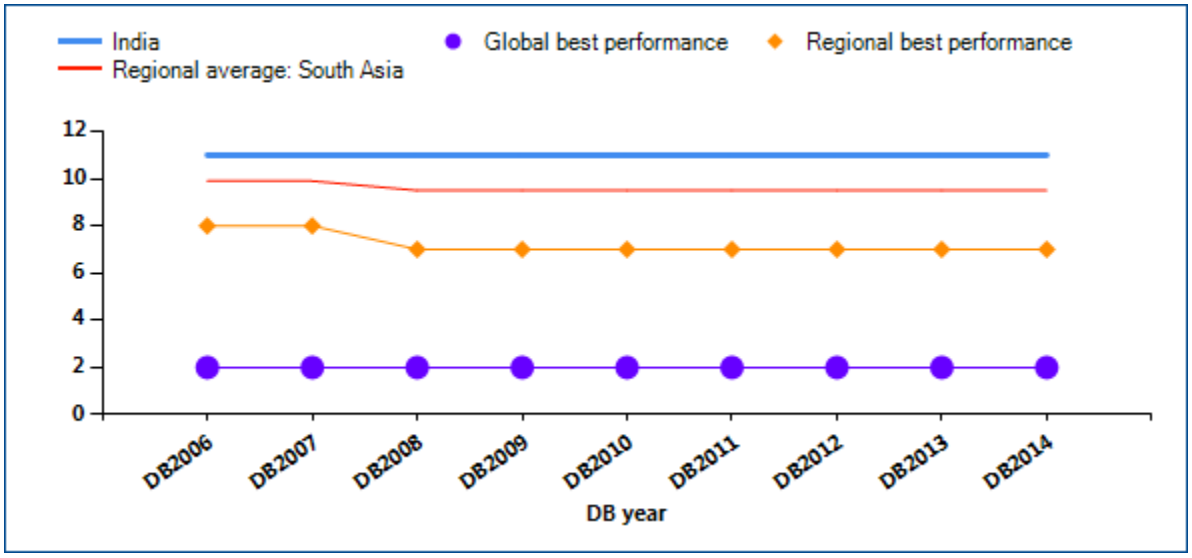


TRADING ACROSS BORDERS

Cost to export (US$ per container)

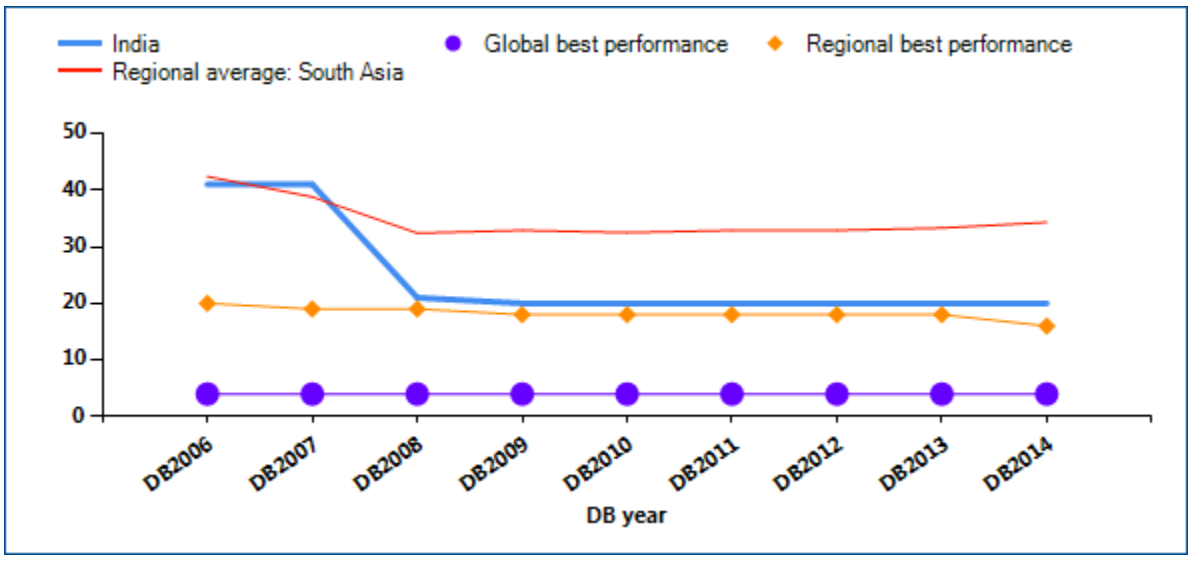


Documents to import (number)

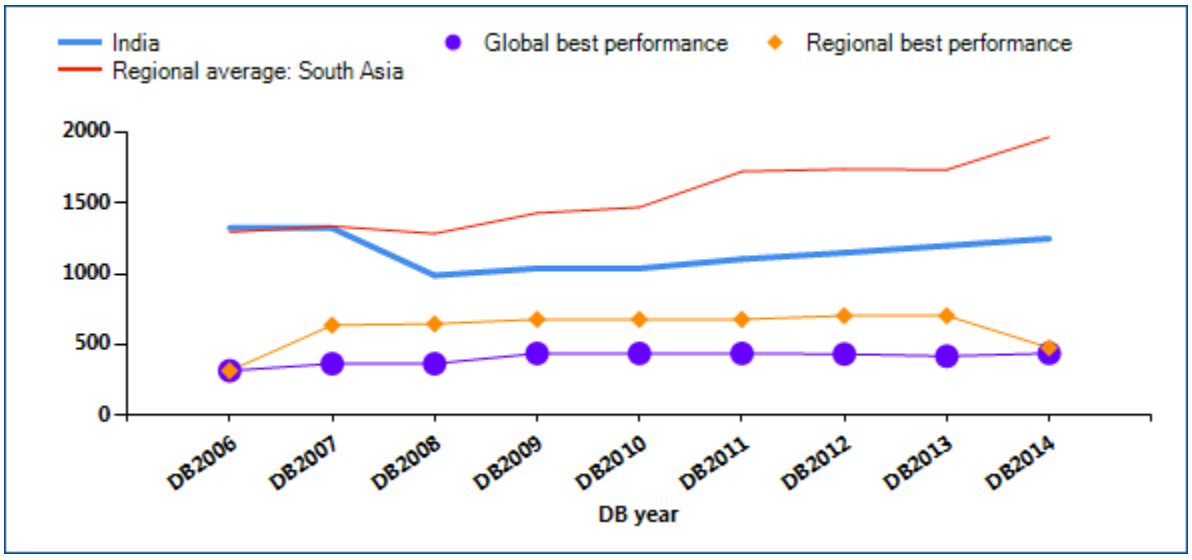


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US$ per container)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.
Source: Doing Business database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in India (table 9.1)?

