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Impact of Ease of Doing Business Rank on Economic Performance

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Abstract— **The Ease of Doing Business Rank (ER) is an initiative by world bank to have an assessment on how easy it is to do business in an economy based on certain parameters including starting a business, dealing with construction permits, registering property, getting electricity etc. A good doing business rank attracts the investors or business firms to start the business in a particular economy which directly or indirectly affects the GDP stats of that particular region. GDP or Gross domestic product is a very old term in the field of Economics. Despite of the fact that many economists and economics professors have criticized it in different dimensions, its role in public policy and society is still quite influential. The study is an attempt to assess the strength of relationship between the ER rank and GDP of different states and UTs. of India. The data used in this study was gathered from secondary sources. India's 28 states and eight union territories provided the data for this paper. The study's time frame spans from 2015 until 2020. The data sources used in this study are the economic survey, Niti Ayog, and the websites of the RBI. The results of the study shows that there is a positive relationship between ER rank (ER) and GDP. The study concludes with the fact that world bank should continue with evaluating the countries and provide ease of doing ranks which becomes a path-builders for those who are searching for different business or entrepreneurial opportunities.**

Keywords— GDP, Business environment, India, Stata, panel data

I. Introduction

Ease of Doing Business Rank (ER) is a term characterized by the various norms and regulation related to business license, worker's contract, limitations in ownership status, taxation and other business activities set by government. These norms largely affect the decision of a firm to enter in a particular country for business. [1] The entry of a new firm boosts the development of an economy in terms of job creation, infrastructure development, improvement in the life standards of the masses, higher degree of innovation and healthy competition etc. In recent times, every developing economy has been promoting entrepreneurial activities, which ultimately promote the evolution of new firms or the entry of external firms into the host country[2]. Different economies have felt the need to ease the business norms, and this is further being promoted and highlighted by the World Bank through its doing business project. Under this project, the World Bank tracks the efforts and reforms being implemented by economies every year. Using certain parameters like their ranking on the cost, time, procedures and the minimum capital required to complete the process, these economies get ranked by the World Bank. Apart from the World Bank, there are many international agencies that use certain parameters and variables to compare economies and rank them. Such initiatives by the World Bank and other agencies boost the economies to create a supportive and conducive environment for local firms and equip them with a better ability to do business with more transparency.

ER also fosters the flow of FDI in the country. FDI is pivotal for the development of developing and emerging economies as it assists the economies in terms of transfer of capital, innovation, new technology and expertise[3]. Various literatures supports the fact that resource seeking, market seeking, efficiency seeking and strategic asset seeking are the four main motives which influence the locational FDI. This fact is challenged by [4] with the argument that FDI movement in the developed economies are more inclined towards efficiency seeking investments, rather than the resource and market seeking projects. There are number of studies which supports the fact that business environment of a country has significant impact on the level of domestic and foreign investment. When a multinational company scan the different proposals of investments it look for a country with less bureaucracy in registering and starting a business, free capital mobility, tax holidays, appropriate regulatory regime and enforcement of contracts[5]. Recently this economic relationship has given a new shape and named as ease-of-doing-business indicators, which sounds more focused upon business development.

Access to the opportunities and protections is not equal among both formal and informal sectors. Although informal sectors lack access to the opportunities and different assistance but it is also not equal among firms operating in formal sectors[6]. This disparity can be mitigated by introducing something called as ER. Normalizing or easing the norms related to the opening of business firms in the country will assist the private sector in terms of more efficient and easier to adopt norms related to dealing with construction business, registering property, protecting investors, trading across borders, resolving insolvency, starting a business, Full paper Link:

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