

Doing Business



2012

Economy Profile: **India**

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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The World Bank
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1 2 3 4 08 07 06 05

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ISBN: 978-0-8213-8833-4
E-ISBN: 978-0-8213-8834-1
DOI: 10.1596/978-0-8213-8833-4
ISSN: 1729-2638

Printed in the United States

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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 10 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 and resolving insolvency.

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 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 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, 2011 (except for

the paying taxes indicators, which cover the period January–December 2010).

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 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering *Doing Business 2012*, 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 183 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 2012*: 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).¹

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: 1,170,938,000

GNI per capita (US\$): 1,340.00

DB2012 rank: 132

DB2011 rank: 139

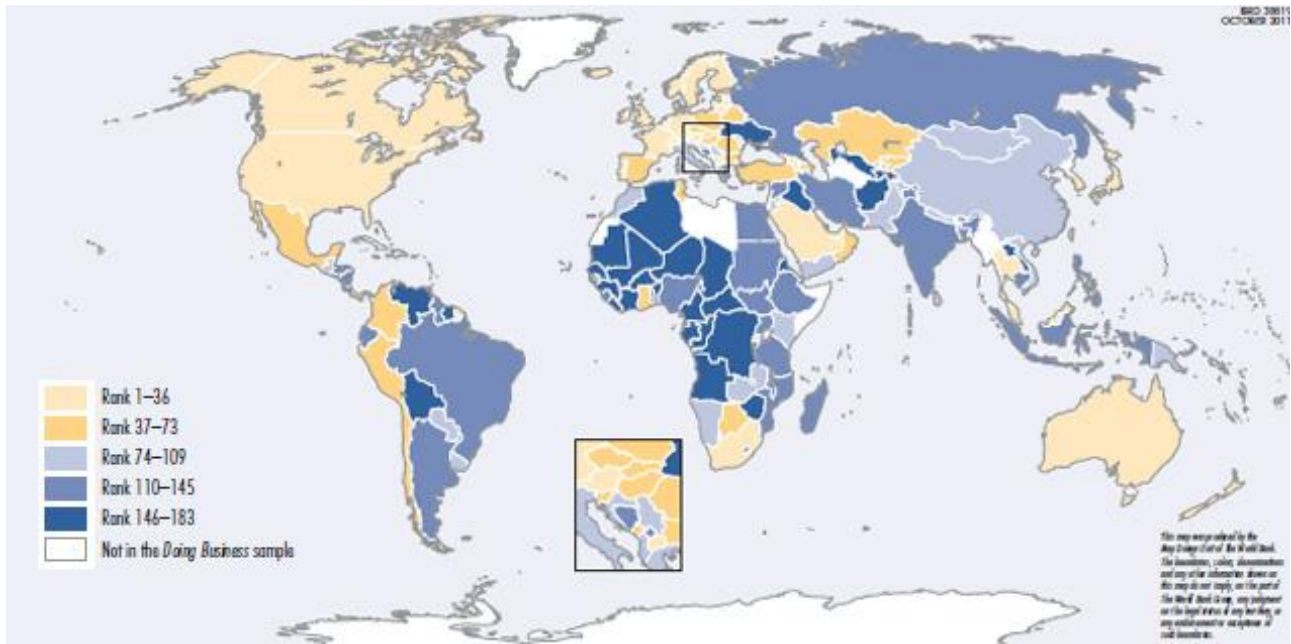
Change in rank: 7

Note: See the data notes for sources and definitions.

¹ Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

THE BUSINESS ENVIRONMENT

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



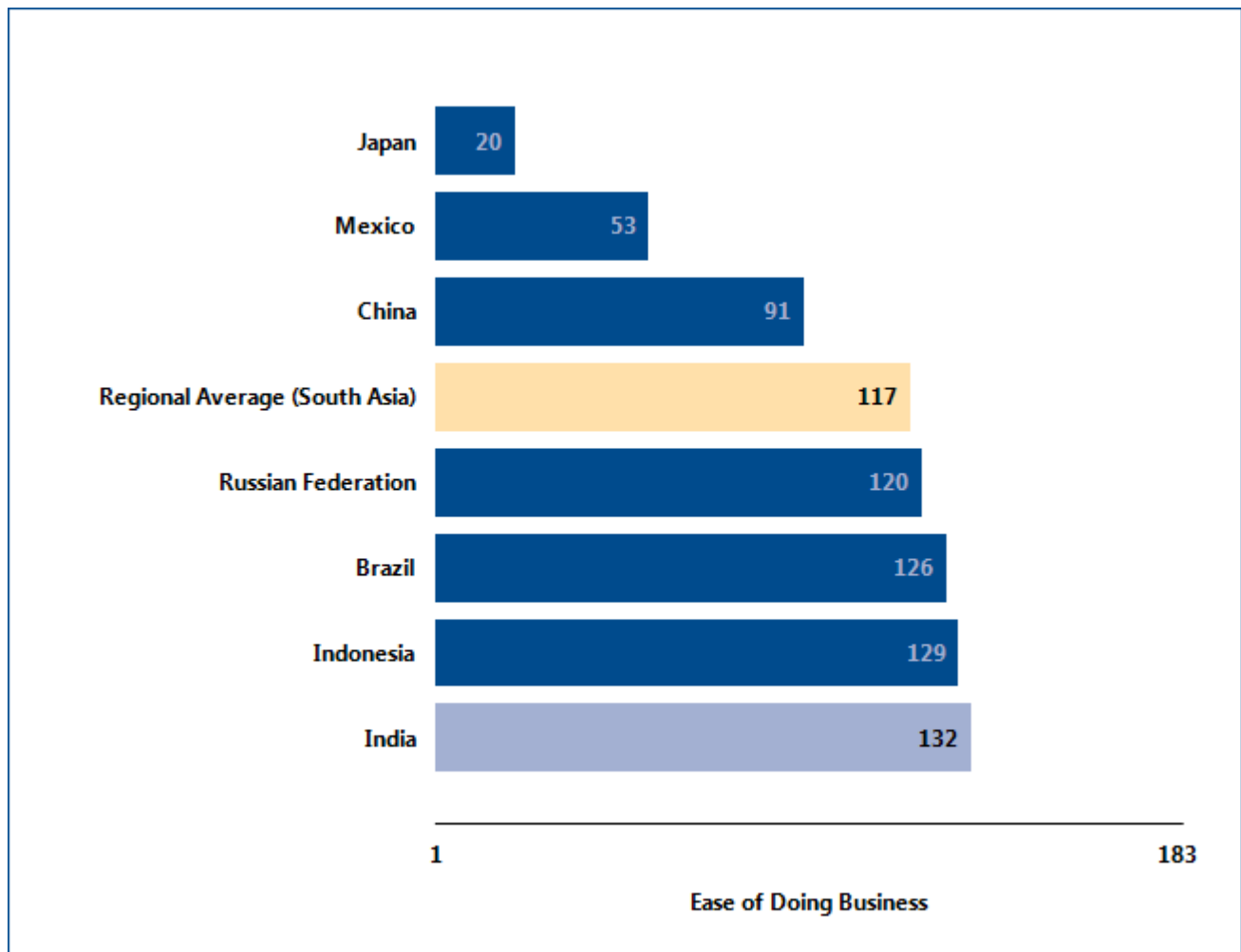
Source: *Doing Business* database.

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 compared with other economies and compared with

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).

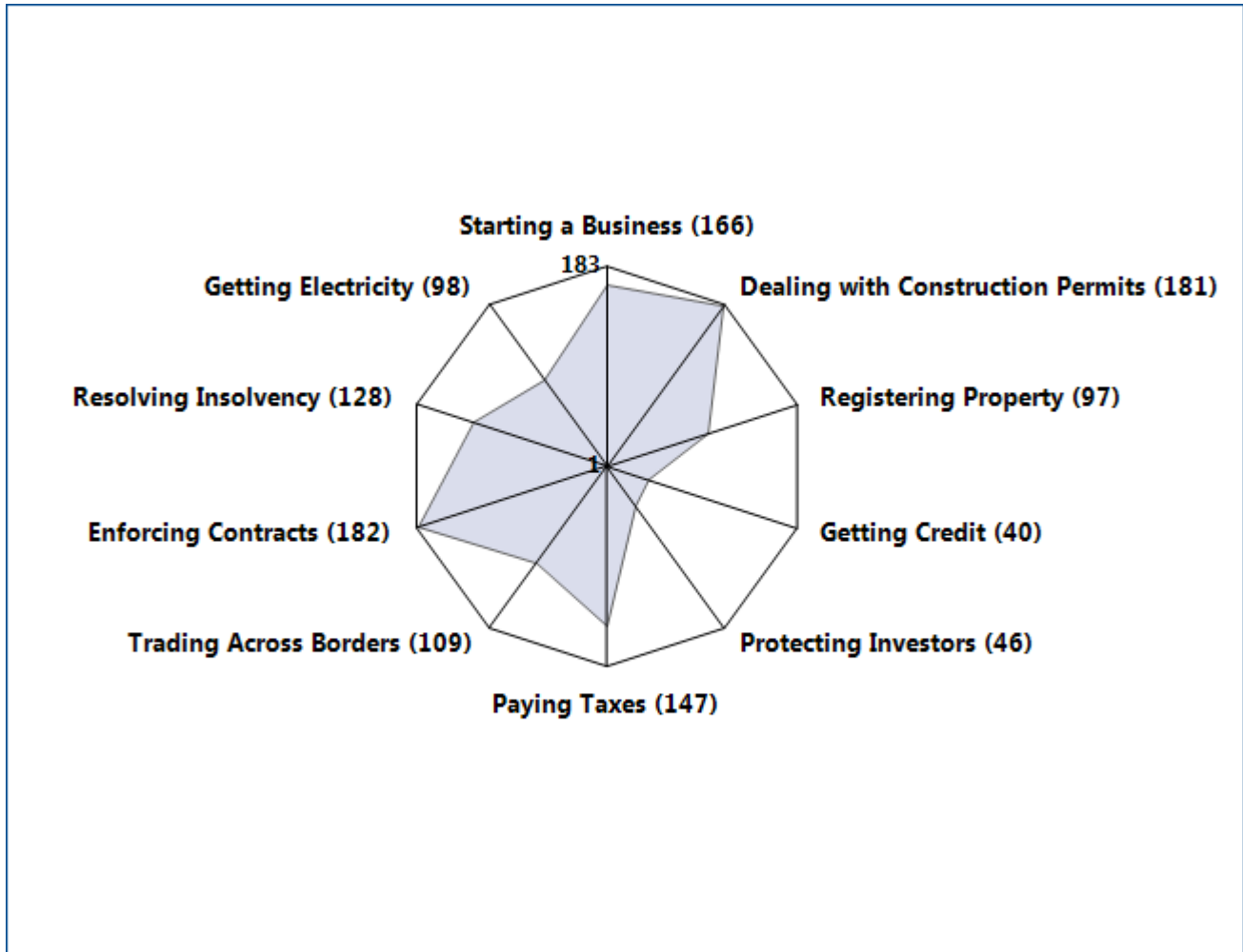
Figure 1.2 How India and comparator economies rank on the ease of doing business



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. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

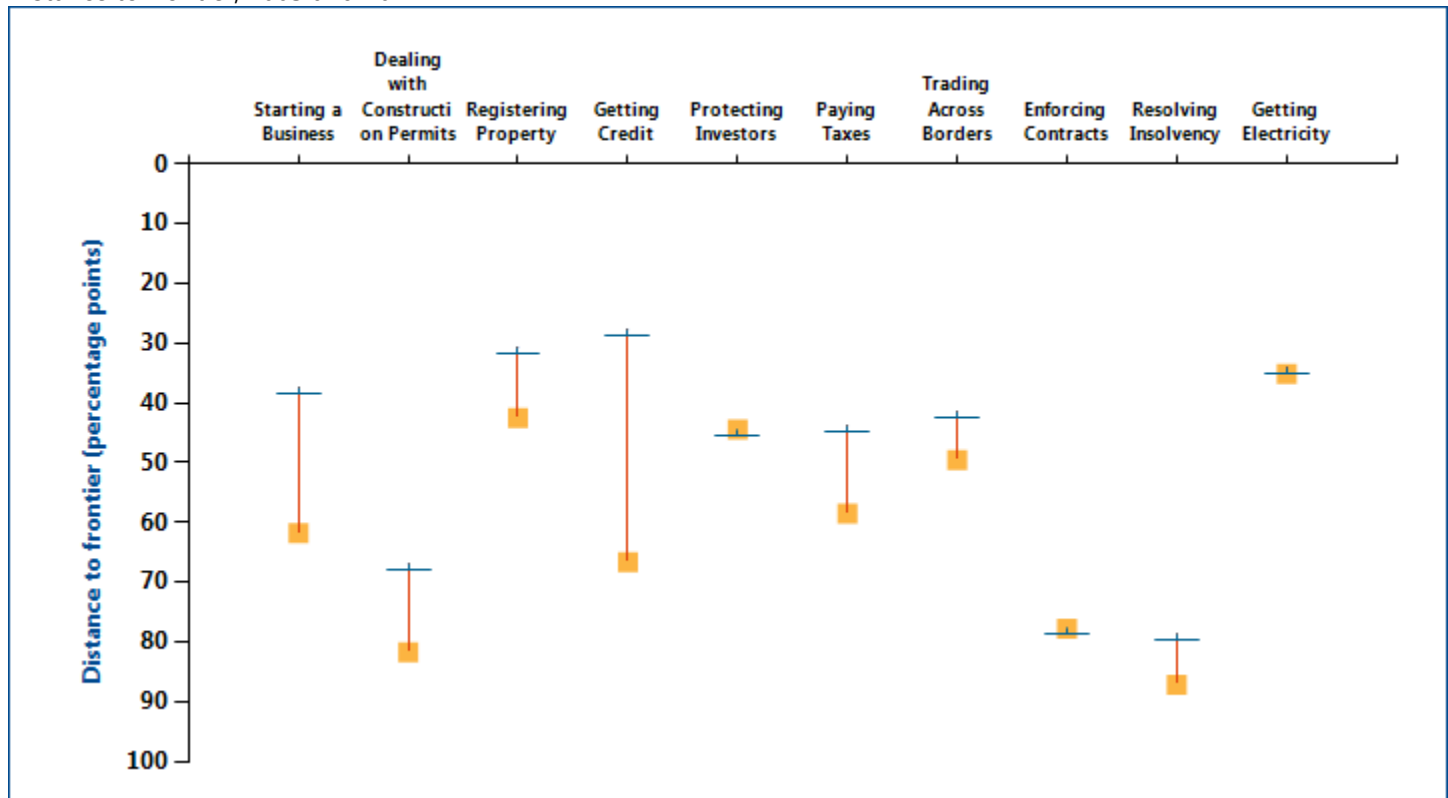
Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

This measure shows the distance of each economy to the "frontier," a synthetic measure based on the most efficient practice or highest score observed for each *Doing Business* indicator across all economies and years included in the *Doing Business* sample since 2005. Nine areas of business regulation are covered.