Table 9.1 How has India made trading across borders easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	Implementation of EDI reduced the export time.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for India are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

LOCATION OF STANDARDIZED COMPANY

City: Mumbai

The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Summary of procedures and documents for trading across borders in India

Indicator	India	South Asia average	OECD high income average
Documents to export (number)	9	8	4
Time to export (days)	16	33	11
Cost to export (US$ per container)	1,170	1,787	1,070
Documents to import (number)	11	10	4
Time to import (days)	20	34	10
Cost to import (US$ per container)	1,250	1,968	1,090

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Procedures to export	Time (days)	Cost (US$)
Documents preparation	8	415
Customs clearance and technical control	2	130
Ports and terminal handling	3	225
Inland transportation and handling	3	400
Totals	16	1,170

Procedures to import	Time (days)	Cost (US$)
Documents preparation	8	400

Procedures to import	Time (days)	Cost (US$)
Customs clearance and technical control	4	200
Ports and terminal handling	5	250
Inland transportation and handling	3	400
Totals	20	1,250

Documents to export
Bill of Lading
Certificate of Origin
Commercial invoice
Foreign exchange control form
Inspection report
Packing list
Shipping Bill (customs export declaration)
Technical standard certificate
Terminal handling receipts

Source: Doing Business database.

Documents to import
Bill of Entry (customs import declaration)
Bill of lading
Cargo release order
Certificate of origin
Certified engineer's report (technical standard certificate)
Commercial invoice
Foreign exchange control form
Inspection report
Packing list
Product manual
Terminal handling receipts

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

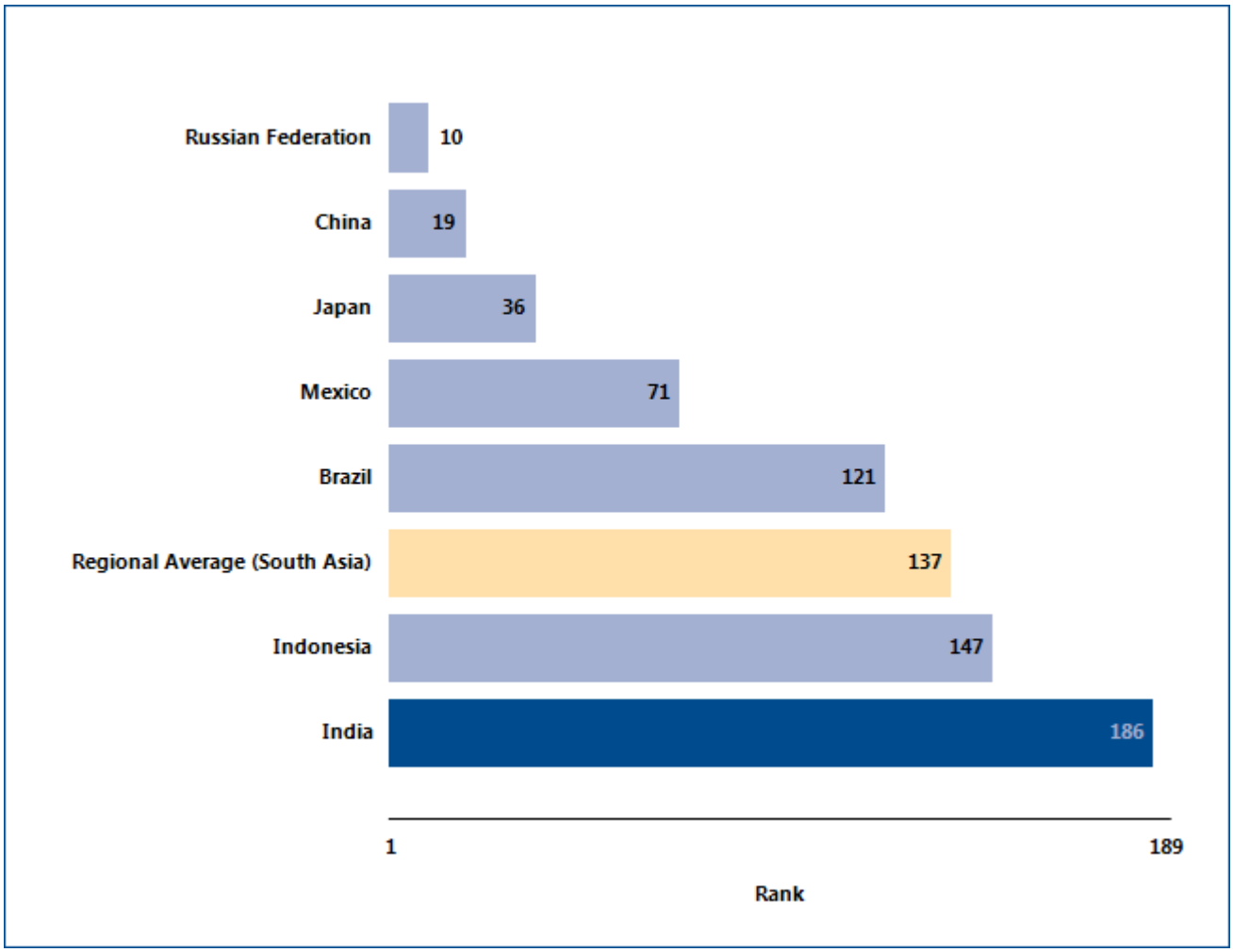
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in India? According to data collected by *Doing Business*, contract enforcement takes 1420 days, costs 39.6% of the value of the claim and requires 46 procedures (see the summary at the end of this chapter for details).

Globally, India stands at 186 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in India.

Figure 10.1 How India and comparator economies rank on the ease of enforcing contracts



Source: Doing Business database.

