

# Hurdles and Prospects of Ease of doing Business (EODB) : in Context of UP

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**Abstract:- With India aiming towards US \$5 trillion economy, it places a high priority on economic growth. The focus of Indian economy has been shifted towards industrialisation since second five years plan. With the increasing rate of Industrialisation and Start-ups, India is now leading with hundred plus Unicorns. This success has been reached by various policies like Make-in-India, Start-up India, Digitalisation. It has facilitated Ease of Doing Business (EODB) in the country. It is a measure which shows how difficult or easy to operate any business in a business environment. This study has tried to find out what are the various problems and challenges of EODB in UP. We have also analysed, what factors have made UP to jump up at the second position in EODB ranking and what factors have made UP a safer place for investment in industries. The study also shows the index of EODB given by world bank and India's position in it.**

**Keywords:- EODB, EODB Index, Economic Growth, Industrialisation, Unicorn**

## I. INTRODUCTION

As we all know, Uttar Pradesh is the most populous state of India with 23.56 crores people resides here and stood at 4<sup>th</sup> rank in terms of area. In the term of population, alone population of UP is more than any country of the world except China, USA & Indonesia. Earlier, this state was lacking behind in terms of industrialisation and growth because of some of its stringent policies and lack of infrastructure. But this government when took over the reign, made its development journey under the strong leadership of visionary Prime Minister Narendra Modi. Whether it is about successfully organising the largest-ever Kumbh Mela or coping with the COVID-19 pandemic, the UP chief minister has displayed his excellent administrative skills. This has earned him praise from national and international organisations, including the World Health Organization (WHO). On the other hand, it is hard to overlook the State government's attempts to convert Uttar Pradesh into an ideal business destination and a vibrant, investor-friendly economy. This government is firm in its decision when it comes to development of the state. With the introduction of various business friendly policies and programs, state shows that it means the business.

Global Investor Summit held in Lucknow, One District One Product (ODOP) scheme, hosting of Defence Expo and rapidly starting various infrastructure projects like establishing two defence corridor of the country, Jewar International Airport – which is among the World's largest airports, Mega film city and various expressways are in the line. The huge workforce when combines with the strong will power and administration of visionary Chief Minister, increasing infrastructural developments & flourishing financial capabilities, it provides a great business friendly environment for business corporates to establish their industry in Uttar Pradesh. Along with all these, state government also easing out various rules, regulations and policies regarding working hours, maternity leave, licensing procedures and reducing the tax compliances and time taken in fulfilling all these procedures.

## II. LITERATURE REVIEW

- *Waldt, Gerrit van der; Fourie, David; (2022)* in their research titled “*Ease of Doing Business in Local Government: Push and Pull factors for Business Investment in Selected South African Municipalities*” have identified that what factors influence the establishment of any business entity in particular area. They also suggested that statutory and regulatory framework should be simplified, reduce the bureaucratic red tape to simplify the administration and registration processes, such as registration of a business property, issuing of permits, and easy access to electricity.
- *Doshi, Rush; Kelley Judith G.; Simmons, A. Beth; (2021)* in their paper titled “*The Power of Ranking: The Ease of Doing Business Indicator and Global regulatory Framework*” have thrown light on the indicators of EODB which is created and measured by World Bank, and also talked about the effectiveness of these ranking and on what parameters this ranking is calculated. In the study, the various flaws of this ranking and parameters were also discussed.
- *Garg, Vishal; Vashishtha, Simmi; (2021)* in their study titled “*Ease of Doing Business (EODB): An Analytical Study*” reviewed the current state of Ease of Doing Business in India and how its environment is

significantly differ from the environment of EODB in BRICS nations. And how India is significantly improving in World Bank's EODB index.

- *Shroff, Neha; Zingde, Sudesh; (2020)* in their article titled "Ease of Doing Business and its Significance in Indian Economy" have talked about the EODB index of World Bank and how it is gaining importance to understand the business climate of any country. It helps in assessing that how much business-friendly the environment is in any particular country, whether it is feasible to invest or not and so on.
- *Rao, Krishna Prasada (2018)* in his article titled "A Study on the Ease of Doing Business in India: Problems and Prospectus" has talked about the concept and important elements of EODB. In his paper, author also emphasises on the various obstacles which came in the way of setting and doing business in India and then provided various suggestions to overcome these obstacles, so that enterprises can be attracted towards India for setting up their industry or business.

➤ *Objectives:*

- To study the concept of Ease Of Doing Business index.
- To highlight the benefits of Ease Of Doing Business in the context of UP.
- To explain the challenges faced by UP in Doing Business.
- To explore the future prospects of Ease Of Doing Business in UP

➤ *Ease of doing Business (EODB):*

The ease of doing business refers to the amount of ease or difficulty involved in establishing and running a business in a specific nation. It evaluates a country's regulatory environment and how much it encourages entrepreneurship and enterprise. The time, cost, and number of processes needed to establish and operate a firm, get licences and permits, register property, access credit, protect investors, pay taxes, and enforce contracts, all contribute to how easy it is to do business in a particular nation. Countries with higher ease of doing business rankings are considered as more appealing for foreign investment and typically have stronger economies in general.

➤ *Ease of doing Business (EODB) Index:*

The Ease of Doing Business (EODB) index is a rating system established and published by the World Bank Group, which assesses how convenient it is to conduct a business in a country. A higher ranking in the EODB index (a lower numerical figure) indicates better, often simpler business rules and stronger property rights protections.