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). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

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

Distance to frontier, 2005 and 2011



Note: For economies added to the *Doing Business* sample after 2005, the starting point is the year in which they were added: 2006 for Montenegro; 2007 for Brunei Darussalam, Liberia and Luxembourg; 2008 for The Bahamas, Bahrain and Qatar; and 2009 for Cyprus and Kosovo. 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 DB2012	India DB2011	Brazil DB2012	China DB2012	Indonesia DB2012	Japan DB2012	Mexico DB2012	Russian Federation DB2012	Best performer globally DB2012
Starting a Business (rank)	166	166	120	151	155	107	75	111	New Zealand (1)
Procedures (number)	12	12	13	14	8	8	6	9	Canada (1)*
Time (days)	29	29	119	38	45	23	9	30	New Zealand (1)
Cost (% of income per capita)	46.8	56.5	5.4	3.5	17.9	7.5	11.2	2.0	Denmark (0.0)*
Paid-in Min. Capital (% of income per capita)	149.6	188.8	0.0	100.4	46.6	0.0	8.4	1.6	82 Economies (0.0)*
Dealing with Construction Permits (rank)	181	181	127	179	71	63	43	178	Hong Kong SAR, China (1)
Procedures (number)	34	34	17	33	13	14	10	51	Denmark (5)
Time (days)	227	227	469	311	158	193	81	423	Singapore (26)*
Cost (% of income per capita)	1631.4	2058.7	40.2	444.1	105.3	27.9	333.1	183.8	Qatar (1.1)

Indicator	India DB2012	India DB2011	Brazil DB2012	China DB2012	Indonesia DB2012	Japan DB2012	Mexico DB2012	Russian Federation DB2012	Best performer globally DB2012
Getting Electricity (rank)	98	109	51	115	161	26	142	183	Iceland (1)
Procedures (number)	7	7	6	5	7	3	7	10	Germany (3)*
Time (days)	67	67	34	145	108	117	114	281	Germany (17)
Cost (% of income per capita)	216.2	400.6	130.3	640.9	1379.0	0.0	395.5	1852.4	Japan (0.0)
Registering Property (rank)	97	96	114	40	99	58	140	45	New Zealand (3)
Procedures (number)	5	5	13	4	6	6	7	5	Portugal (1)*
Time (days)	44	44	39	29	22	14	74	43	Portugal (1)
Cost (% of property value)	7.3	7.4	2.3	3.6	10.8	5.7	5.3	0.2	Slovak Republic (0.0)
Getting Credit (rank)	40	37	98	67	126	24	40	98	United Kingdom (1)*
Strength of legal rights index (0-10)	8	8	3	6	3	7	6	3	New Zealand (10)*
Depth of credit information index (0-6)	4	4	5	4	4	6	6	5	Japan (6)*
Public registry coverage (% of adults)	0.0	0.0	36.1	82.5	31.8	0.0	0.0	0.0	Portugal (86.2)
Private bureau coverage (% of adults)	15.1	10.0	61.5	0.0	0.0	99.0	98.1	35.8	New Zealand (100.0)*
Protecting Investors (rank)	46	44	79	97	46	17	46	111	New Zealand (1)
Extent of disclosure index (0-10)	7	7	6	10	10	7	8	6	France (10)*

Indicator	India DB2012	India DB2011	Brazil DB2012	China DB2012	Indonesia DB2012	Japan DB2012	Mexico DB2012	Russian Federation DB2012	Best performer globally DB2012
Extent of director liability index (0-10)	4	4	7	1	5	6	5	2	Singapore (9)*
Ease of shareholder suits index (0-10)	7	7	3	4	3	8	5	6	New Zealand (10)*
Strength of investor protection index (0-10)	6.0	6.0	5.3	5.0	6.0	7.0	6.0	4.7	New Zealand (9.7)
Paying Taxes (rank)	147	165	150	122	131	120	109	105	Canada (8)
Payments (number per year)	33	56	9	7	51	14	6	9	Norway (4)
Time (hours per year)	254	258	2600	398	266	330	347	290	Luxembourg (59)
Trading Across Borders (rank)	109	107	121	60	39	16	59	160	Singapore (1)
Documents to export (number)	8	8	7	8	4	3	5	8	France (2)
Time to export (days)	16	17	13	21	17	10	12	36	Hong Kong SAR, China (5)*
Cost to export (US\$ per container)	1095	1055	2215	500	644	880	1450	1850	Malaysia (450)
Documents to import (number)	9	9	8	5	7	5	4	10	France (2)
Time to import (days)	20	20	17	24	27	11	12	36	Singapore (4)
Cost to import (US\$ per container)	1070	1025	2275	545	660	970	1780	1800	Malaysia (435)
Enforcing Contracts (rank)	182	182	118	16	156	34	81	13	Luxembourg (1)

Indicator	India DB2012	India DB2011	Brazil DB2012	China DB2012	Indonesia DB2012	Japan DB2012	Mexico DB2012	Russian Federation DB2012	Best performer globally DB2012
Time (days)	1420	1420	731	406	570	360	415	281	Singapore (150)
Cost (% of claim)	39.6	39.6	16.5	11.1	122.7	32.2	32.0	13.4	Bhutan (0.1)
Procedures (number)	46	46	45	34	40	30	38	36	Ireland (21)*
Resolving Insolvency (rank)	128	140	136	75	146	1	24	60	Japan (1)
Time (years)	7.0	7.0	4.0	1.7	5.5	0.6	1.8	2.0	Ireland (0.4)
Cost (% of estate)	9	9	12	22	18	4	18	9	Singapore (1)*
Recovery rate (cents on the dollar)	20.1	16.3	17.9	36.1	13.8	92.7	67.1	41.5	Japan (92.7)

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking. For more information on “no practice” marks, see the data notes for details.

* 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 that are 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 all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Conducts general commercial or industrial activities.

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
- 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)
- 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.
- Is 100% domestically owned.

STARTING A BUSINESS

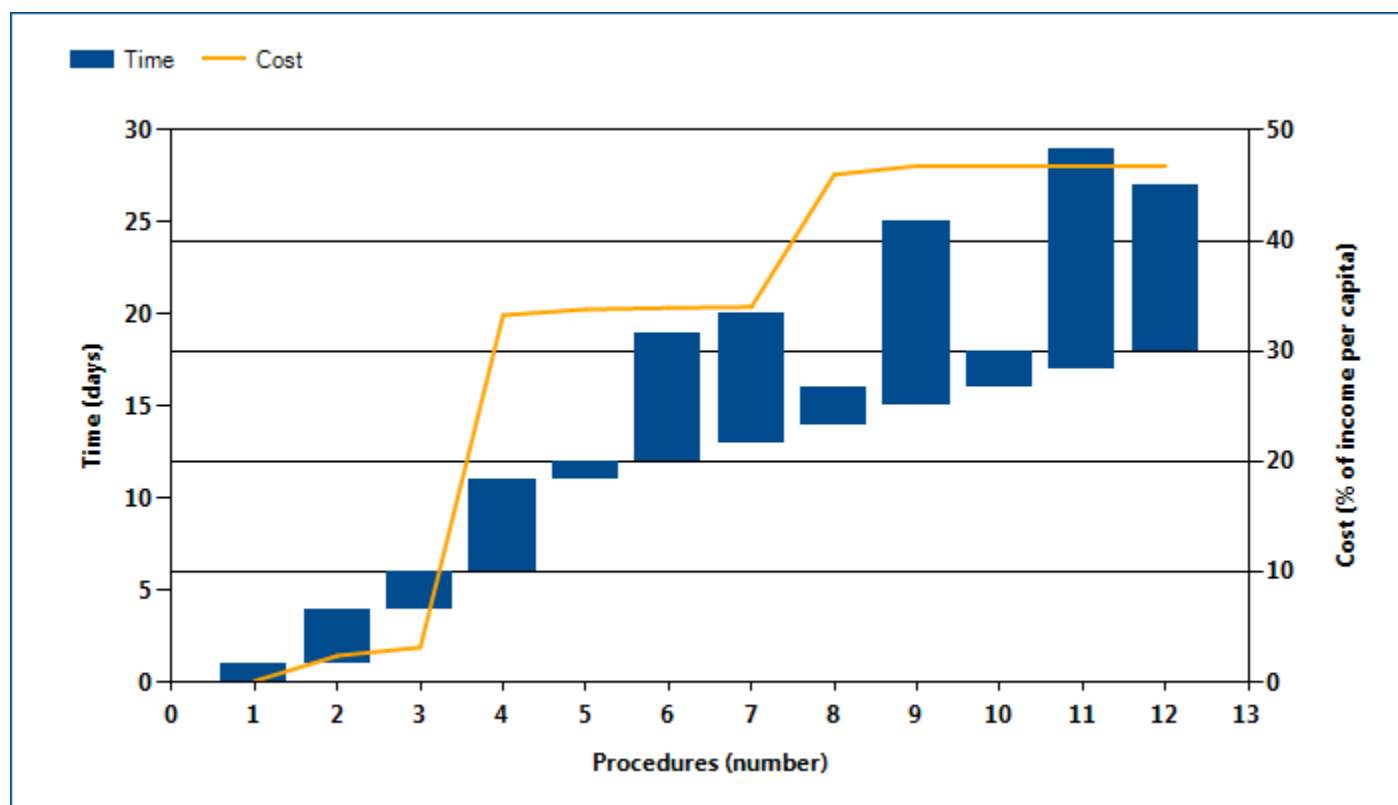
Where does the economy stand today?

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 29 days,

costs 46.8% of income per capita and requires paid-in minimum capital of 149.6% 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): 149.6



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

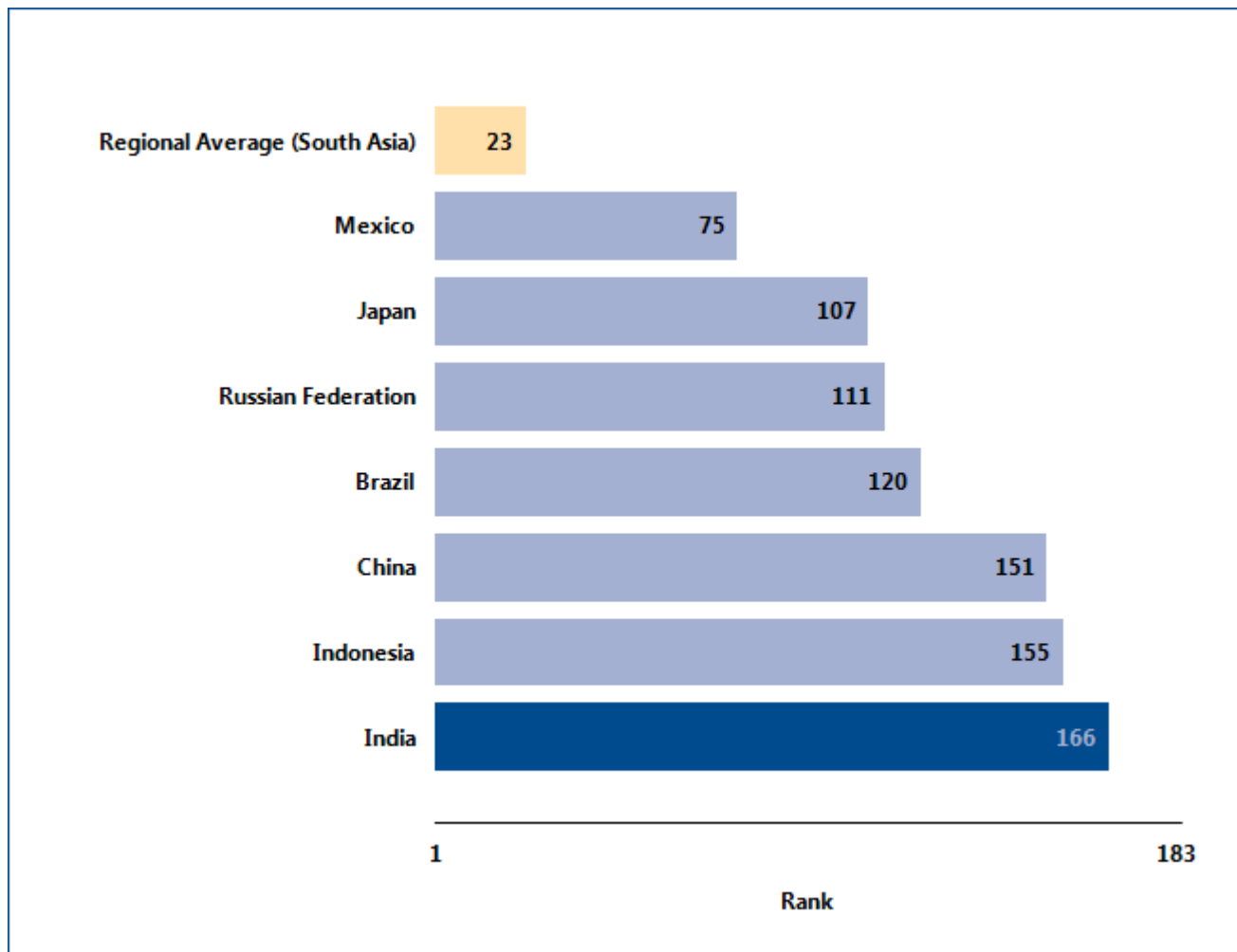
Source: *Doing Business* database.

STARTING A BUSINESS

Globally, India stands at 166 in the ranking of 183 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?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in India today, data over time show which aspects of the process have

changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in India over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	166	166
Procedures (number)	11	11	11	11	13	13	13	12	12
Time (days)	89	89	71	35	33	30	30	29	29
Cost (% of income per capita)	53.4	49.5	62.0	78.4	74.6	70.1	66.1	56.5	46.8
Paid-in Min. Capital (% of income per capita)	428.0	390.1	352.1	314.4	269.5	239.4	210.9	188.8	149.6

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

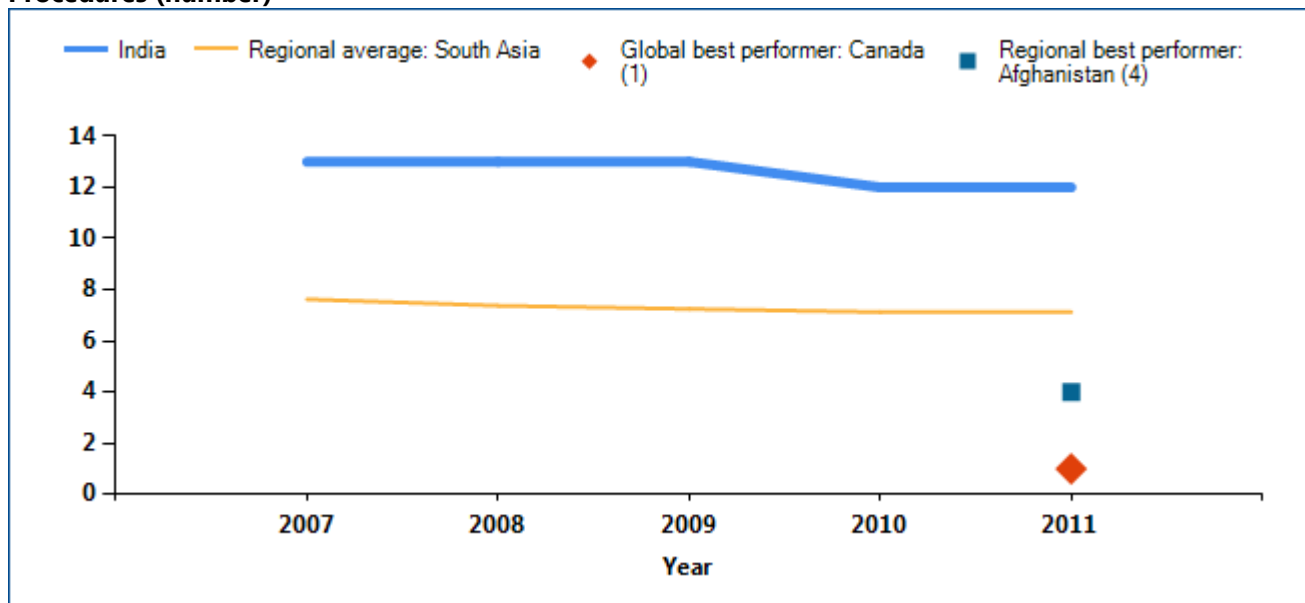
STARTING A BUSINESS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3). These economies may provide a model for

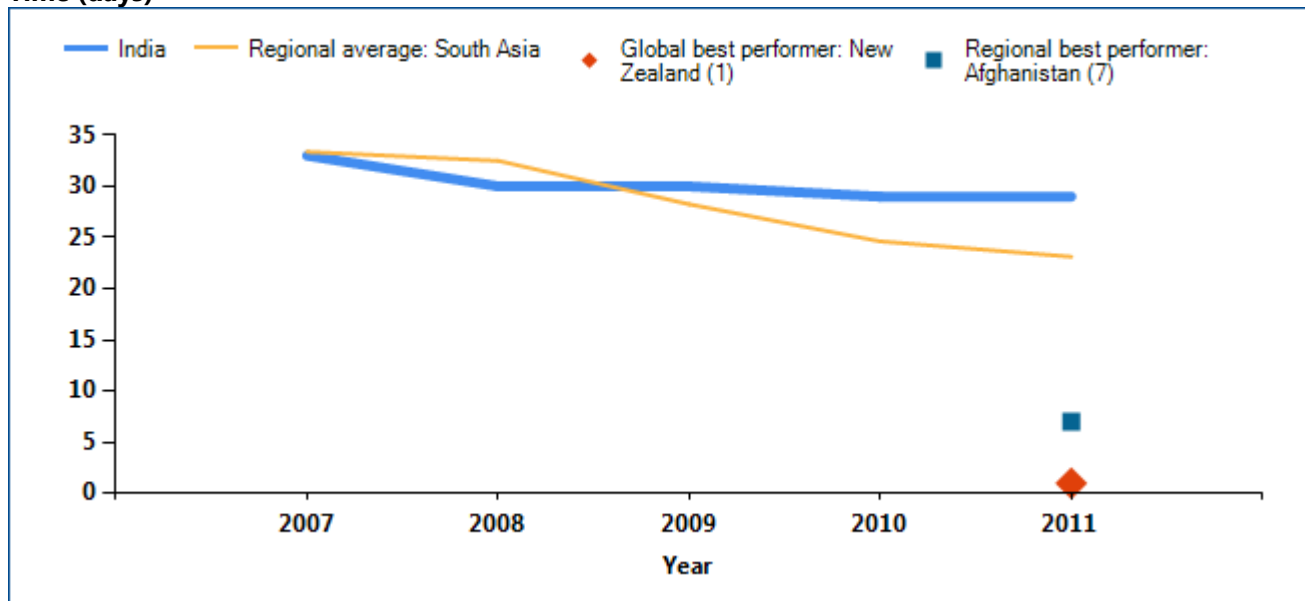
India on ways to improve the ease of starting a business. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