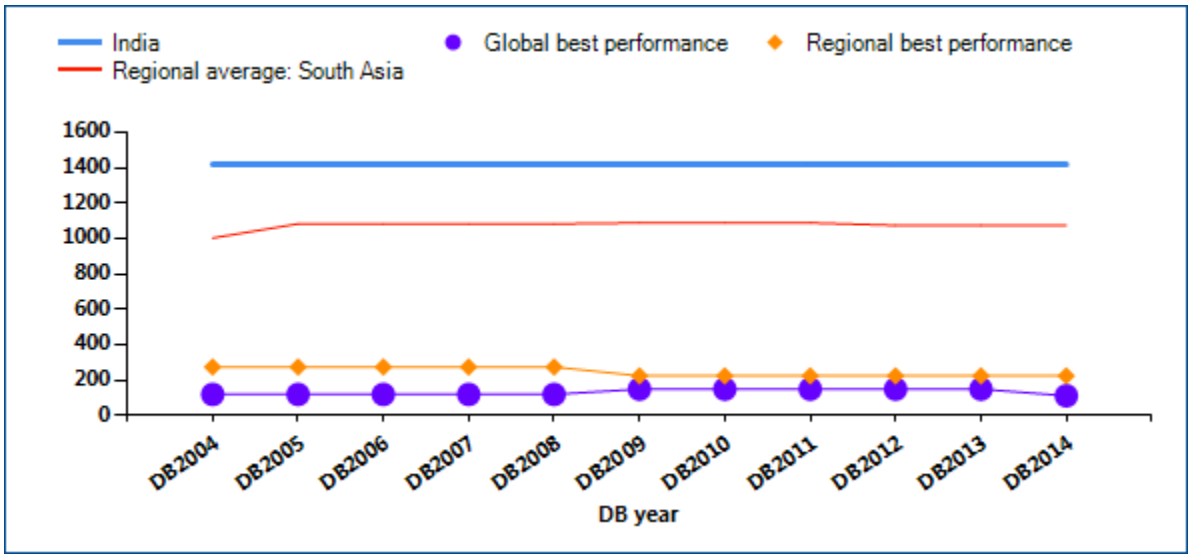
ENFORCING CONTRACTS

What are the changes over time?

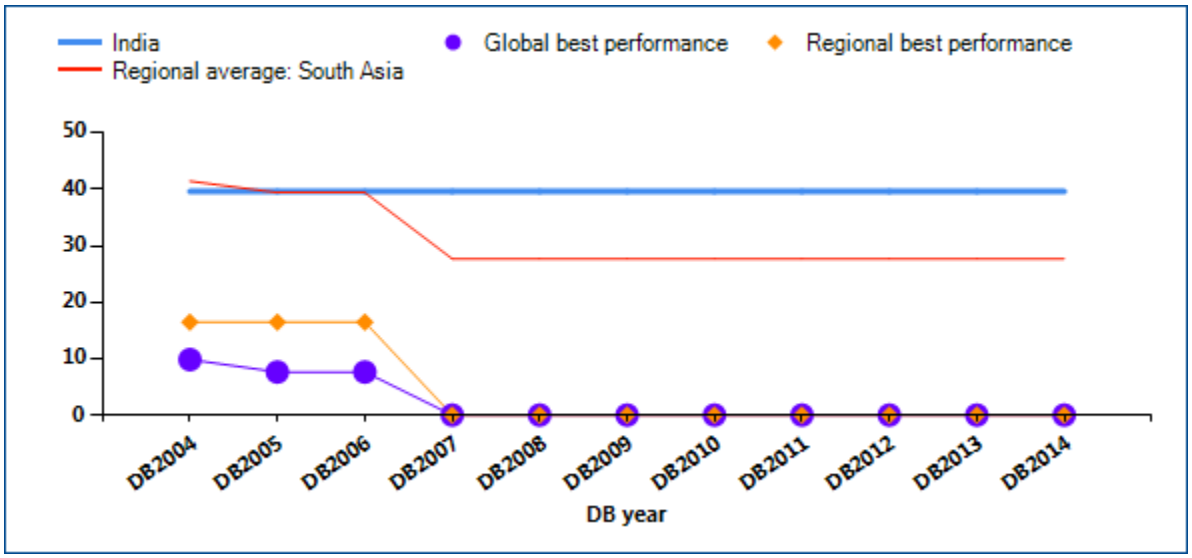
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2) help show what is possible in improving the efficiency of contract enforcement. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Time (days)

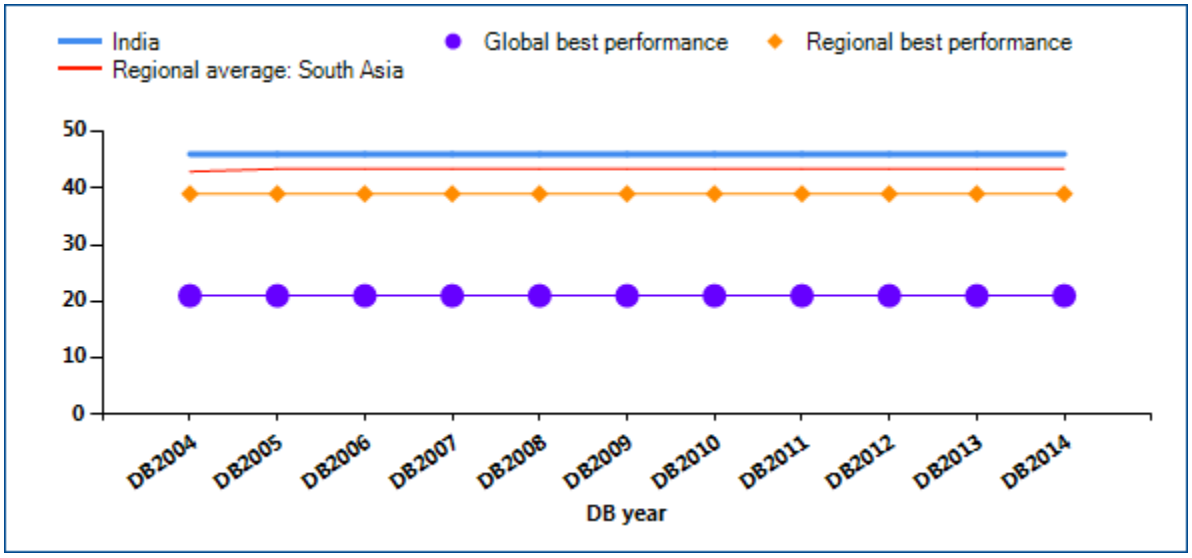


Cost (% of claim)



ENFORCING CONTRACTS

Procedures (number)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.
Source: Doing Business database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in India (table 10.1)?