Fig 1 Photo Credit: Clear IAS

➤ *EODB Index Parameters:*

- *Starting a Business* – The ease involved in procedures, time, cost and minimum capital required to open a new venture are considered in this.
- *Dealing with Construction Permits* – How easier it is to complete the procedures involved, time and cost required to get the permission to build a warehouse.
- *Getting Electricity* – The procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse or factory.
- *Registering Property* – How easy it is to finalise the procedures involved in registering a commercial real estate property and how much time and cost it will take in registration.
- *Getting Credit* – Strength of legal rights index, depth of credit information index.
- *Protecting Minority Investors* – Indices on the extent of disclosure, the extent of director liability and ease of shareholder suits.
- *Paying Taxes* – Number and amount of taxes paid, hours per year spent in preparing tax returns and total tax payable as a share of gross profit in a year.
- *Trading across Borders* – Number of documents, cost and time necessarily required to export and import any product or services.
- *Enforcing Contracts* – Procedures, time and cost required to enforce a debt contract.
- *Resolving Insolvency* – The time, cost and percentage of recovery rate (%) under the bankruptcy proceeding.

### III. BENEFITS OF EASE OF DOING BUSINESS IN UP

- *Large Population:* With a population of 22.8 crore people, Uttar Pradesh becomes a strong market for enterprises looking to set up business in India. Uttar Pradesh's young population and expanding financial capabilities serves as a potential magnet for international investors, making it a desirable state to invest in.
- *Promoting Laws for Business:* In recent years, UP has implemented important legislation that have made establishing a business in India more effective and articulate.
- *Low Operational Cost:* Foreigners investing in UP may profit from the low operating expenses since the cost of creating a business, including internet fees, phones, infrastructure, and labour, is very low, making investment in UP appealing and serviceable.
- *Startup Ecosystem:* As part of the Indian government's flagship project, "Startup India Movement," the UP government has implemented a number of reforms and policies to increase Foreign Direct Investment (FDI) in UP and to eliminate outdated laws and policies that make it easier for businesses to do business with other countries.
- *UP Work Ethics:* The work ethics practised at UP are self-evident. They are a blend of hardworking and motivated personnel with a strong thirst for knowledge and a "never say no" mindset, making them an ideal workforce for higher performance.
- *Benefits to the Society:* When various industries set up and operates their business industries in UP, it will increase the employment opportunities in the state. It will also create the business environment which will boost the entrepreneurial capabilities and helps in establishing creative and dynamic industries.

### IV. CHALLENGES ENCOUNTERED BY EODB IN UP

- The cost of establishing an enterprise in UP is absurdly high, and the procedures involved may be stressful if you lack local understanding. It takes more than a month (27 days) on average to complete the process, which is significantly longer than the OECD average of 12 days.
- Obtaining construction permits is often an expensive procedure and involves 34 processes and takes 196 days.
- The procedures for obtaining an electrical connection are both difficult and time-consuming. An external site inspection, metre installation, and conducting a test installation.

- Registering a property requires extensive legal work, as well as significant fees and a lengthy registration process.
- Even after opening borders, there are still various obstacles to overcome. It must go through numerous layers of bureaucracy, and a vast list of paperwork processes makes it incredibly tough.
- The Insolvency and Bankruptcy Code's effectiveness has yet to be demonstrated.
- Foreign investors typically make judgements based on the mood of domestic businesses. GST difficulties for domestic traders have yet to be addressed.

### V. FUTURE PROSPECTS OF EODB IN UP

- The UP government needs to keep up the momentum by focusing on minimizing regulatory compliance requirements, decriminalising business legislation, and continuously reducing the cost of doing business.
- By focusing on attracting additional investments, the state should drive the evolution of technology in many sectors of conducting business and provide state-of-art infrastructure in line with best practices to enterprises.
- The MSME sector makes a significant contribution to the UP economy. The adoption of digitalization, the availability of information on business operations and compliance for starting a business, the availability of proper power supply, and the process of tax registration and compliance all must be handled in accordance with business expectations.
- In order to gain EODB rankings, essential indicators must be prioritised such as simplifying the process of approvals and renewals, land acquisition and property registration, cross-border trade, construction permits, inspection, contract enforcement, and so on.

### VI. CONCLUSION

- In 2014 India was positioned at 142<sup>nd</sup> rank out of 190 countries due to which the government faced a lot criticism for its policies.
- UP was ranked 12<sup>th</sup> position in EODB state index.
- Government of India launched initiatives like Make in India, Start-up India & Digital India with a vision of transforming India into a manufacturing hub and made efforts to enhance the EODB by attracting domestic as well as International companies to invest & do business in India. With these efforts India jumped to 63<sup>rd</sup> rank.
- UP government also took various steps like easing out more than 60 labour reforms, validity of factory licences has been extended up to 10 years, automated approval of various licenses, making various registration processes online, established 13 commercial courts, etc. to attract the entrepreneurs.
- By implementing 186 reforms out of 187 reforms suggested by Department of Promotion of Industry & Internal Trade, UP jumped from 12<sup>th</sup> position to 2<sup>nd</sup> position in EODB state ranking.

### SUGGESTIONS

- Regulations and laws need to be periodically reviewed to eliminate unnecessary or outdated rules enabling a more transparent and effective governance process.
- Nurturing the existing investors and hear the points of them as they act as ambassador & spokesperson of the state
- The authorities in charge of regulatory decision-making need regular upskilling and training especially at the levels of districts and talukas
- Government should encourage self-regulation by industry as it can play an important role in compliance with business codes of conduct and standards in place.
- Longer terms for licenses and online automatic approvals. This would lead to less disruptions in production process and boost business continuity.
- Speed up the process of dealing with construction permits
- Speed up the judicial process and special courts should be made to deal with business operations.

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