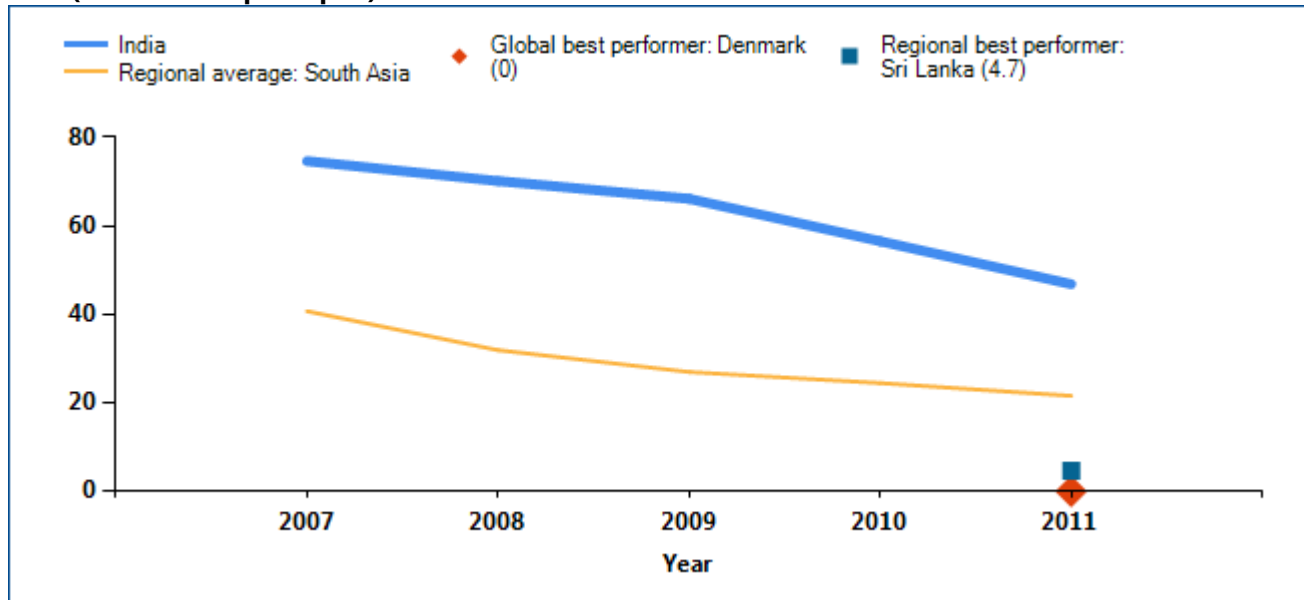


Time (days)

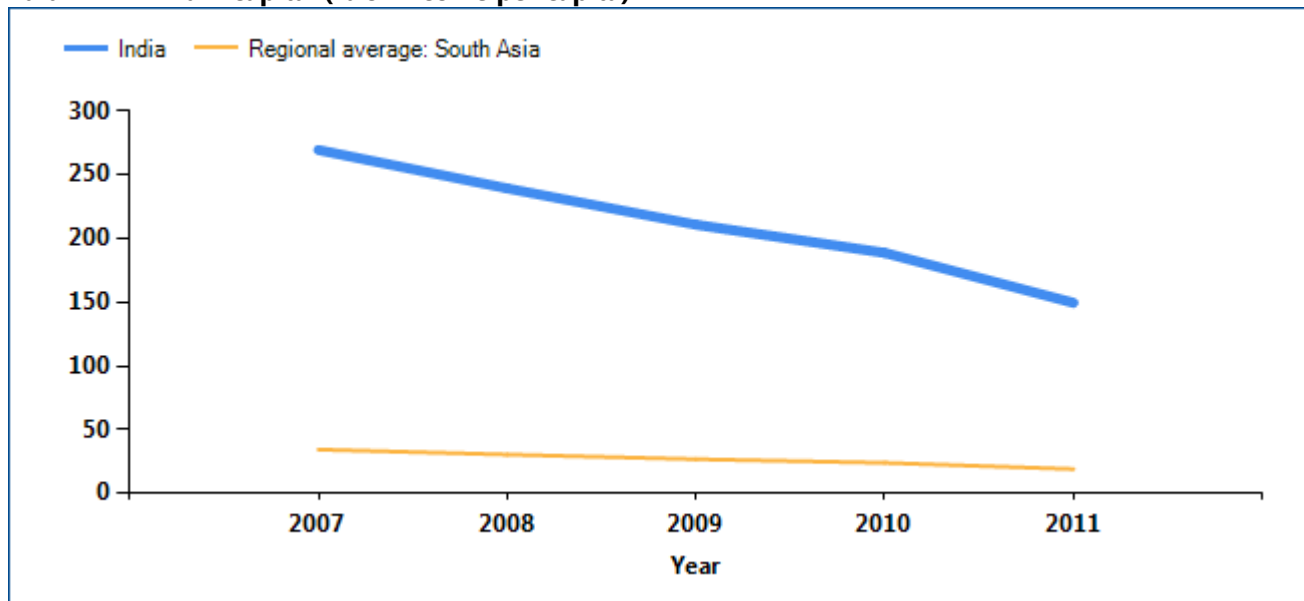


STARTING A BUSINESS

Cost (% of income per capita)



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



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In the case of paid-in minimum capital, 82 economies globally and economies in South Asia have no paid-in minimum capital.

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 2.2)?

Table 2.2 How has India made starting a business easier—or not?

By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version.
DB2010	No reform.
DB2009	No reform.

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

Start-up capital: 10 times GNI per capita

Paid-in minimum capital (% of income per capita): 149.6

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

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain director identification number (DIN) on-line</p> <p>The process to obtain the Director Identification Number (DIN) is as follows:</p> <p>1) Obtain the provisional DIN by filing application Form DIN-1 online. This form is on the Ministry of Corporate Affairs 21st Century (MCA 21) portal www.mca.gov.in. The provisional DIN is immediately issued (Provisional DIN is valid for a period of 60 days. The application form must then be printed and signed and sent for approval to the ministry by courier along with proof of identity and address:</p> <p>A. Identity Proof (Any one)</p> <ul style="list-style-type: none"> • PAN Card • Driving License • Passport • Voter Id Card <p>A photograph should be attached to the DIN application and the documents in proof of identity and address must be attested by a Public Notary or Gazette Officer of the Government or by a practicing professional (such as practising Chartered Accountant, a practising Company Secretary or a practising Cost Accountant or Company Secretary of the company in full time employment of the company, whose director the applicant is proposed to be appointed).</p> <p>B. Residence Proof (Any one)</p> <ul style="list-style-type: none"> • Driving License • Passport 	1 day	INR 100

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> • Voter Id Card • Telephone Bill • Ration Card • Electricity Bill • Bank Statement <p>2) The concerned authority verifies all the documents and, upon approval, issues a permanent DIN. It takes about 3-5 days to issue the permanent DIN.</p>		
2	<p>Obtain digital signature certificate on-line</p> <p>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. 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.</p> <p>There are total seven Certification Agencies authorised 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).</p>	1-6 days	INR 400 to INR 2650
3	<p>Reserve the company name with the Registrar of Companies (ROC) on-line</p> <p>Company name approval must be done electronically. Under e-filing for name approval, the applicant can check the availability of the desired company name on the MCA 21 Web site.</p> <p>The RoC in Mumbai has staff members working full time on name reservations (approximately 3 but more if the demand increases). A maximum of 6 suggested names can be submitted, they are then checked by RoC staff for any similarities with all other names in India.</p> <p>The MCA receives approximately 50-60 applications a day. After being cleared by the junior officer, the name requests are sent to the senior officer for approval. Once approved, the selected name appears on the website. Applicants need to keep consulting the website to confirm that one of their submitted names was approved.</p> <p>In practice, it takes 2 days for obtaining a clearance of the name if the proposed name is available and conforms to the naming standards established by the Company Act (1 day for submission of the name and 1 day for it to appear on the MCA website).</p>	2-3 days	INR 500
4	<p>Pay stamp duties online, file all incorporation forms and documents online and obtain the certificate of incorporation</p>	3-7 days	INR 20,100

No.	Procedure	Time to complete	Cost to complete
	<p>As a result of MCA's desire to further the e-governance's initiatives, with effect from 1st of January 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 e-payment of applicable stamp duty on Articles and Memorandum of association through MCA portal. Further, certain forms: Form 1 (a primary form used in the incorporation process), Form 5 & Form 44 will also be stamped electronically through MCA Portal. Further, the reforms also provides that the documents on which e-stamping has been done, need not to be filed physically and electronic filing of the same would be sufficient.</p> <p>For registration, the following forms are required to be electronically filed on the website of the Ministry of Company Affairs:</p> <ul style="list-style-type: none"> (a) e-form 1; (b) e-form 18; (c) e-form 32 <p>Along with these documents, scanned copies of the consent of the initial directors, and also of the signed and the Memorandum and Articles of Association, must be attached to Form 1.</p> <ul style="list-style-type: none"> - The fees for registering a company can be paid online by using a credit card or by payment in cash at certain authorized banks; - The certificate of incorporation is sent automatically to the registered office of the company by registered or speed post. <p>The registration fees paid to the Registrar are scaled according to the company's authorized capital (as stated in its memorandum):</p> <ul style="list-style-type: none"> - INR 100,000 or less: INR 4,000. <p>If the nominal share capital is over INR 100,000, additional fees based the amount of nominal capital apply to the base registration fee of INR 4,000:</p> <ul style="list-style-type: none"> - 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 1 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. <p>The payment of fees can be made 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).</p>		

No.	Procedure	Time to complete	Cost to complete
	<p>Schedule of Registrar filing fees for the articles and for the other forms (l, 18, and 32):</p> <ul style="list-style-type: none"> - 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. <p>According to Article 10 and Article 39 of the Indian Stamp Act (1899), the stamp duty payable on the memorandum and articles of association for company incorporation in Mumbai, Maharashtra, is as follows:</p> <ul style="list-style-type: none"> - 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. 		
5	<p>Make a seal</p> <p>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.</p>	1 day	INR 350
6	<p>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)</p> <p>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.</p> <p>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.</p> <p>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 94 (plus applicable taxes) applies for processing the PAN application.</p> <p>IT PAN Service Centers or TIN Facilitation Centers will supply PAN</p>	7 days	INR 94 for Fee and INR 5 for Application Form, (if not downloaded)

No.	Procedure	Time to complete	Cost to complete
	<p>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.</p> <p>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)</p>		
<p>7</p>	<p>* Obtain a tax account number for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department</p> <p>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 Chalangans, 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/- .</p> <p>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 http://tin.nsdl.com The processing fee for both applications (a new TAN or a change request) is INR 60 (plus applicable taxes).</p> <p>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.</p> <p>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 Upon payment of the fee through credit card, the hard copy of the application is required to be physically filed with NSDL.</p>	<p>7 days, simultaneously with Procedure 6</p>	<p>INR 62</p>
<p>8</p>	<p>* Register with Office of Inspector, Mumbai Shops and Establishment Act</p> <p>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.</p> <p>According to Section 7 of the Bombay Shops and Establishments Act,</p>	<p>2 days, simultaneous with procedure 7</p>	<p>INR 2,000 (registration fee) + 3 times registration fee for Trade Refuse Charges (INR 6,000)</p>

No.	Procedure	Time to complete	Cost to complete
	<p>1948, the establishment must be registered as follows:</p> <ul style="list-style-type: none"> - 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. - 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. <p>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:</p> <p>0 employees: INR 100 1 to 5 employees: NR 300 6 to 10 employees : INR 600 11 to 20 employees: INR 1000 21 to 50 employees : INR 2000 51 to 100 employees : INR 3500 101 or more:- INR 4500</p> <p>Hence in the given case the registration fees would be INR 2000, as there are 50 employees</p> <p>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.</p>		
<p>9</p>	<p>* Register for VAT online</p> <p>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.</p> <p>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</p>	<p>10 days, simultaneous with procedure 8</p>	<p>INR 500 (Registration Fee) + INR 25 (Stamp Duty) for compulsory VAT registration</p>

No.	Procedure	Time to complete	Cost to complete
	<p>certificate will be printed and issued to the company on the appointed date. Usually, the appointment date is scheduled in the next 10 days.</p> <p>Other accompanying documentation includes:</p> <ul style="list-style-type: none"> - Certified true copy of the memorandum and articles of association of the company. - Proof of permanent residential address. At least 2 of the following 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 viz. copy of property card or ownership deed or agreement with the builder 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 		
<p>10</p>	<p>* Register for profession tax</p> <p>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. The company is required to apply in Form I to the registering authority. The registration authority for Mumbai Area is situated at Vikariker Bhavan, Mazgaon in Mumbai. 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.</p>	<p>2 days, simultaneous with procedure 9</p>	<p>no charge</p>
<p>11</p>	<p>* Register with Employees' Provident Fund Organization</p> <p>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.</p> <p>The applicant fills in an application and is then allotted a social security number. 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.</p>	<p>12 days, simultaneous with procedure 10</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
	<p>The employer is required to provide necessary information to the concerned regional Provident Fund Organization (EPFO) in prescribed manner for allotment of Establishment Code Number. No separate registration is required for the employees. Nevertheless all eligible employees are required to become members of the Fund and individual account number is allotted by the employer in prescribed manner.</p> <p>As per an internal circular, the code number is to be allotted within 3 days from the date of submission, if the application is complete in all respects. However, in many cases applicants have received the intimation letter with the code number in 12 to 15 days.</p>		
12	<p>* Register for medical insurance (ESIC)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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. 10,000 per month is covered by this Act.</p>	9 day, simultaneous with procedure 10	no charge

* Takes place simultaneously with another procedure.

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 to obtain all the necessary approvals to build a simple commercial 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.

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

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed 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

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

- 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).

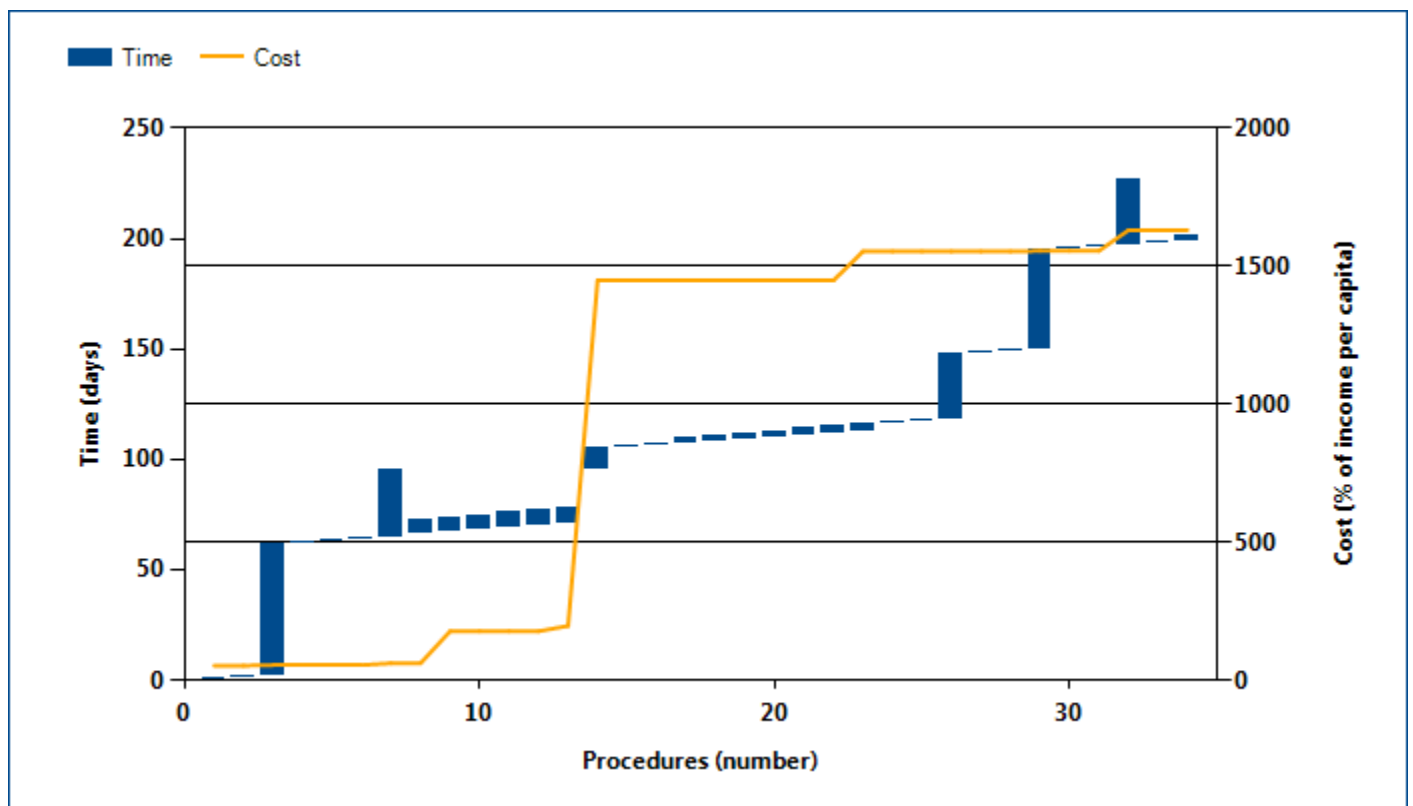
DEALING WITH CONSTRUCTION PERMITS

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 34 procedures, takes 227 days and costs 1631.4% of income per capita (figure 3.1).