Table 10.1 How has India made enforcing contracts easier—or not?

By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

ENFORCING CONTRACTS

What are the details?

The indicators reported here for India are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
City:	**Mumbai**
Claim Value LCU:	**142711**
Court Name:	**Bombay City Civil Court**

The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

Summary of procedures for enforcing a contract in India—and the time and cost

Indicator	India	South Asia average	OECD high income average
Time (days)	**1,420**	**1,075**	**529**
Filing and service	20		
Trial and judgment	1,095		
Enforcement of judgment	305		
Cost (% of claim)	**39.6**	**27.7**	**21.0**
Attorney cost (% of claim)	30.6		
Court cost (% of claim)	8.5		
Enforcement Cost (% of claim)	0.5		
Procedures (number)	**46**	**43**	**31**

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

ENFORCING CONTRACTS

No.	Procedure
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to represent him before the court.
*	Plaintiff's filing of summons and complaint: Plaintiff files his summons and complaint with the court, orally or in writing.
*	Plaintiff's payment of court fees: Plaintiff pays court duties, stamp duties, or any other type of court fee.
3	Registration of court case: The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.
*	Assignment of court case to a judge: The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.
4	Court scrutiny of summons and complaint: A judge examines Plaintiff's summons and complaint for formal requirements.
*	Judge admits summons and complaint: After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.
5	Court order for service: Upon Plaintiff's request, judge orders process be served on Defendant.
6	Delivery of summons and complaint to person authorized to perform service of process on Defendant: The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes whatever steps are necessary to arrange for physical service of process on Defendant, such as instructing a court officer or a (private) bailiff.
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
7	First attempt at physical delivery: A first attempt to physically deliver summons and complaint to Defendant is successful in the majority of cases.
8	Second attempt at physical delivery: If a first attempt was not successful, a second attempt to physically deliver the summons and complaint to Defendant is required by law or standard practice.
*	Proof of service: Plaintiff submits proof of service to court.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)

No.	Procedure
*	Decision on pre-judgment attachment: The judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision. This step may include requesting that Plaintiff submit guarantees or bonds to secure Defendant
9	Pre-judgment attachment.: Defendant's property is attached prior to judgment. Attachment is either physical or achieved by registering, marking, debiting or separating assets. (see assumption 5)
10	Custody of assets attached prior to judgment: Defendant's attached assets are put under enforcement officer's or (private) bailiff's care. (see assumption 5)
11	Hearing on pre-judgment attachment: A hearing takes place to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions. (see assumption 5)
	Trial and judgment:
*	Defendant's filing of preliminary exemptions: Defendant presents preliminary exemptions to the court. Preliminary exemptions differ from answers on the merits of the claim. Examples of preliminary exemptions are statute of limitations, jurisdictions, etc.
*	Plaintiff's answer to preliminary exemptions: Plaintiff responds to the preliminary exemptions raised by Defendant.
12	Judge's resolution on preliminary exemptions: Judge decides on preliminary exemptions separately from the merits of the case.
13	Defendant's filing of defense or answer to Plaintiff's claim: Defendant files a written pleading which includes his defense or answer on the merits of the case. Defendant's written answer may or may not include witness statements, expert statements, the documents Defendant relies on as evidence and the legal authori
14	Deadline for Plaintiff to answer Defendant's defense or answer: Judge sets the deadline by which Plaintiff will be allowed to answer Defendant's defense or answer.
15	Plaintiff's written response to Defendant's defense or answer: Plaintiff responds to Defendant's defense or answer with a written pleading. Plaintiff's answer may or may not include a witness statements or expert (witness) statements.
16	Filing of pleadings: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
17	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings.
18	Framing of issues: Plaintiff and Defendant assist the court in framing issues on which evidence is to be presented.
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 6-b of this case)

No.	Procedure
19	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert. (see assumption 6-b of this case)
*	Delivery of expert report by court-appointed expert: The independent expert appointed by the court delivers his or her expert report to the court. (see assumption 6-b of this case)
*	Discovery requests: Plaintiff and Defendant make requests for the disclosure of documents, attempting to force the other party to reveal potentially detrimental documents.
*	Setting of date(s) for oral hearing or trial: The judge sets the date(s) for the oral hearing or trial.
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court. (see assumption 6-a)
20	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial. (see assumption 6-a)
21	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial.
22	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
23	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
*	Request for closing of the evidence period: Plaintiff or Defendant requests the judge to close the evidence period.
24	Closing of the evidence period: The court makes the formal decision to close the evidence period.
25	Order for submission of final arguments: The judge sets the deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
26	Judgment date: The judge sets a date for delivery of the judgment.
27	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
28	Writing of judgment: The judge produces a written copy of the judgment.
29	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
30	Plaintiff's receipt of a copy of written judgment: Plaintiff receives a copy of the written judgment.
31	Appeal period: By law, Defendant has the opportunity to appeal the judgment during a period specified in the law. Defendant decides not to appeal. Judgment becomes final the day the appeal period ends.
32	Reimbursement by Defendant of Plaintiff's court fees: The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	Enforcement of judgment:

No.	Procedure
*	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
33	Plaintiff's approaching of court enforcement officer or (private) bailiff to enforce the judgment: To enforce the judgment, Plaintiff approaches a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	Plaintiff's request for enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
34	Plaintiff's advancement of enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a (private) bailiff.
*	Plaintiff's request for physical enforcement: As Plaintiff fears that Defendant might physically resist the attachment of its movable goods, Plaintiff addresses a request to the judge or to the police authorities to obtain police assistance during the attachment of Defendant's movable goods.
35	Judge's order for physical enforcement: The judge orders the police to assist with the physical enforcement of the attachment of Defendant's movable goods.
36	Identification of Defendant's assets for attachment by court official or Defendant: Judge, a court enforcement officer, a (private) bailiff or the Defendant himself identifies Defendant's movable assets for attachment.
37	Plaintiff's identification of Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
38	Notification of intent to attach: A court enforcement officer or (private) bailiff notifies other creditors of the intent to attach Defendant's goods.
39	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
40	Report on execution of attachment: A court enforcement officer or private process server delivers a report on the attachment of Defendant's movable goods to the judge.
41	Valuation or appraisal of attached movable goods: The court or court appointed valuation expert evaluates the attached goods.
42	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
43	Call for public auction: The judge calls a public auction by, for example, advertising or publication in the newspapers.
44	Sale through public auction: The Defendant's movable property is sold at public auction.
45	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
46	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