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



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

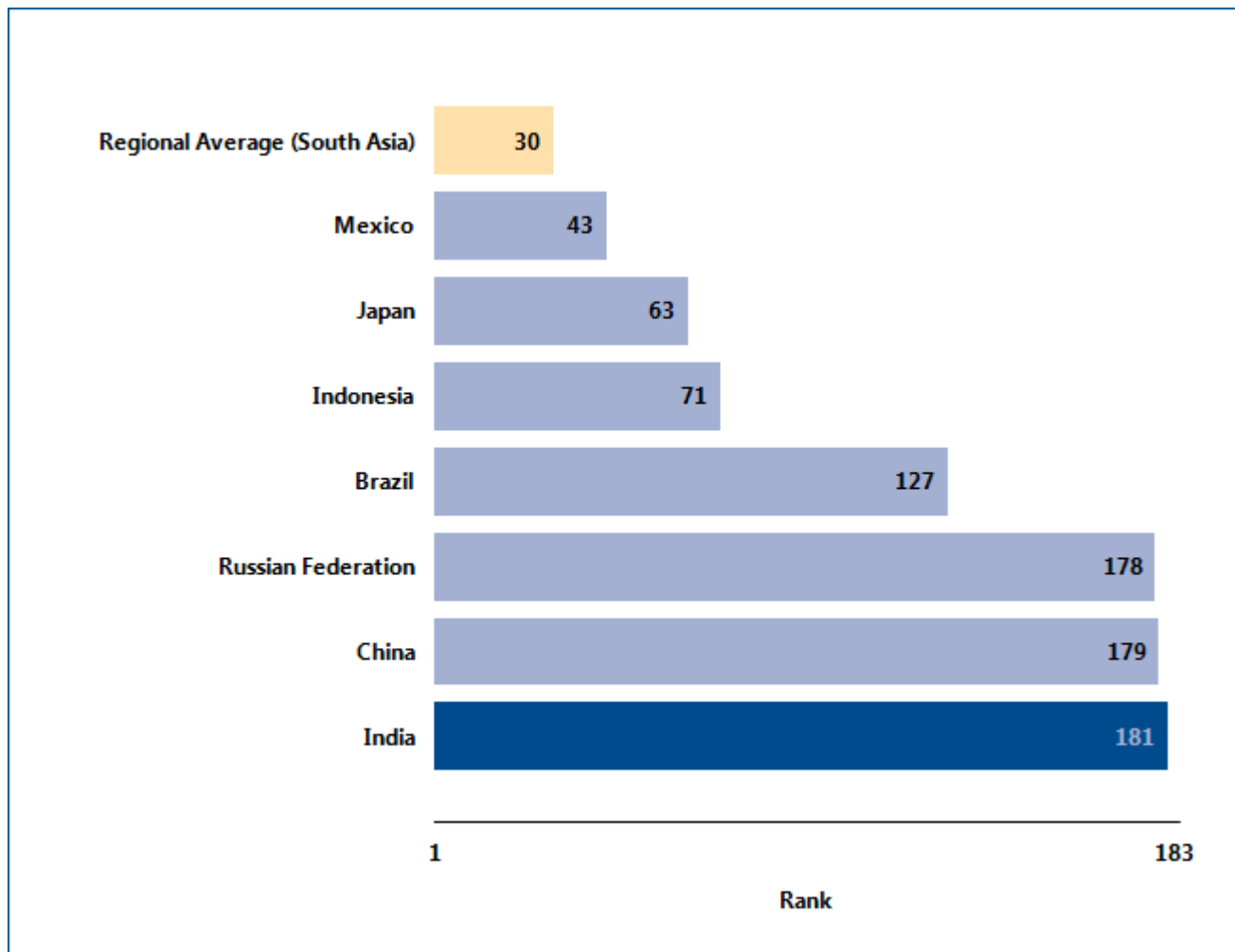
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, India stands at 181 in the ranking of 183 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?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in India today, data over time show which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in India over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	181	181
Procedures (number)	34	34	34	34	34	34	34
Time (days)	227	227	227	227	227	227	227
Cost (% of income per capita)	3,838.7	3,428.2	2,938.7	2,610.0	2,299.8	2,058.7	1,631.4

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

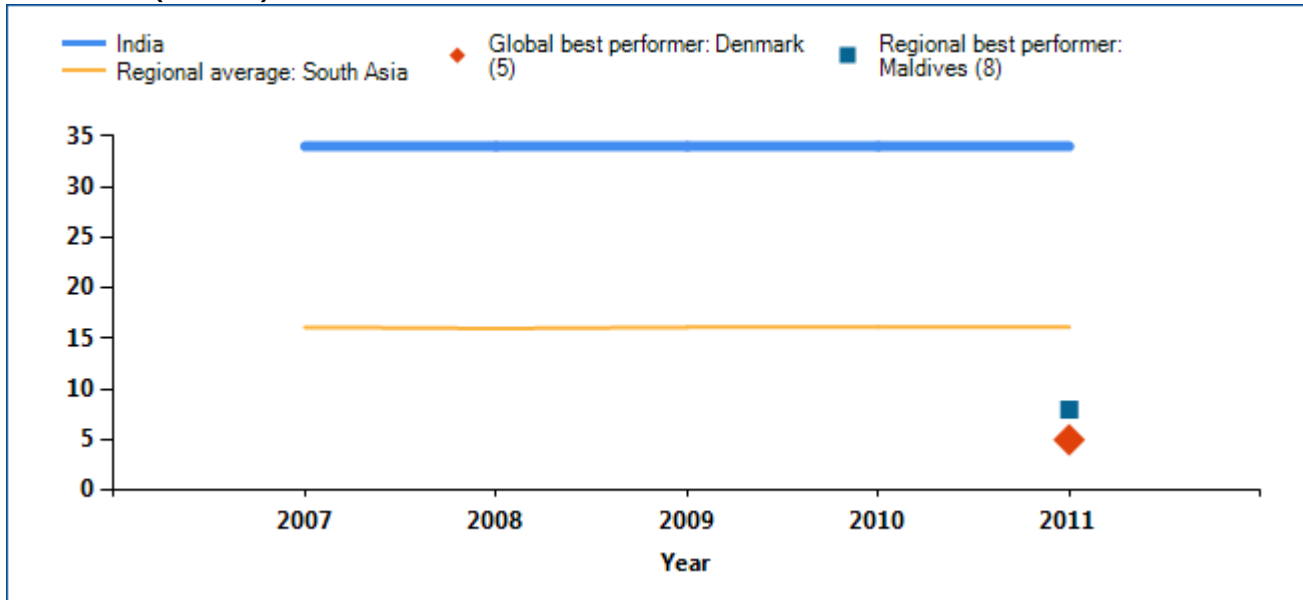
DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These economies may provide a model for India on

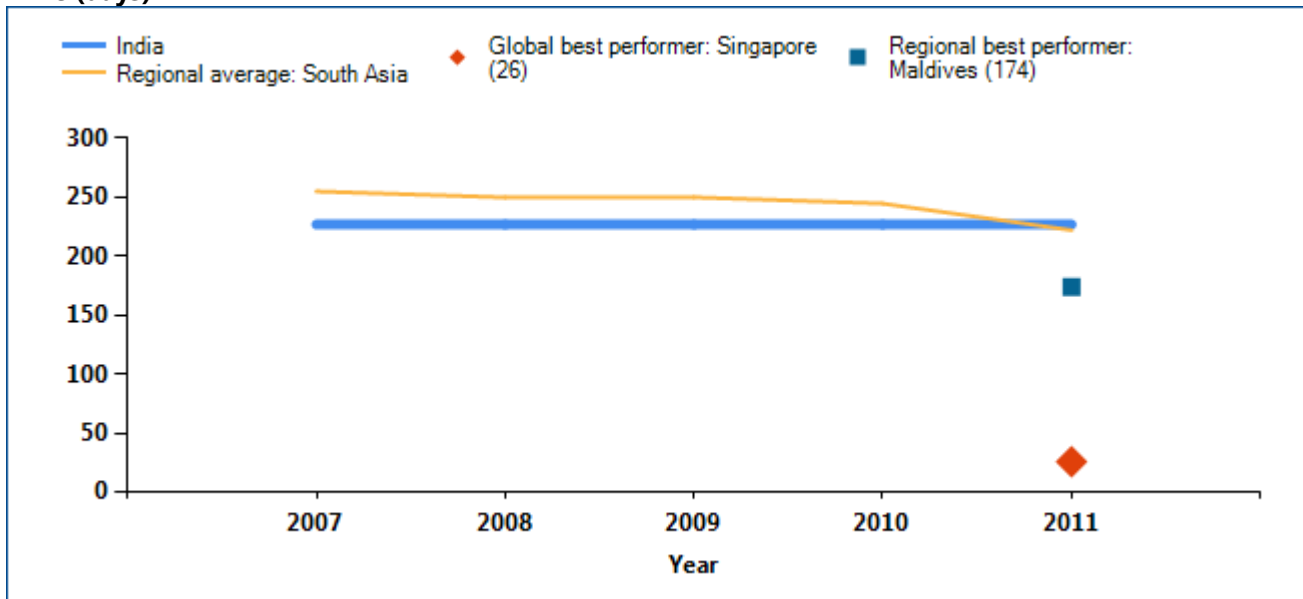
ways to improve the ease of dealing with construction permits. And changes in regional averages can show where India is keeping up—and where it is falling behind.

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

Procedures (number)

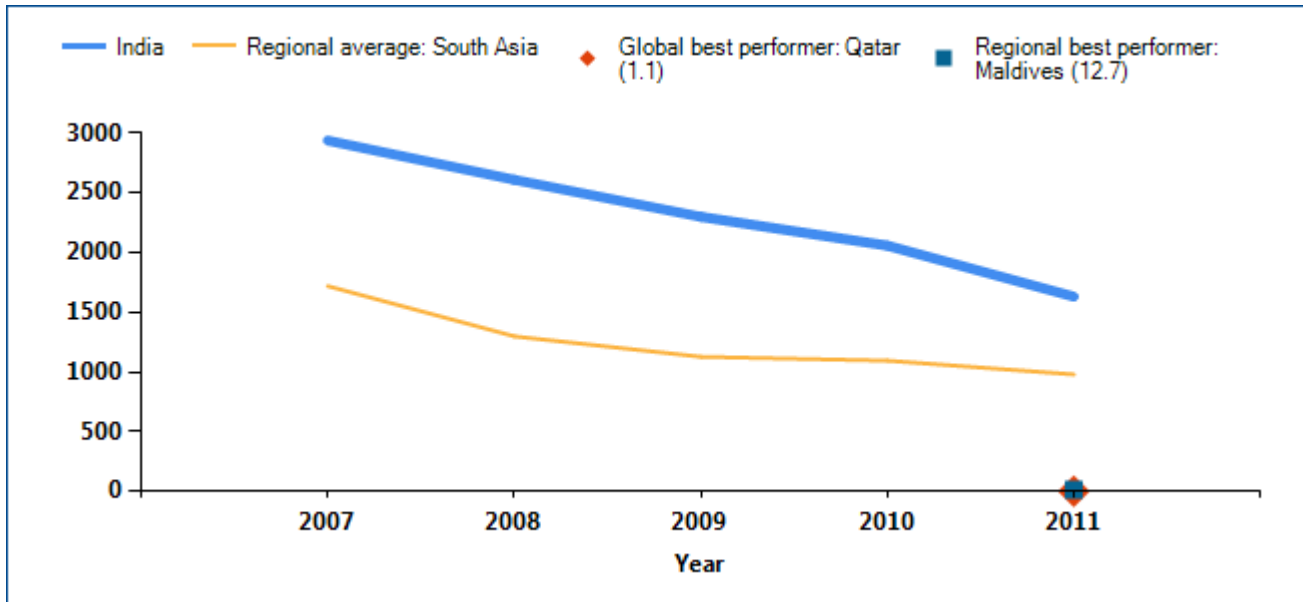


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

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 3.2)?

Table 3.2 How has India made dealing with construction permits easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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, 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	<p>Submit application and design plans at Building Proposal office of BMC and pay scrutiny fee</p> <p>Applicant submits application form with plans and all required documents, as prescribed by Section 373 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 payment of the scrutiny fees. Fees are paid 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 Department. Then the file is forwarded to the Survey Office, which will place their remarks 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 Department with one week.</p> <p>The cost for this procedure is INR 28 per square meter of the built up area/plot area, whichever is the maximum.</p>	1 day	INR 36,417
2	<p>Receive site inspection from Building Proposal Office</p> <p>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.</p>	1 day	no charge
3	<p>Obtain Intimation of Disapproval from the Building Proposal Office and pay fees</p> <p>After the site inspection, the application file returns to the Building Proposal Office to receive an intimation of disapproval (authorization). The concerned Sub Engineer scrutinizes the proposal and forwards the</p>	60 days	INR 1,301

No.	Procedure	Time to complete	Cost to complete
	<p>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 BMC office and 2 in the Andhuri office (the latter is the office considered for the purposes of this study).</p> <p>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 must be forwarded to the competent authorities. This latter process may take 30 – 90 days to complete.</p> <p>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:</p> <ol style="list-style-type: none"> 1. Tree Authority 2. Storm Water and Drain Department 3. Sewerage Department 4. Hydraulic Department 5. Environmental Department (concerned with debris management) 6. Traffic and Coordination Department 7. CFO (fire clearance) <p>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.</p> <p>The cost for this procedure is INR 1 per square meter for Intimation of Disapproval + INR 2 per square meter (or a maximum of INR 45,000) as a deposit for debris clearance. The latter is returned after the completion of construction if the BMC has deemed all debris cleared.</p>		
4	<p>Submit structural plans approved by a structural engineer to BMC</p> <p>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 Municipal Corporation but copies are required to be submitted. Time required for submitting these structural plans is one day.</p>	1 day	no charge
5	<p>* Apply for NOC from Tree Authority</p> <p>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</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	down, BuildCo will have to plant trees to replace them.		
6	* Receive inspection from Tree Authority Inspectors from the Tree Authority visit the site to check if there are any trees located on the premises.	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 BEST of the project's power requirements along with copy of application submitted for building plan approval. BEST will assess whether an electrical substation up-grade 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
13	* Request and obtain NOC from CFO All commercial structures require a fire safety clearance.	7 days	INR 13,006
14	Obtain Commencement Certificate from Building Proposal Office and pay Development Charges On submission of all required NOCs mentioned in the IOD and on compliance of the IOD conditions, the applicant may submit 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 per square meter of land + INR 500 per square meter 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	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	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.		
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
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 CFO All commercial structures require fire safety clearance according to fire and safety rules and regulations stipulated in Development Control rule 1991 and national building Code. The fee for low-rise commercial buildings is INR 5 per square meter.	3 days	INR 70,000
24	Request and receive competition inspection from BMC	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 still requires the Certificate of Completion.	1 day	no charge
26	Obtain Completion Certificate The Completion Certificate is considered to be the ultimate document that BuildCo requires to fully occupy the building and connect to utilities.	30 days	no charge
27	Apply for permanent water connection	1 day	no charge
28	* Receive on-site inspection for connection to water by the Water Supply Department An application for water connection is made to the Assistant Engineer	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	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.		
29	<p>* Obtain permanent water connection</p> <p>Fees for water connection include: Water connection charges – INR 1060 Water meter – INR 150 Refundable security deposit towards water charges bills at INR 25 per 1,000 liter + 60% of sewerage charges for the requirement of the building</p>	45 days	INR 1,210
30	<p>Apply for permanent sewerage connection</p> <p>BuildCo must visit the ward office and submit a written demand 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.</p>	1 day	no charge
31	<p>* Receive on-site inspection for connection to sewerage by Sewerage Department</p> <p>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.</p>	1 day	no charge
32	<p>* Obtain permanent sewerage connection</p>	30 days	INR 50,000
33	<p>* Apply for telephone connection</p> <p>An application for the telephone connection is submitted to the utility company along with a security deposit.</p>	1 day	INR 500
34	<p>* Receive on-site inspection and connection to telephone by the utility provider</p>	2 days	no charge

* Takes place simultaneously with another procedure.

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 a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

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

- Is 150 meters long.
- 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 in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

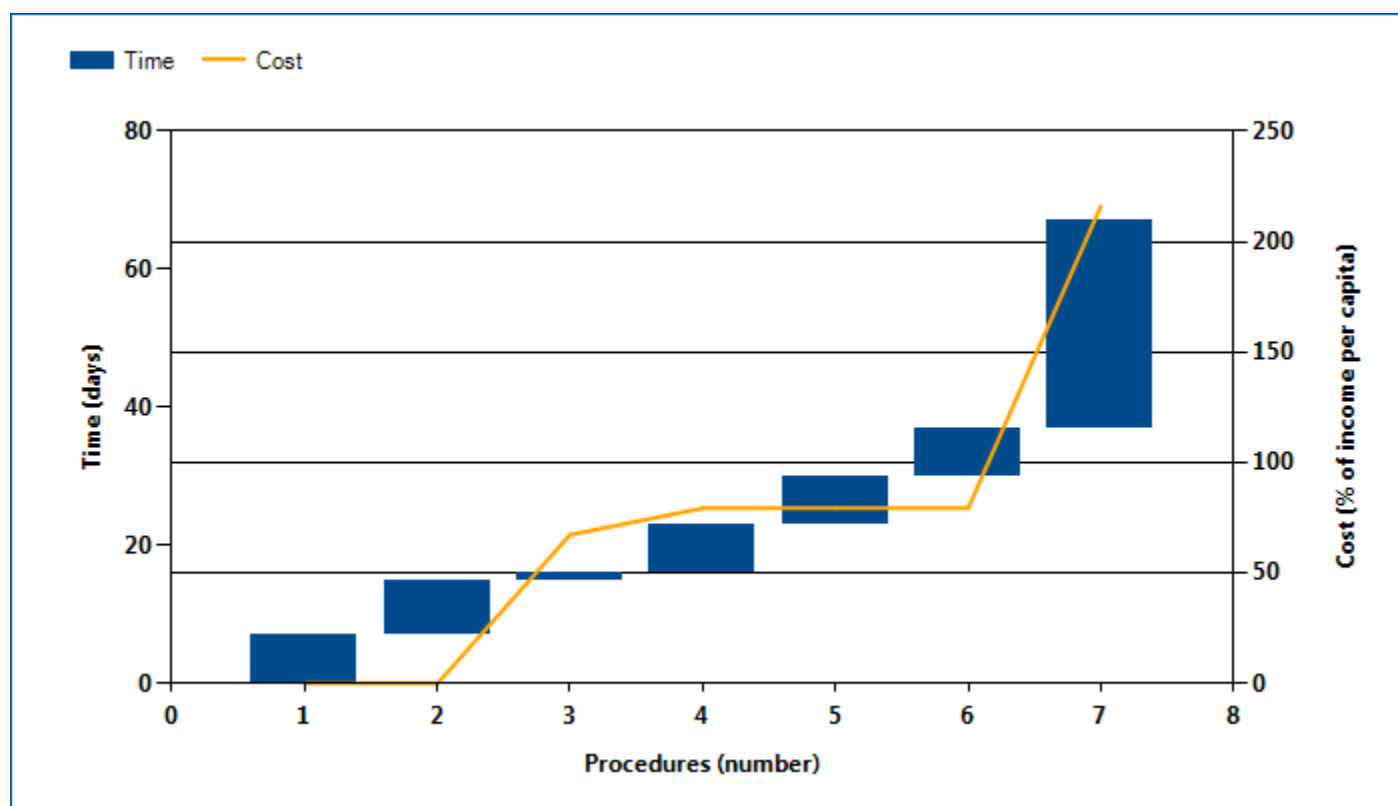
GETTING ELECTRICITY

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 216.2% of income per capita (figure 4.1).

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



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

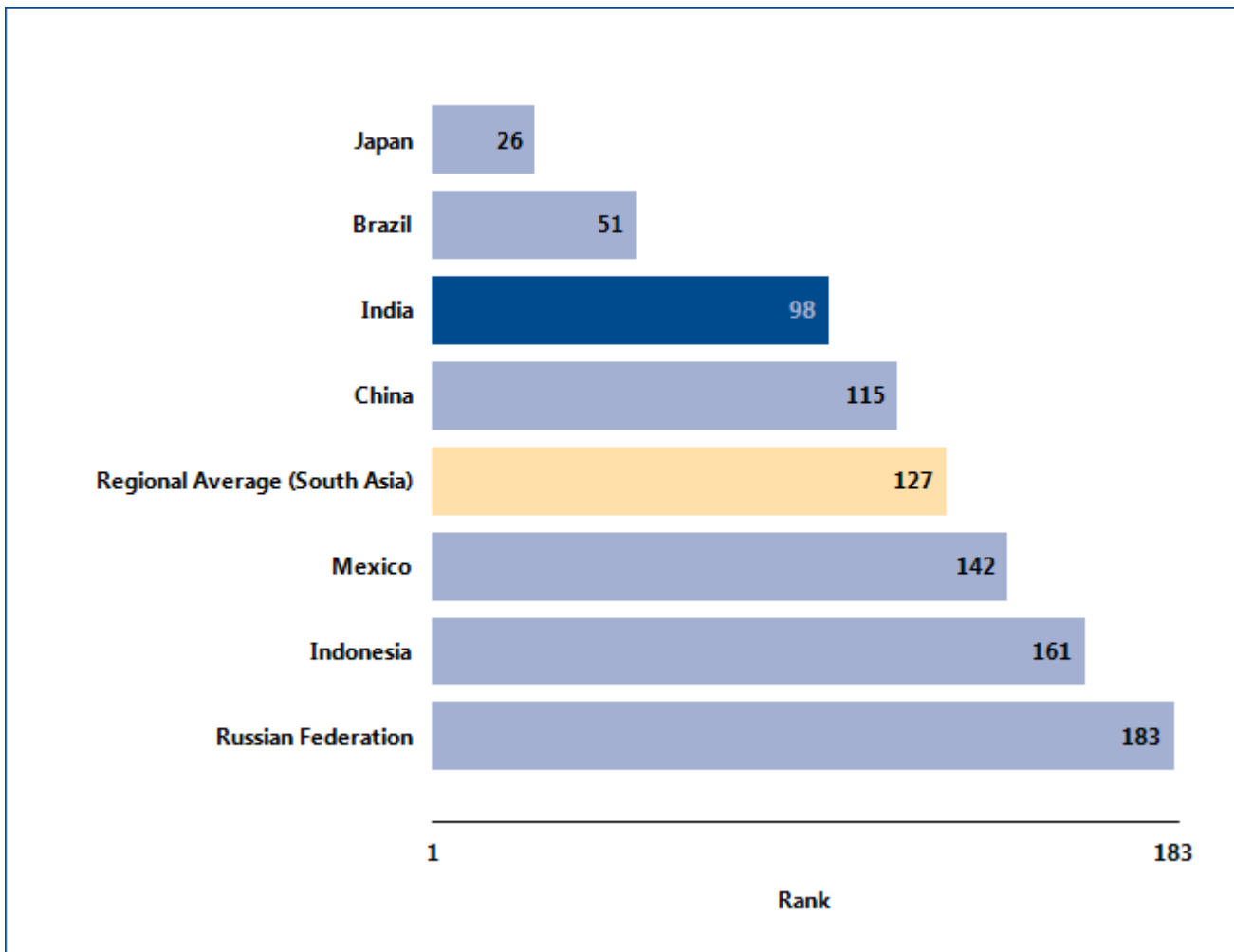
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, India stands at 98 in the ranking of 183 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 for other economies may be the indicators underlying those rankings (table 4.1). If obtaining a new electricity connection requires fewer procedures, less time or less cost in other

economies, the practices of their utilities may provide a model for India on ways to improve the ease of getting electricity. Regional and global averages on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in India and comparator economies

Indicator	India	Brazil	China	Indonesia	Japan	Mexico	Russian Federation	South Asia average	Global average
Rank	98	51	115	161	26	142	183	127	..
Procedures (number)	7	6	5	7	3	7	10	6	5
Time (days)	67	34	145	108	117	114	281	145	111
Cost (% of income per capita)	216.2	130.3	640.9	1379.0	0.0	395.5	1852.4	1,775.9	1,942.3

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	<p>Submit application to Brihan Mumbai Electricity Supply and Transport Undertaking (BEST) and await site inspection</p> <p>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.</p>	7 calendar days	INR 50.0
2	<p>Receive external site inspection from BEST and await estimate</p> <p>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 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</p>	8 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>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.</p>		
<p>3</p>	<p>Submit electrical contractor's wiring and test report and estimated amount to BEST</p> <p>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.</p>	<p>1 calendar day</p>	<p>INR 45,000.0</p>
<p>4</p>	<p>Electrical contractor conducts external connection works</p> <p>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.</p>	<p>7 calendar days</p>	<p>INR 8,000.0</p>
<p>5</p>	<p>BEST inspects wiring and installs meter</p> <p>Upon receipt of the test report, the Authorized representative of the distribution company, with prior intimation, shall inspect the equipments / 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.</p>	<p>7 calendar days</p>	<p>no charge</p>
<p>6</p>	<p>BEST inspects and tests installation</p> <p>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</p>	<p>7 calendar days</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
	assistance required concerning the installation.		
7	<p>Submit meter security deposit, receive external connection and electricity starts flowing</p> <p>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.</p>	30 calendar days	INR 91,424.8

* 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 periurban area of 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.

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

Procedure 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

- 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. The property will be transferred in its entirety.

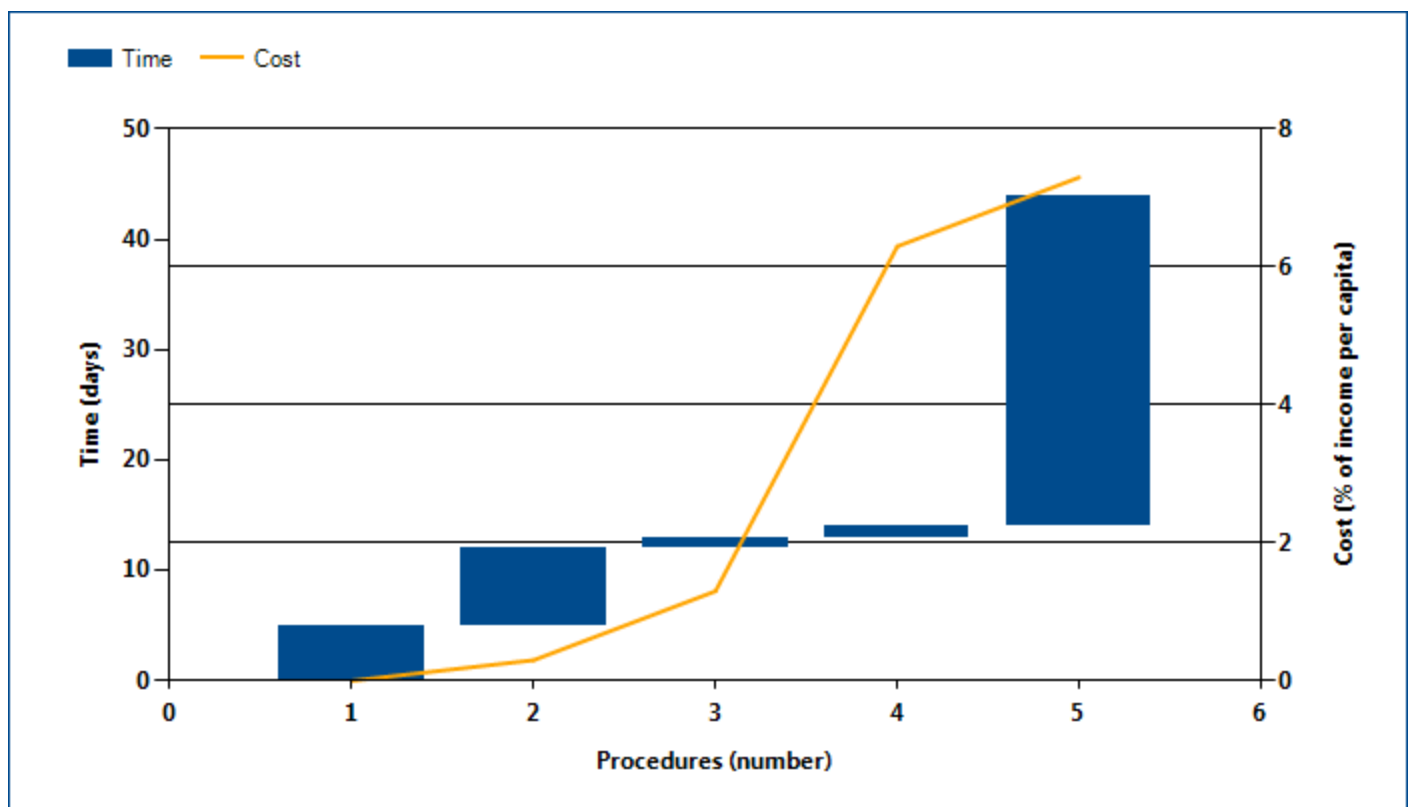
REGISTERING PROPERTY

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 days and costs 7.3% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in India



Note: For details on the procedures reflected here, see the summary at the end of this chapter.

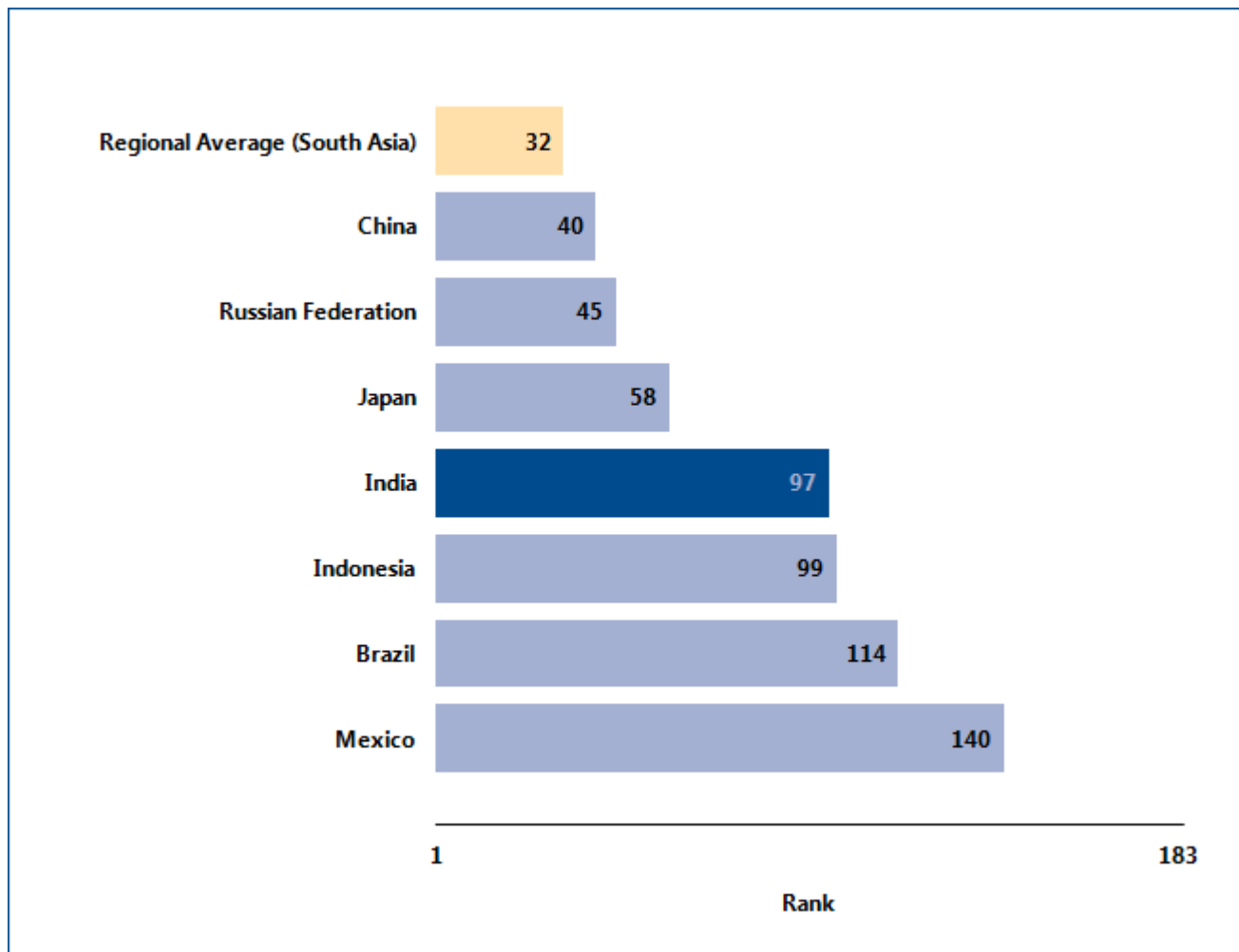
Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, India stands at 97 in the ranking of 183 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?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in India today, data over time show which aspects of the

process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in India over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	96	97
Procedures (number)	5	5	5	5	5	5	5	5
Time (days)	61	61	61	61	44	44	44	44
Cost (% of property value)	13.1	8.0	7.8	7.7	7.5	7.4	7.4	7.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.

Source: *Doing Business* database.