* Not counted in the total number of procedures.
Source: Doing Business database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

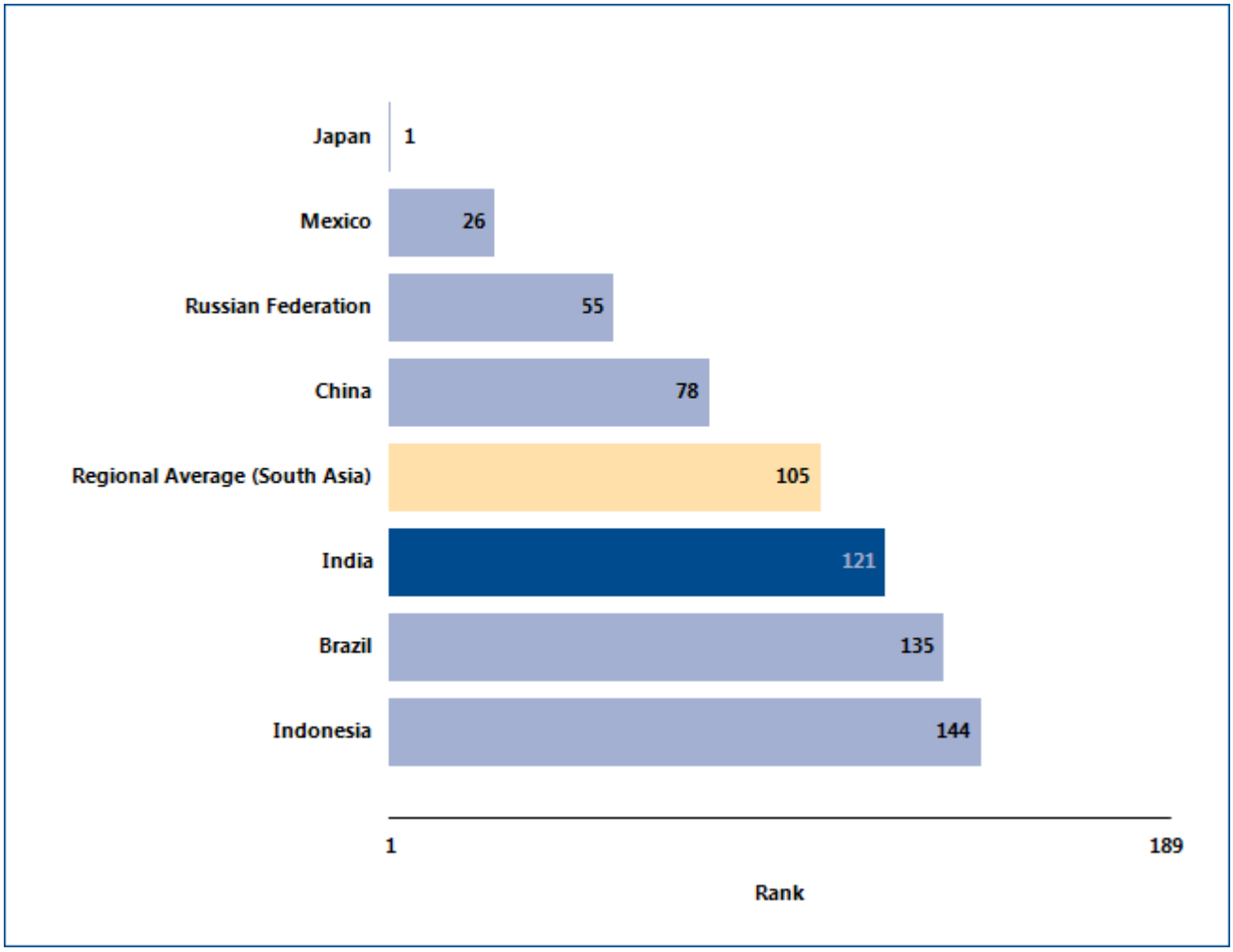
RESOLVING INSOLVENCY

Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in India? According to data collected by *Doing Business*, resolving insolvency takes 4.3 years on average and costs 9% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 25.6 cents on the dollar.

Globally, India stands at 121 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in India.

Figure 11.1 How India and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.

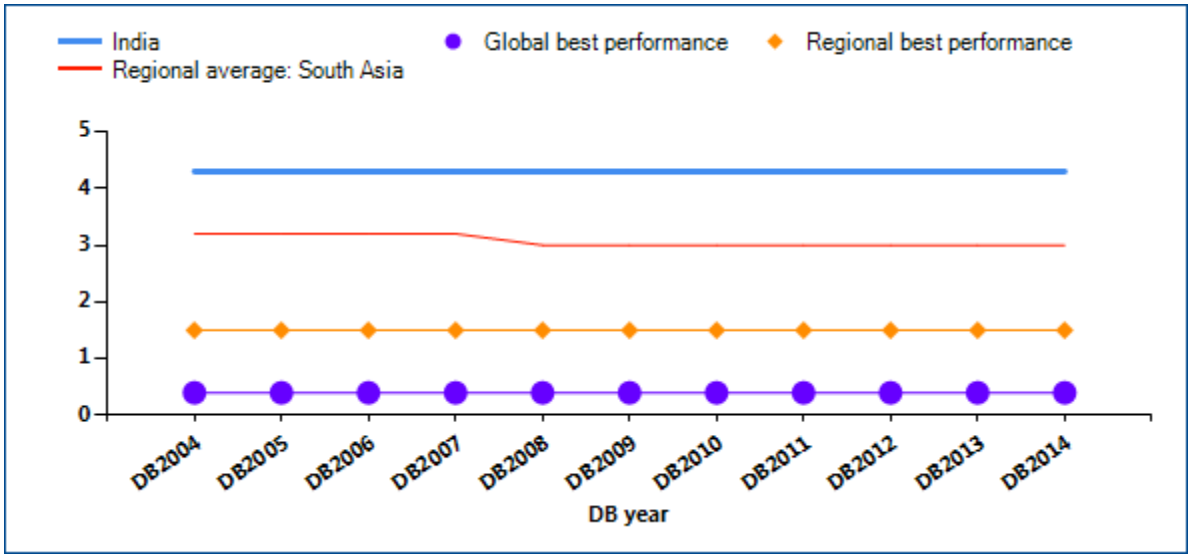
RESOLVING INSOLVENCY

What are the changes over time?

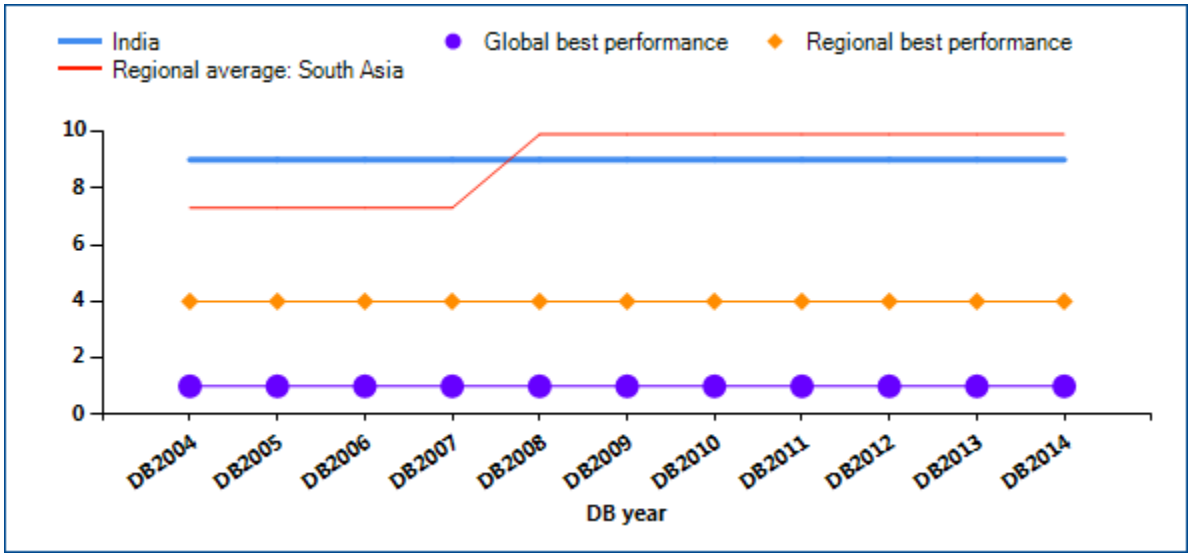
The benchmarks provided by the economies that over time have had the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2) help show what is possible in improving the efficiency of insolvency proceedings. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

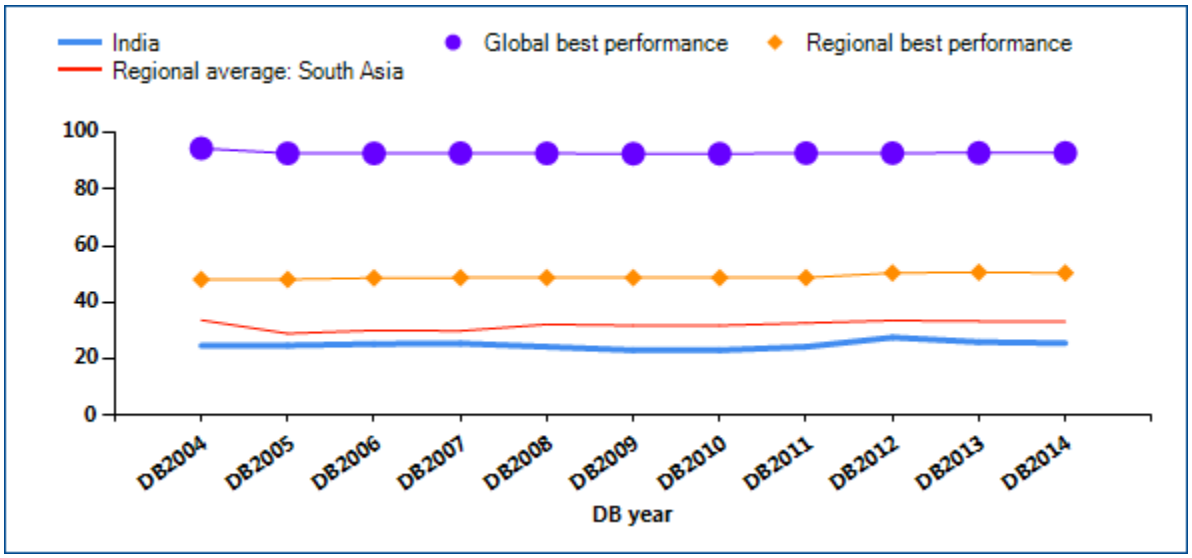


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0. Regional averages on time and cost exclude economies with a "no practice" mark.
Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in India (table 11.1)?

Table 11.1 How has India made resolving insolvency easier—or not?
By *Doing Business* report year

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	India has eased the process of closing a business by making processes more effective thus reducing time needed.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

EMPLOYING WORKERS

Doing Business measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. Over the period from 2007 to 2011 improvements were made to align the methodology for the employing workers indicators with the letter and spirit of the International Labour Organization (ILO) conventions. Only 4 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay and night work. The *Doing Business* methodology is fully consistent with these 4 conventions. The ILO conventions covering areas related to the Employing Workers indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, OECD, civil society and the private sector—to review the employing workers methodology and explore future areas of research.[i] A full report with the conclusions of the consultative group is available at http://www.doingbusiness.org/methodology/employing-workers.

This year *Doing Business* continued research collecting additional data on regulations covering the probationary period for new employees.