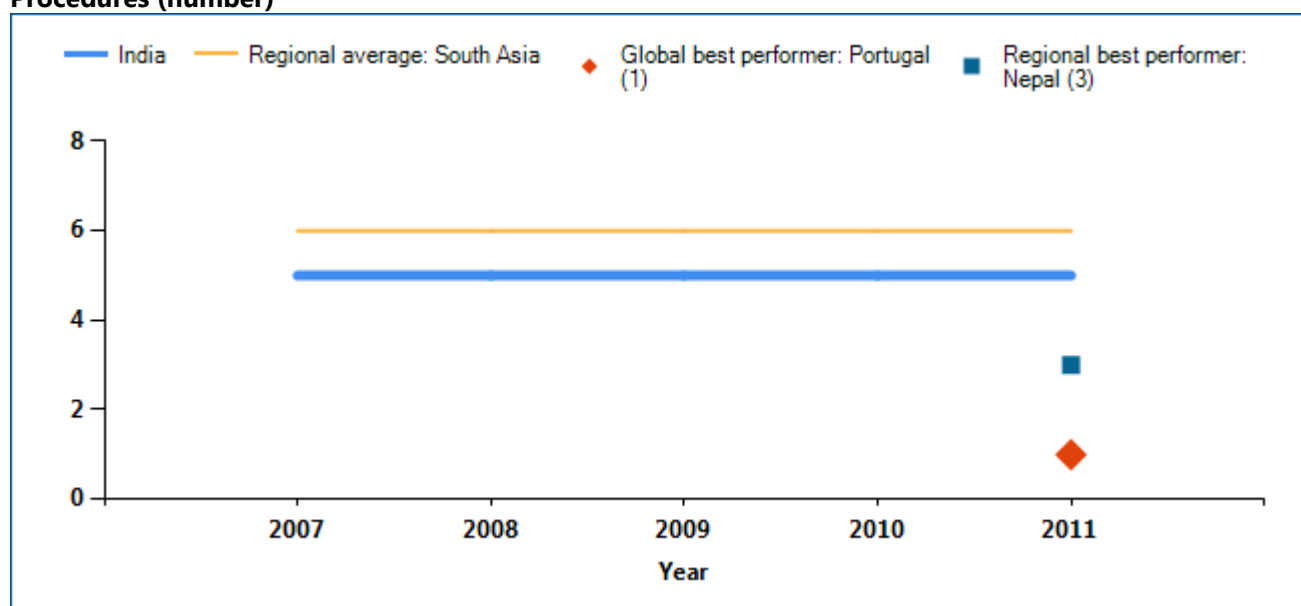
REGISTERING PROPERTY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3).

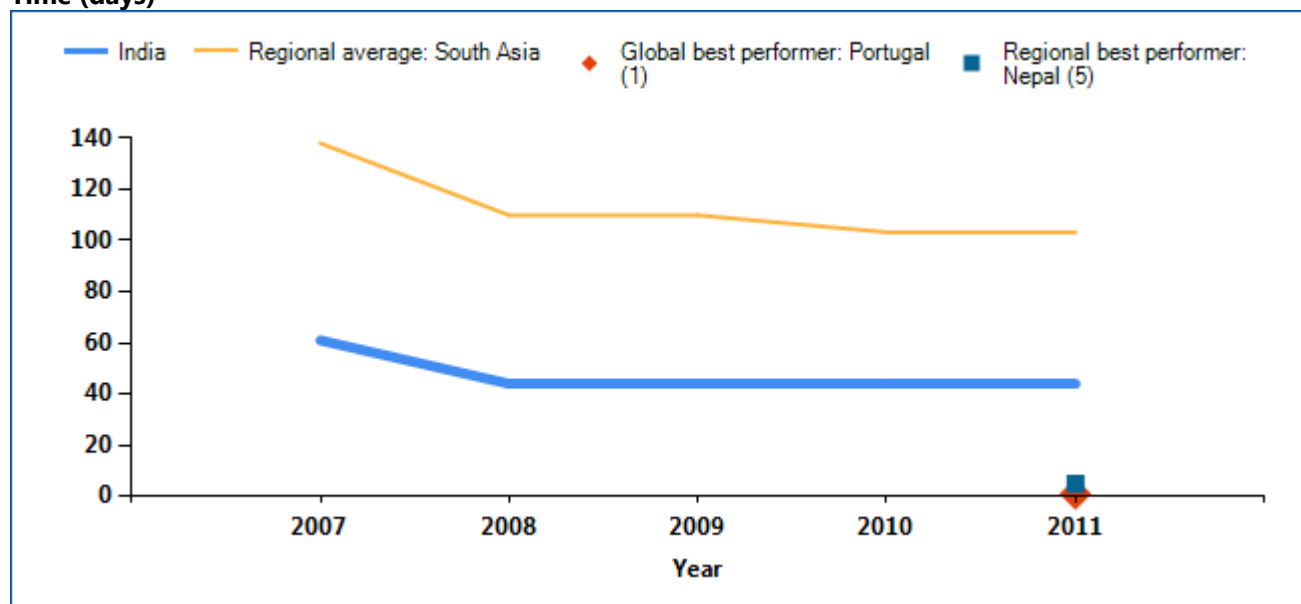
These economies may provide a model for India on ways to improve the ease of registering property. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

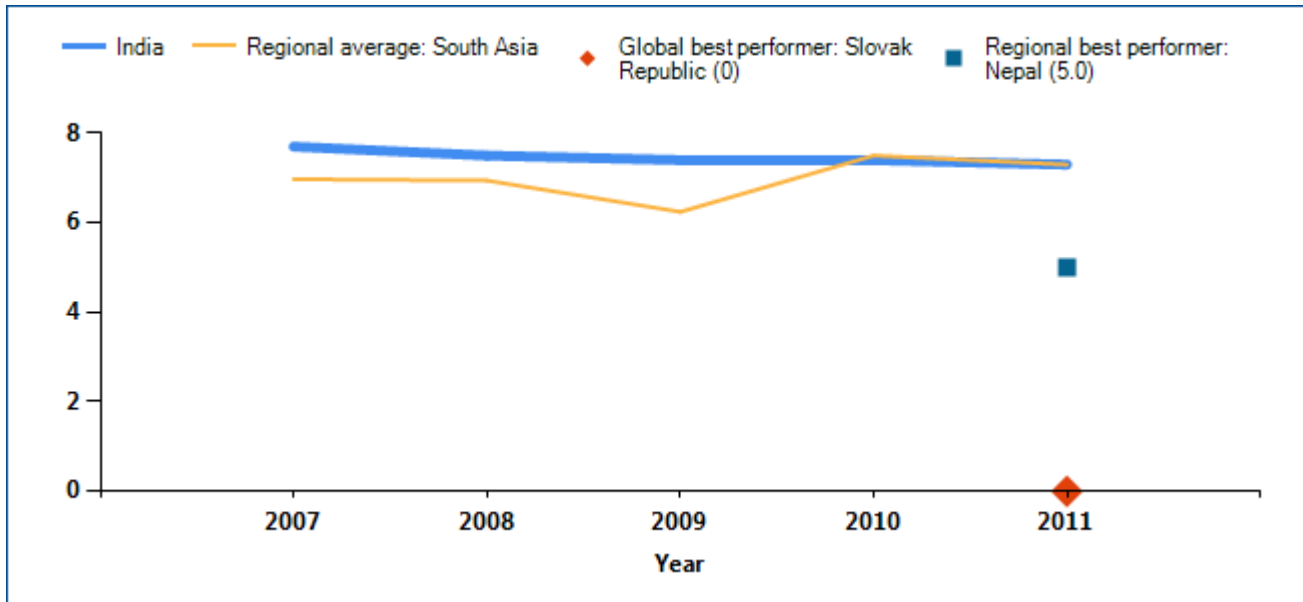


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

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 5.2)?

Table 5.2 How has India made registering property easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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: 3,341,708.9

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	<p>Check for encumbrances at the office of Sub-Registrar of Assurance</p> <p>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</p> <p>(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,</p> <p>(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,</p> <p>(3) the property is transferable and heritable,</p> <p>(4) the transferor is competent and/or authorized to transfer the property,</p> <p>(5) the transferee is qualified to be a transferee,</p> <p>(6) the object or consideration for the transfer is lawful,</p> <p>(7) the transfer has been made and completed in the manner prescribed by law,</p> <p>(8) the property being sold is free of restrictions for sale under the Urban Land (Ceiling & Regulation) Act, 1976 and a Clearance Certificate for the property has been issued by the U.L.C. (Urban Land Ceiling) Authorities. Also, all papers with regard to payment of taxes, the electricity bills and water bills need to be checked.</p> <p>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.</p>	5 days	Rs. 10,000
2	<p>Preparation of the final sale deed by the purchaser's lawyer</p>	7 days	INR 22,000 to INR

No.	Procedure	Time to complete	Cost to complete
	<p>The lawyer prepares the final sale deed and then engrosses the document on green paper leaving the date and place blank then this document is then submitted for stamping.</p> <p>The fee for the lawyer is around 1% of the property value.</p>		25,000
3	<p>Payment of Stamp Duty on the final Sale Deed through franking at the designated bank.</p> <p>Deposits the said fees in the designated bank. 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.</p> <p>The True Market Value is determined as per the provision of the Bombay Stamp (Determination of True market value of the property) Rules, 1995.</p>	1 day	5% of property value
4	<p>Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The documentation shall include:</p> <ol style="list-style-type: none"> 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 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 	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
	government 6. Copy of the Municipal Tax bill to indicate the year in which the building was constructed		
5	<p>Apply to the Land & Survey Office for mutation of the tile of the property</p> <p>After receipt of the registered title deed, the purchaser applies to the Municipal Authority seeking mutation of the title of the property in its favour. The authorised signatory has to submit the duly signed application along with the affidavit, indemnity bond, and a certified/notarised copy of the registered title deed.</p> <p>After the assessment of the request for mutation, the Land & Survey Office decides the value for levying tax on property and then issues a letter of mutation in favour of the purchaser. Cost includes: application fee is INR 100; indemnity bond on INR 100 stamp paper, obtain an affidavit at INR 50 and notarize the sale deed for INR 50.</p>	30 days	INR 300

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders 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 the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. *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, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Protection of 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

- Has 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 its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

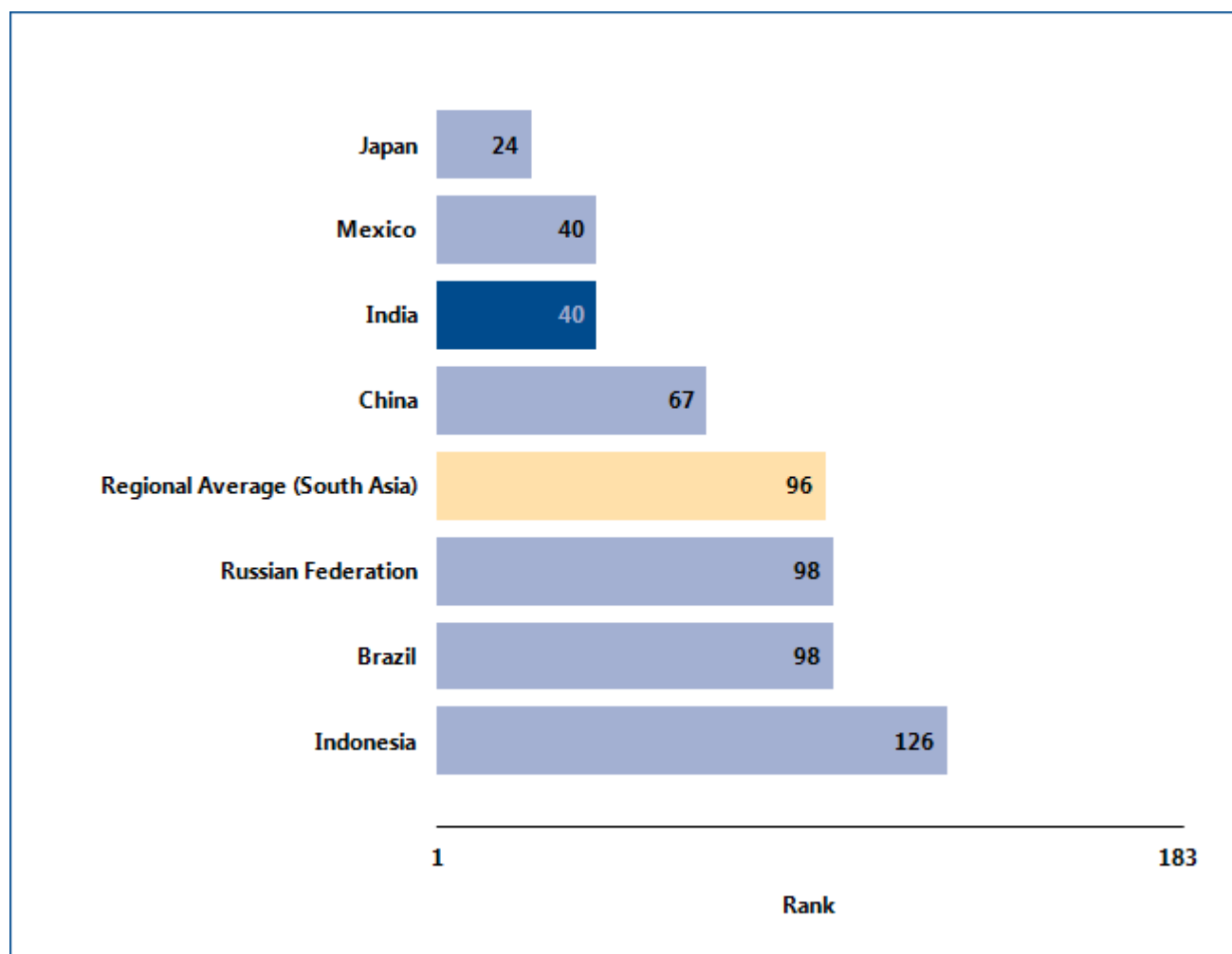
GETTING CREDIT

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 4 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 40 in the ranking of 183 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
Rank	..	..	..	..	..	..	37	40
Strength of legal rights index (0-10)	6	6	7	8	8	8	8	8
Depth of credit information index (0-6)	0	2	3	4	4	4	4	4
Public registry coverage (% of adults)	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

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

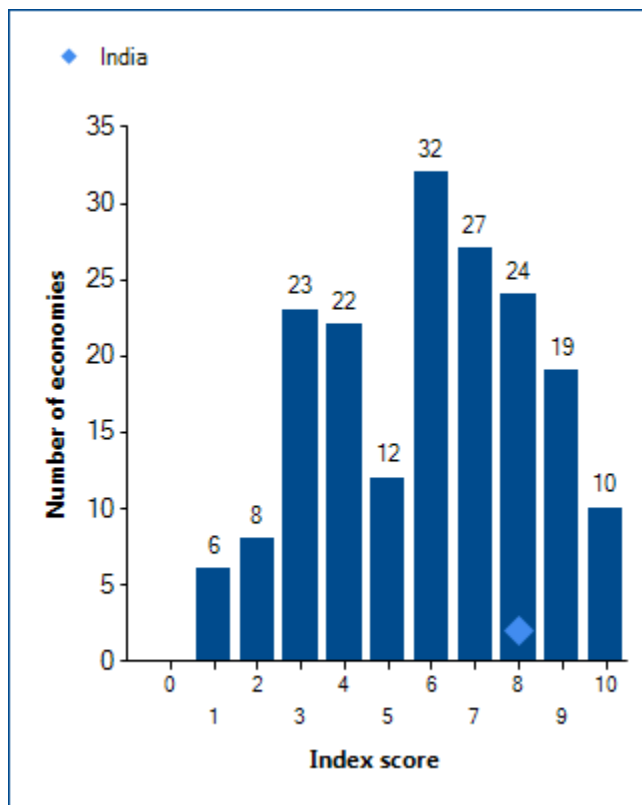
GETTING CREDIT

One way to put an economy's getting credit indicators into context is to see where the economy stands in the distribution of scores across other economies. Figure 6.2 highlights the score on the strength of legal rights

index for India in 2011 and shows the number of other economies having the same score in 2011. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 Have legal rights for borrowers and lenders become stronger?