Doing Business 2014 presents the data on the employing workers indicators in an annex. The report does not present rankings of economies on the employing workers indicators nor include the topic in the aggregate ranking on the ease of doing business. Detailed data collected on labor regulations and the employing workers methodology proposed by the consultative group are available on the *Doing Business* website (http://www.doingbusiness.org). The data on employing workers are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Earns a salary plus benefits equal to the economy's average wage during the entire period of his employment.
- Has a pay period that is the most common for workers in the economy.
- Is a lawful citizen who belongs to the same race and religion as the majority of the economy's population.
- Resides in the economy's largest business city.
- Is not a member of a labor union, unless membership is mandatory.

The business:

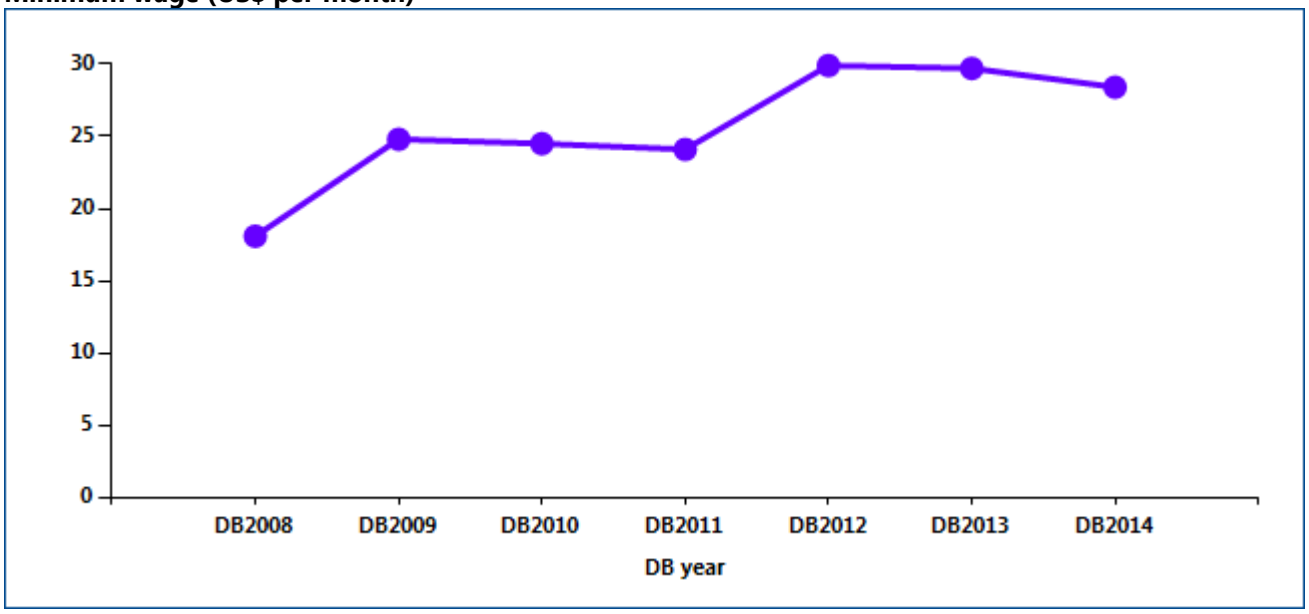
- Is a limited liability company.
- Operates in the economy's largest business city.
- Is 100% domestically owned.
- Operates in the manufacturing sector.
- Has 60 employees.
- Is subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.
- Abides by every law and regulation but does not grant workers more benefits than mandated by law, regulation or (if applicable) collective bargaining agreement.

EMPLOYING WORKERS

What do some of the data show?

One of the employing workers indicators is the difficulty of hiring index. This measure assesses, among other things, the minimum wage for a 19-year-old worker in his or her first job. *Doing Business* data show the trend in the minimum wage applied by India (figure 12.1).

Figure 12.1 Has the minimum wage for a 19-year-old worker or an apprentice increased over time?



Note: A horizontal line along the x-axis of the figure indicates that the economy has no minimum wage.
Source: Doing Business database.

EMPLOYING WORKERS

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. Many economies that changed their labor regulations in the past 5 years did so in ways that increased labor market flexibility. What changes did India adopt that affected the *Doing Business* indicators on employing workers (table 12.1)?

Table 12.1 What changes did India make in employing workers in 2013?

DB year	Reform
DB2009	No reform as measured by Doing Business.
DB2010	No reform as measured by Doing Business.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.
DB2014	No reform as measured by Doing Business.

Source: Doing Business database.

EMPLOYING WORKERS

What are the details?

The data on employing workers reported here for India are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Rigidity of employment index

The rigidity of employment index measures 3 areas of labor regulation: difficulty of hiring, rigidity of hours and difficulty of redundancy.

Difficulty of hiring index

The difficulty of hiring index measures whether fixed-term contracts are prohibited for permanent tasks; the maximum cumulative duration of fixed-term contracts; and the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker. (The average value added per worker is the ratio of an economy's gross national income per capita to the working-age population as a percentage of the total population.)

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage for a 19-year old worker or an apprentice (US$/month)	28.4
Ratio of minimum wage to value added per worker	0.15

Source: Doing Business database.

EMPLOYING WORKERS

Rigidity of hours index

The rigidity of hours index has 5 components: whether there are restrictions on night work; whether there are restrictions on weekly holiday work; whether the workweek can consist of 5.5 days or is more than 6 days; whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year to respond to a seasonal increase in production; and whether the average paid annual leave for a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is more than 26 working days or fewer than 15 working days.

Rigidity of hours index	Data
Standard workday in manufacturing (hours)	9 hours
50-hour workweek allowed for 2 months a year in case of a seasonal increase in production?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay) in case of continuous operations	0%
Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	0%
Major restrictions on night work in case of continuous operations?	No
Major restrictions on weekly holiday in case of continuous operations?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	15.0
Paid annual leave for a worker with 5 years of tenure (in working days)	15.0
Paid annual leave for a worker with 10 years of tenure (in working days)	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	15.0

Source: Doing Business database.

EMPLOYING WORKERS

Difficulty of redundancy index

The difficulty of redundancy index has 8 components: whether redundancy is disallowed as a basis for terminating workers; whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; whether the employer needs to notify a third party to terminate a group of 9 redundant workers; whether the employer needs approval from a third party to terminate 1 redundant worker; whether the employer needs approval from a third party to terminate a group of 9 redundant workers; whether the law requires the employer to reassign or retrain a worker before making the worker redundant; whether priority rules apply for redundancies; and whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	Yes
Third-party approval if 1 worker is dismissed?	Yes
Third-party notification if 9 workers are dismissed?	Yes
Third-party approval if 9 workers are dismissed?	Yes
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	Yes
Priority rules for reemployment?	Yes

Source: Doing Business database.

EMPLOYING WORKERS

Redundancy cost

The redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is used to assign the score.

Redundancy cost indicator	Data
Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	4.3
Notice period for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	4.3
Notice period for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	4.3
Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	2.1
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	10.7
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	21.4
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	11.4

Source: Doing Business database.

DATA NOTES

The indicators presented and analyzed in Doing Business measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in Doing Business were added over time, and the sample of economies expanded.

The data for all sets of indicators in *Doing Business 2014* are for June 2013.[2]

Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered to more than 10,200 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements (table 21.2). These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2014* team members visited 33 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

ECONOMY CHARACTERISTICS

Gross national income per capita

Doing Business 2014 reports 2012 income per capita as published in the World Bank's *World Development Indicators 2013*. Income is calculated using the Atlas method (current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2012 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan, The Bahamas, Bahrain, Barbados, Brunei Darussalam, Djibouti, the Islamic Republic of Iran, Kuwait, Libya, Myanmar, New Zealand, Oman, San Marino, the Syrian Arab Republic, West Bank and Gaza, and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from other sources, such as the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit, were used.

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at http://data.worldbank.org/about/country-classifications. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

Population

Doing Business 2014 reports midyear 2012 population statistics as published in *World Development Indicators 2013*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify

[2] The data for paying taxes refer to January – December 2012.

potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed. Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at http://www.doingbusiness.org/methodology.

Limits to what is measured

The Doing Business methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (box 21.1). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2014* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

This year *Doing Business* completed subnational studies in Colombia, Italy and the city of Hargeisa (Somaliland) and is currently updating indicators in Egypt, Mexico and Nigeria. *Doing Business* also published regional studies for the g7+ and the East African Community. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states. The member countries included in the report are Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

Changes in what is measured

The methodology for 2 indicator sets—trading across borders and paying taxes—was updated this year. For trading across borders, documents that are required purely for purposes of preferential treatment are no longer included in the list of documents (for example, a certificate of origin if the use is only to qualify for a preferential tariff rate under trade agreements). For paying taxes, the value of fuel taxes is no longer included in the total tax rate because of the difficulty of computing these taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. Fuel taxes continue to be counted in the number of payments.

In a change involving several indicator sets, the rule establishing that each procedure must take at least 1 day was removed for procedures that can be fully completed online in just a few hours. This change affects the time indicator for starting a business,

dealing with construction permits and registering property.[3] For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

The threshold for the total tax rate introduced in 2011 for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year the threshold is 25,5%.

Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at http://www.doingbusiness.org. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website's "Ask a Question" function at http://www.doingbusiness.org.

Ease of doing business and distance to frontier

Doing Business 2014 presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

Ease of doing business

The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The employing workers indicators are not included in this year's aggregate ease of doing business ranking.

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Denmark it takes 4 procedures, 5.5 days and 0.2% of annual income per capita in fees to open a business. The minimum capital requirement is 24% of annual income per capita. On these 4 indicators Denmark ranks in the 12th, 11th, 1st and 79th percentiles. So on average Denmark ranks in the 25th percentile on the ease of starting a business. It ranks in the 21st percentile on getting credit, 19th percentile on paying taxes, 27th percentile on enforcing contracts, 5th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Denmark's percentile rankings on all topics is 17th. When all economies are ordered by their average percentile rankings, Denmark stands at 5 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average

[3] For getting electricity the rule that each procedure must take a minimum of 1 day still applies because in practice there are no cases in which procedures can be fully completed online in less than a day. For example, even though in some cases it is possible to apply for an electricity connection online, additional requirements mean that the process cannot be completed in less than 1 day.

used by *Doing Business*.[4] Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a "no practice" mark. Similarly, an economy receives a "no practice" or "not possible" mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a "no practice" mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy's proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

Variability of economies' rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.38, and the coefficients between any 2 sets of indicators range from 0.18 (between getting electricity and getting credit) to 0.58 (between trading across borders and resolving insolvency and between trading across borders and getting electricity). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only 58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the "frontier," and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 10 *Doing Business* indicator sets (excluding the employing workers indicators) by any economy. In starting a business, for example, Canada and New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days), Denmark and Slovenia on the cost (0% of income per capita) and Chile, Zambia and 99 other economies on the paid-in minimum capital requirement (0% of income per capita) (table 22.2).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate, each of the 31 component indicators y is rescaled to (max − y)/(max − min), with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2003 or the first year the indicator was collected.[5] For the total tax rate, consistent with the calculation of

[4] See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "*Doing Business* Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

[5] Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

the rankings, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution of total tax rates for all years. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all topics. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2003 and for all years (from 2003 to 2013). To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, so as to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

The difference between an economy's distance to frontier score in any previous year and its score in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

Take Colombia, which has a score of 70.5 on the distance to frontier measure for 2014. This score indicates that the economy is 29.5 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2009, with a score of 66.2. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Colombia stands at 63 this year in the ease of doing business ranking, while Peru, which is 29.3 percentage points from the frontier, stands at 42.

Economies that improved the most across 3 or more Doing Business topics in 2012/13

Doing Business 2014 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2012/13 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.[6] Twenty-nine economies meet this criterion: Azerbaijan, Belarus, Burundi, Côte d'Ivoire, Croatia, Djibouti, Gabon, Guatemala, Guinea, Italy, Kosovo, Latvia, the former Yugoslav Republic of Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Morocco, Panama, the Philippines, the Republic of Congo, Romania, the Russian Federation, Rwanda, Sri Lanka, Ukraine, Uzbekistan and the United Arab Emirates. Second, Doing Business sorts these economies on the increase in their distance to frontier measure from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the distance to frontier measure is intended to highlight economies with ongoing, broadbased reform programs. The criterion for identifying the top improvers was changed from last year. The improvement in ease of doing business ranking is no longer used. The improvement in the distance to frontier measure is used instead because under this measure economies are sorted according to their absolute improvement instead of relative improvement.

[6] *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

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ISBN 978-0-8213-9984-2

SKU 19984