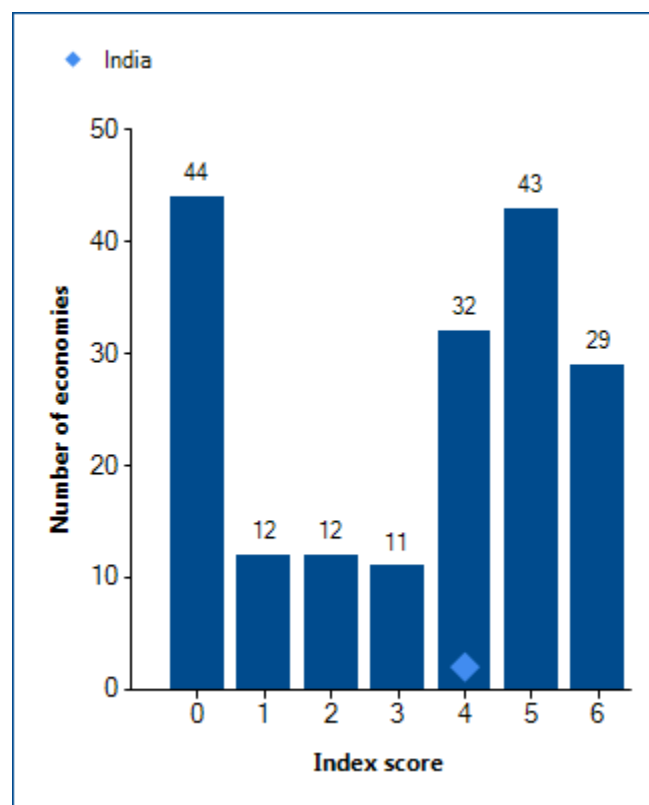
Number of economies with each score on strength of legal rights index (0–10), 2011



Source: Doing Business database.

Figure 6.3 Have the coverage and accessibility of credit information grown?

Number of economies with each score on depth of credit information index (0–6), 2011



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
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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 public credit registry or private 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 public credit registry or private 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	OECD high income
Strength of legal rights index (0-10)	8	6	7
Depth of credit information index (0-6)	4	3	5
Public registry coverage (% of adults)	0.0	1.7	9.5
Private bureau coverage (% of adults)	15.1	5.8	63.9

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
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No

Strength of legal rights index (0–10)	Index score: 8
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	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)	Private credit bureau	Public credit registry	Index score: 4
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?	No	No	0

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

Coverage	Private credit bureau	Public credit registry
Number of firms	3,658,499	0
Number of individuals	110,355,388	0

Source: Doing Business database.

PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear 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 shareholders' ability to sue officers and directors for misconduct (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

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Who can approve related-party transactions
Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions

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

Ability of shareholders to sue directly or derivatively

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

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.

PROTECTING INVESTORS

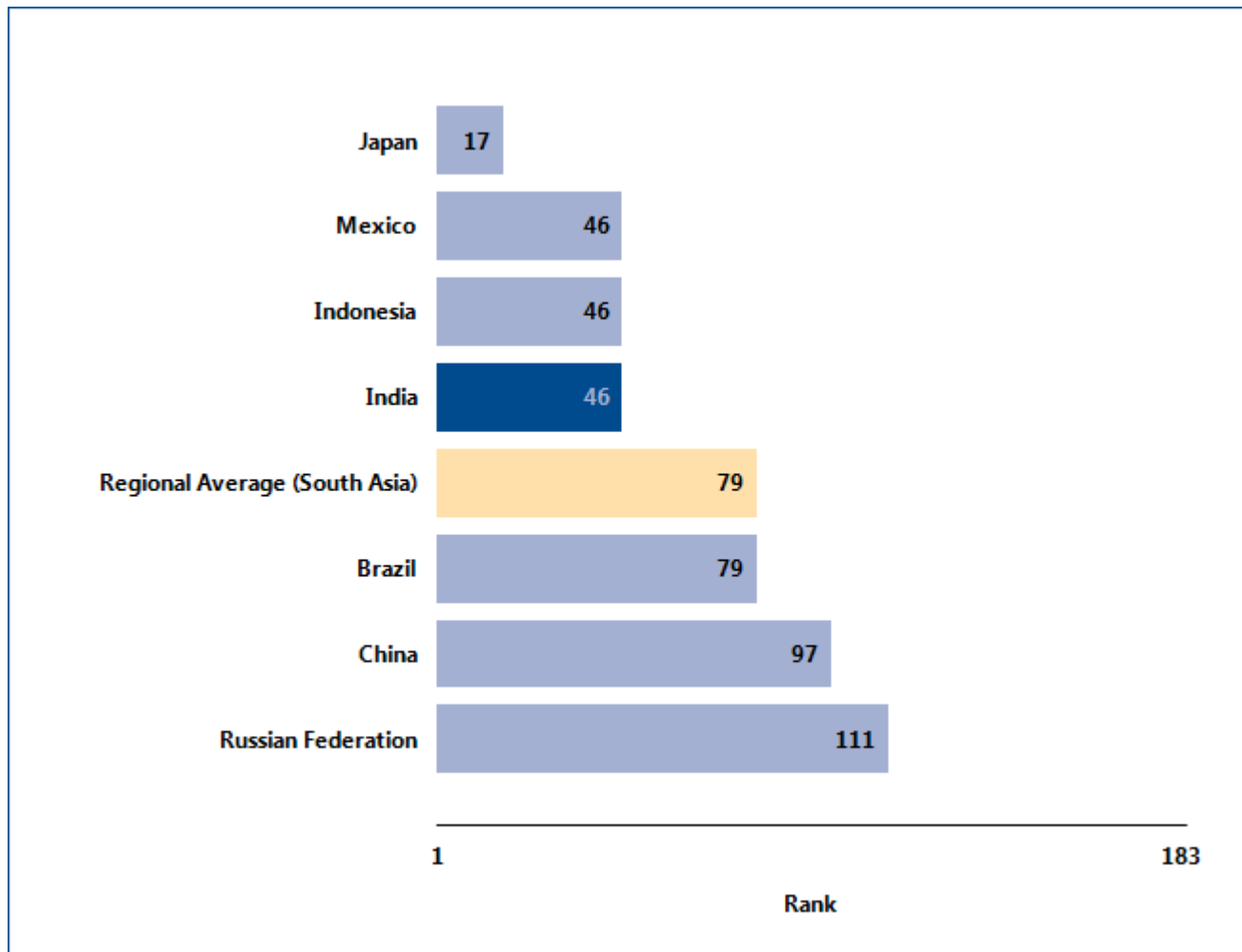
Where does the economy stand today?

How strong are investor protections in India? The economy has a score of 6.0 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 46 in the ranking of 183 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
Rank	..	..	..	..	..	44	46
Extent of disclosure index (0-10)	7	7	7	7	7	7	7
Extent of director liability index (0-10)	4	4	4	4	4	4	4
Ease of shareholder suits index (0-10)	7	7	7	7	7	7	7
Strength of investor protection index (0-10)	6.0	6.0	6.0	6.0	6.0	6.0	6.0

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

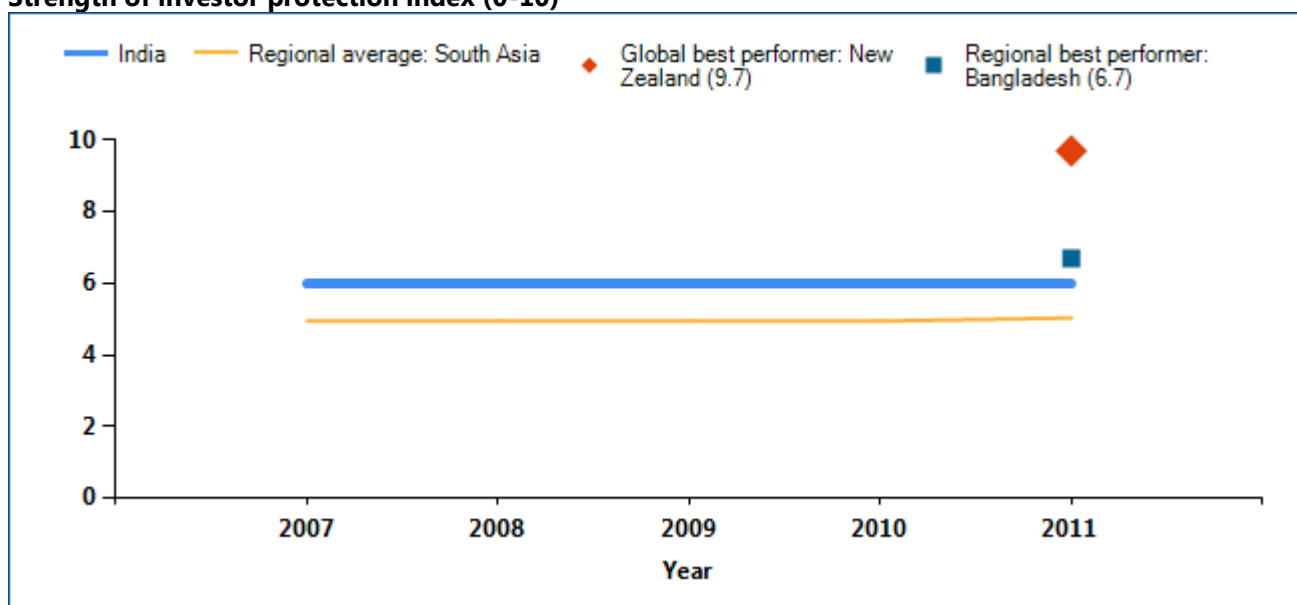
PROTECTING INVESTORS

But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded over time for India on the extent of disclosure, extent of director liability and

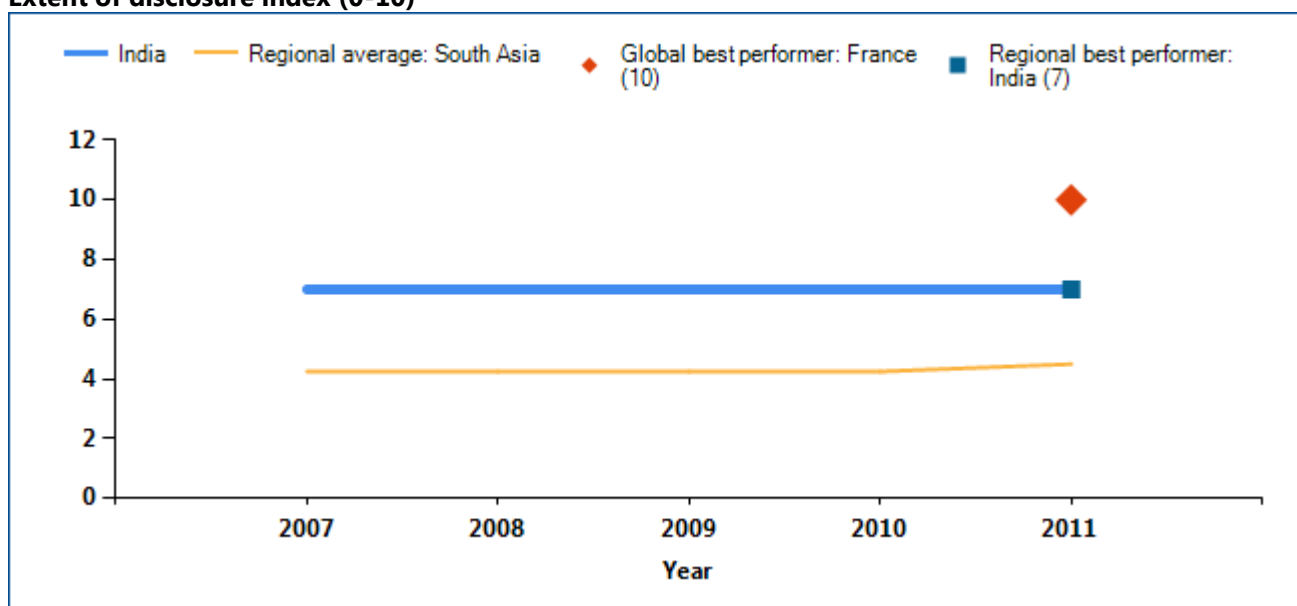
ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

Strength of investor protection index (0-10)

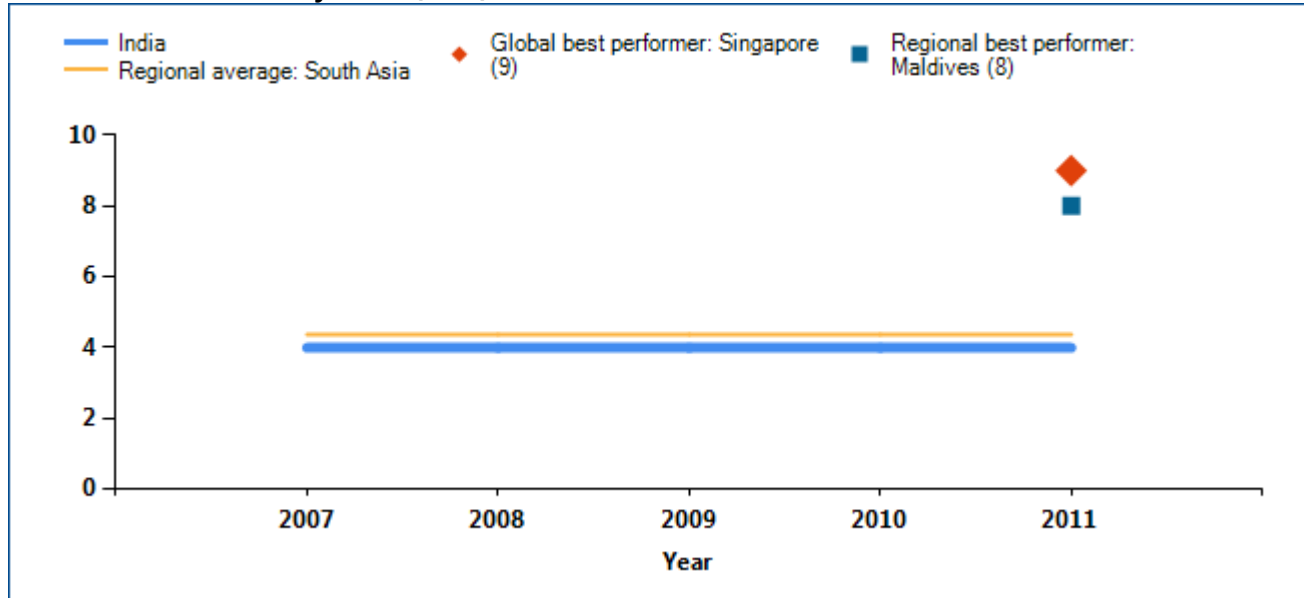


Extent of disclosure index (0-10)

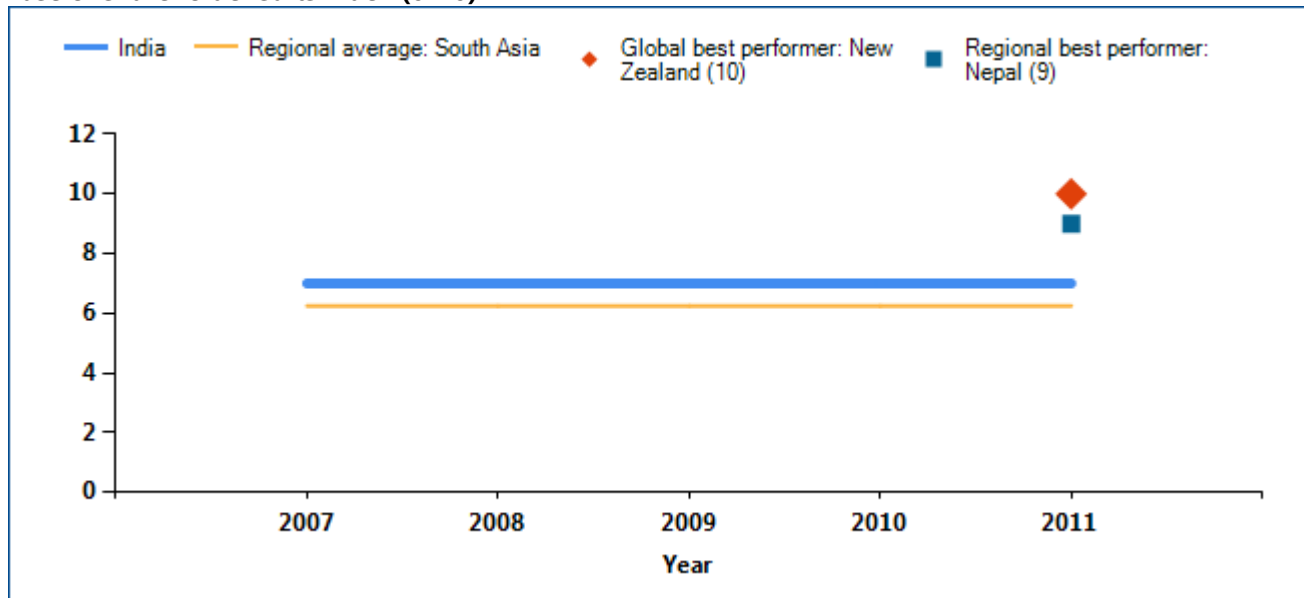


PROTECTING INVESTORS

Extent of director liability index (0-10)



Ease of shareholder suits index (0-10)



Note: The higher the score, the stronger the investor protections. The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: *Doing Business* database.

PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable

time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws 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
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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 and are based on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director liability and ease of

shareholder suits indices, a score is assigned for each of a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the 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	OECD high income
Extent of disclosure index (0-10)	7	5	6
Extent of director liability index (0-10)	4	4	5
Ease of shareholder suits index (0-10)	7	6	7
Strength of investor protection index (0-10)	6.0	5.0	6.0

	Score
Extent of disclosure index (0-10)	7
What corporate body provides legally sufficient approval for the transaction?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether an external body must review the terms of the transaction before it takes place?	1
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
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1

	Score
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Ease of shareholder suits index (0-10)	7
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Strength of investor protection index (0-10)	6.0

Source: *Doing Business* database.

Notes:

Extent of disclosure index (0–10)

Scoring for the extent of disclosure index is based on 5 components:

Which corporate body can provide legally sufficient approval for the transaction

0 = CEO or managing director alone; 1 = shareholders or board of directors vote and Mr. James can vote; 2 = board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote.

Whether disclosure of the conflict of interest by Mr. James to the board of directors is required

0 = no disclosure; 1 = disclosure of the existence of a conflict without any specifics; 2 = full disclosure of all material facts.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether disclosure of the transaction in the annual report is required

0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether it is required that an external body (for example, an external auditor) review the transaction before it takes place

0 = no; 1 = yes.

Extent of director liability index (0–10)

Scoring for the extent of director liability index is based on 7 components:

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company

0 = suits are unavailable or available only for shareholders holding more than 10% of the company's share capital; 1 = direct or derivative suits available for shareholders holding 10% of share capital or less.

Whether shareholders can hold Mr. James liable for the damage that the transaction causes to the company

0 = Mr. James is not liable or is liable only if he acted fraudulently or in bad faith; 1 = Mr. James is liable if he influenced the approval or was negligent; 2 = Mr. James is liable if the transaction is unfair or prejudicial to the other shareholders.

Whether shareholders can hold the approving body (the CEO or members of the board of directors) liable for the damage that the transaction causes to the company

0 = members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1 = liable for negligence in the approval of the transaction; 2 = liable if the transaction is unfair or prejudicial to the other shareholders.

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0 = rescission is unavailable or available only in case of Seller's fraud or bad faith; 1 = rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 = rescission is available when the transaction is unfair or entails a conflict of interest.

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff

0 = no; 1 = yes.

Whether both fines and imprisonment can be applied against Mr. James

0 = no; 1 = yes.

Ease of shareholder suits index (0–10)

Scoring for the ease of shareholder suits index is based on 6 components:

What range of documents is available to the plaintiff from the defendant and witnesses during trial

Score of 1 for each of the following: information that the defendant has indicated he intends to rely on for his defense; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information.

Whether the plaintiff can directly examine the defendant and witnesses during trial

0 = no; 1 = yes, with prior approval by the court of the questions posed; 2 = yes, without prior approval.

Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court

0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit

0 = no; 1 = yes.

Whether the standard of proof for civil suits is lower than that for a criminal case

0 = no; 1 = yes.

Strength of investor protection index (0–10)

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

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.² 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, 2009.
- 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.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2010 (number per year adjusted for electronic or 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

- 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.

² The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

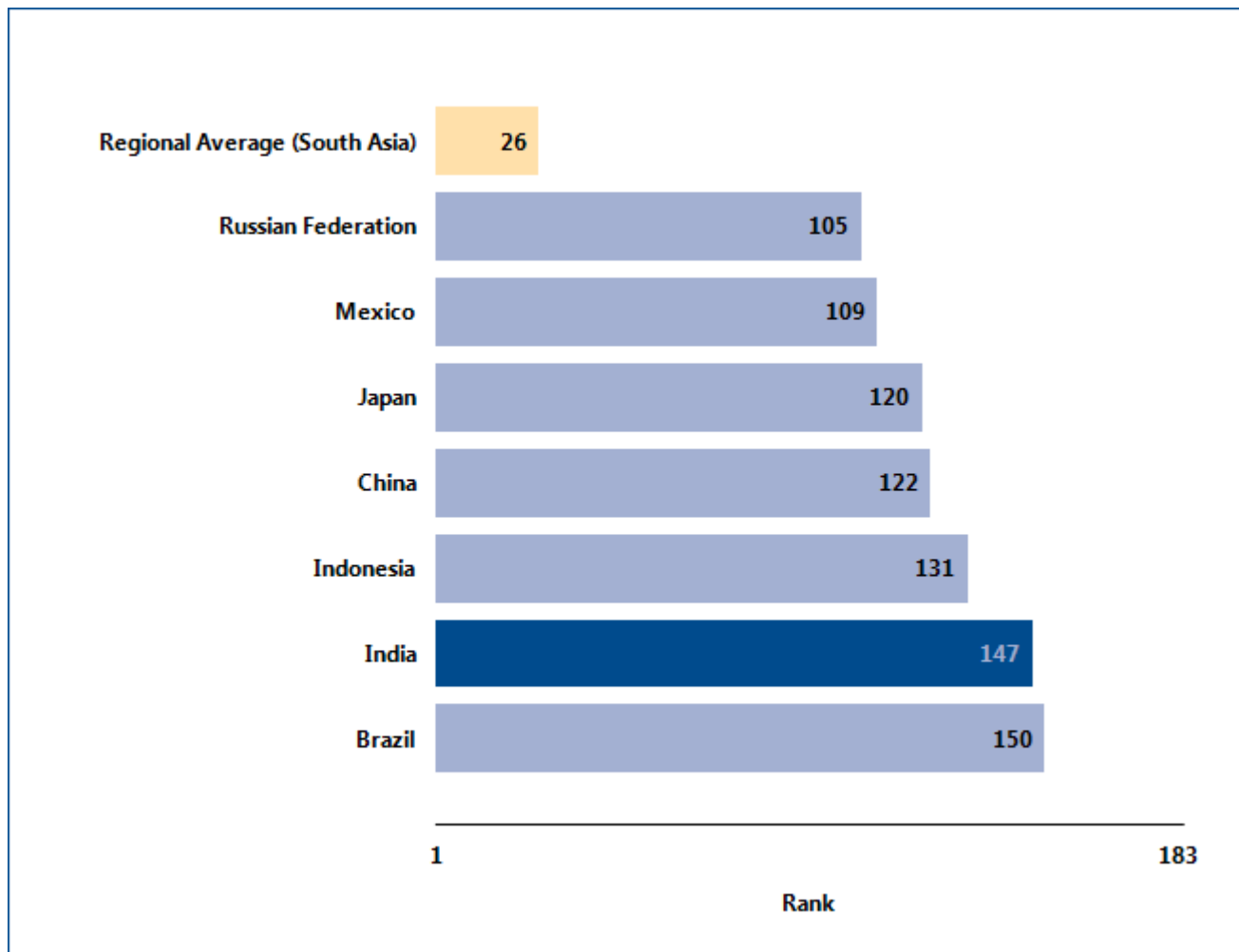
PAYING TAXES

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 254 hours a year filing, preparing and paying taxes and pay total taxes amounting to 24.7% of profit (see the summary at the end of this chapter for details).

Globally, India stands at 147 in the ranking of 183 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



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

PAYING TAXES

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in India today, data over time show which aspects of the

process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in India over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	165	147
Payments (number per year)	55	58	59	59	59	56	33
Time (hours per year)	264	264	271	271	271	258	254
Total tax rate (% profit)	65.5	72.8	71.5	69.0	64.7	63.3	61.8

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the rank on the ease of paying taxes.

Source: *Doing Business* database.

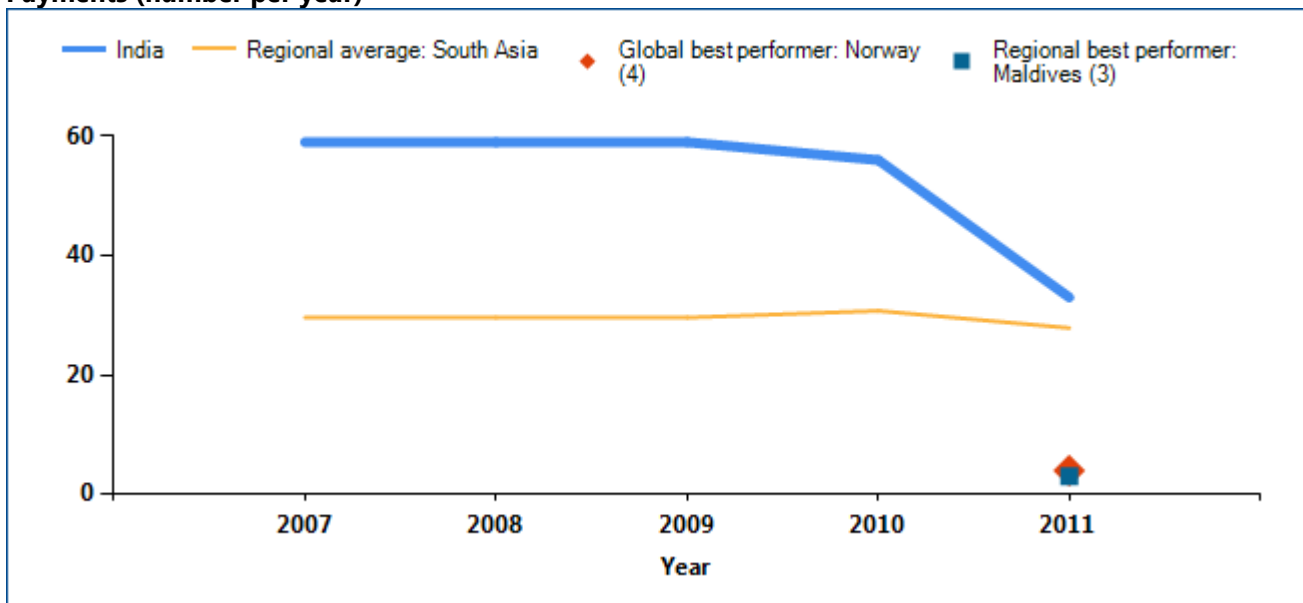
PAYING TAXES

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These economies may provide a model for India on

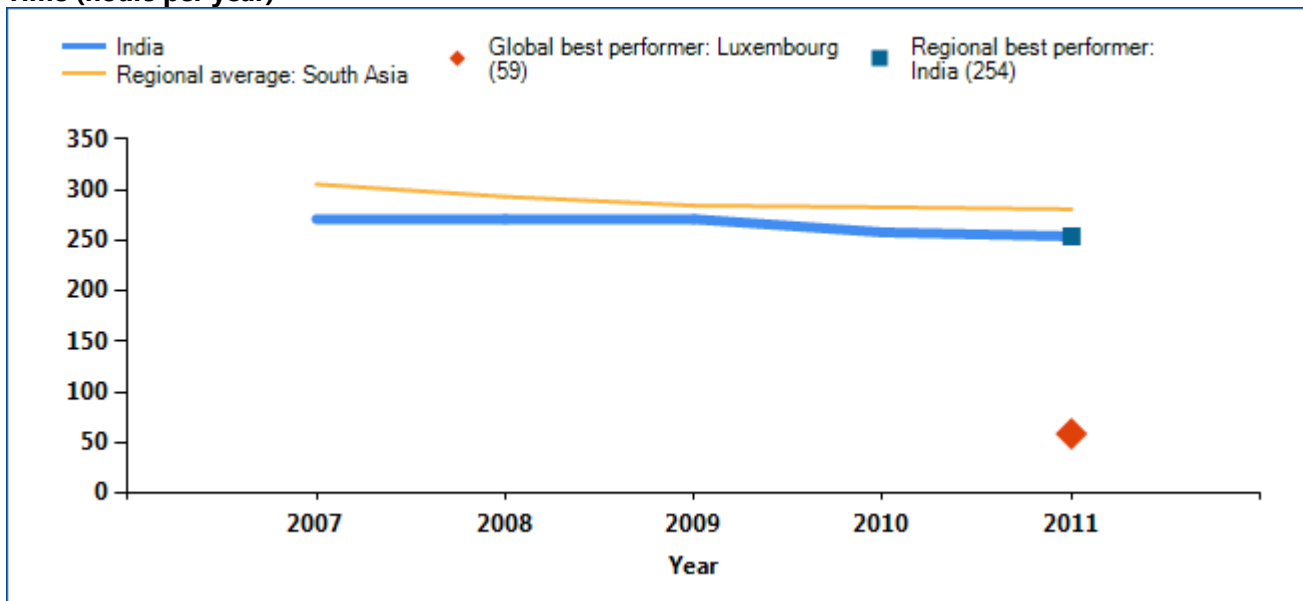
ways to ease the administrative burden of tax compliance. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

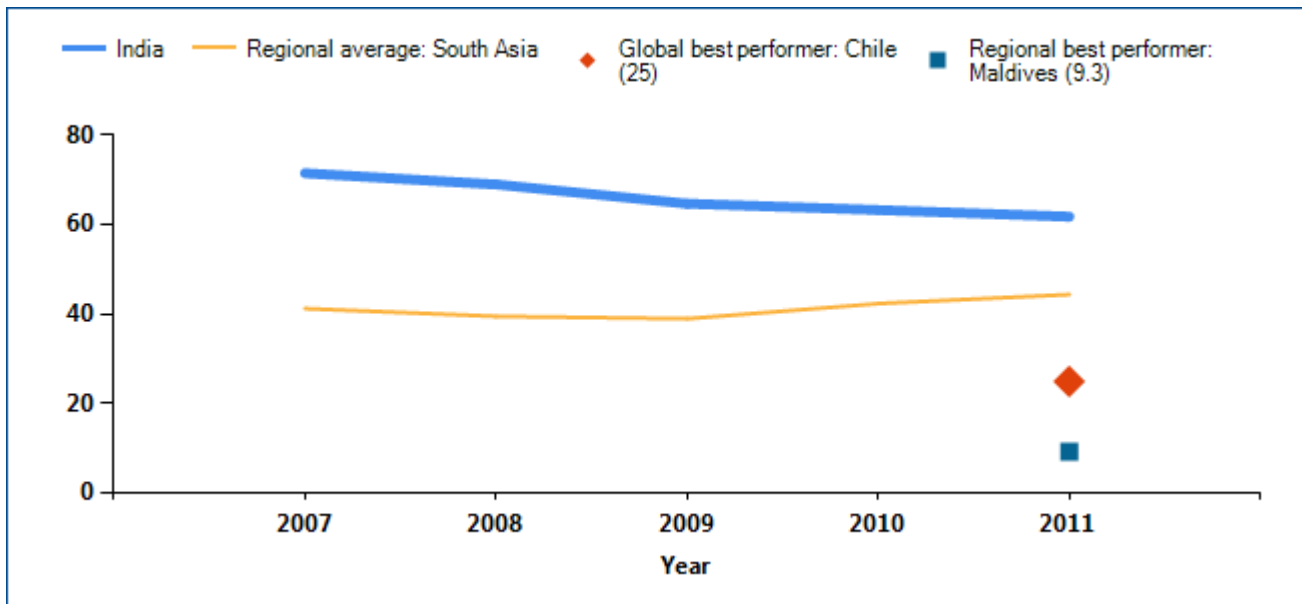


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. The best performer globally on an indicator has implemented the most efficient practices in its tax system but is not necessarily the one with the highest ranking on the indicator. In some cases 2 or more economies share the top regional ranking on an indicator. DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% 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 8.2)?

Table 8.2 How has India made paying taxes easier—or not?
By *Doing Business* report year

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

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. 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	OECD high income
Payments (number per year)	33	28	13
Time (hours per year)	254	281	186
Profit tax (%)	24.7	18.6	15.4
Labor tax and contributions (%)	18.2	7.7	24.0
Other taxes (%)	19.0	18.2	3.2
Total tax rate (% profit)	61.8	44.4	42.7

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	30.00%	taxable profits	20.8	
Central Sales Tax	1	online filing	113	2%	purchase price	14.1	
Social security contributions	12		96	12%	gross salaries	13.5	
Employee's state insurance contribution	12		0	4.75%	gross salaries	4.6	
Dividend tax	1		0	16.99%	dividend distributions	3.9	
Property tax	1		0	10%	assessed value	3.3	

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
Fuel tax	1		0	INR 2.75/- per liter (CENVAT) from 1.1.2010 to 28.02.2010 and INR 3.75 per liter from 1.3.2010 to 31.12.2010 + INR 2 per liter + 26% VAT	fuel consumption	1.2	
Tax on insurance contracts	1		0	10.30%	insurance premium	0.2	
Vehicle tax (pollution tax)	1		0	fixed fee (INR 100)	per vehicle in use	0	
State VAT	1	online filing	0	12.5%	value added	0	not included
CENVAT (Excise Duty)	1	online filing	0	10.3%	value added	0	included in other taxes
Tax on interest	0	withheld	0	10.00%	interest income	0	included in other taxes
Income surcharge	0	paid jointly	0	7.5%	on all federal taxes	0	included in other taxes
Education cess	0	paid jointly	0	2.0%	all federal taxes including the surcharge	0	included in other taxes
Secondary & Higher education cess	0	paid jointly	0	1.0%	all federal taxes including the surcharge	0	included in other taxes
Totals	33		254			61.8	

Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.

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) associated with exporting and importing a standard shipment of goods by ocean 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.

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 all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean 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

- 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.

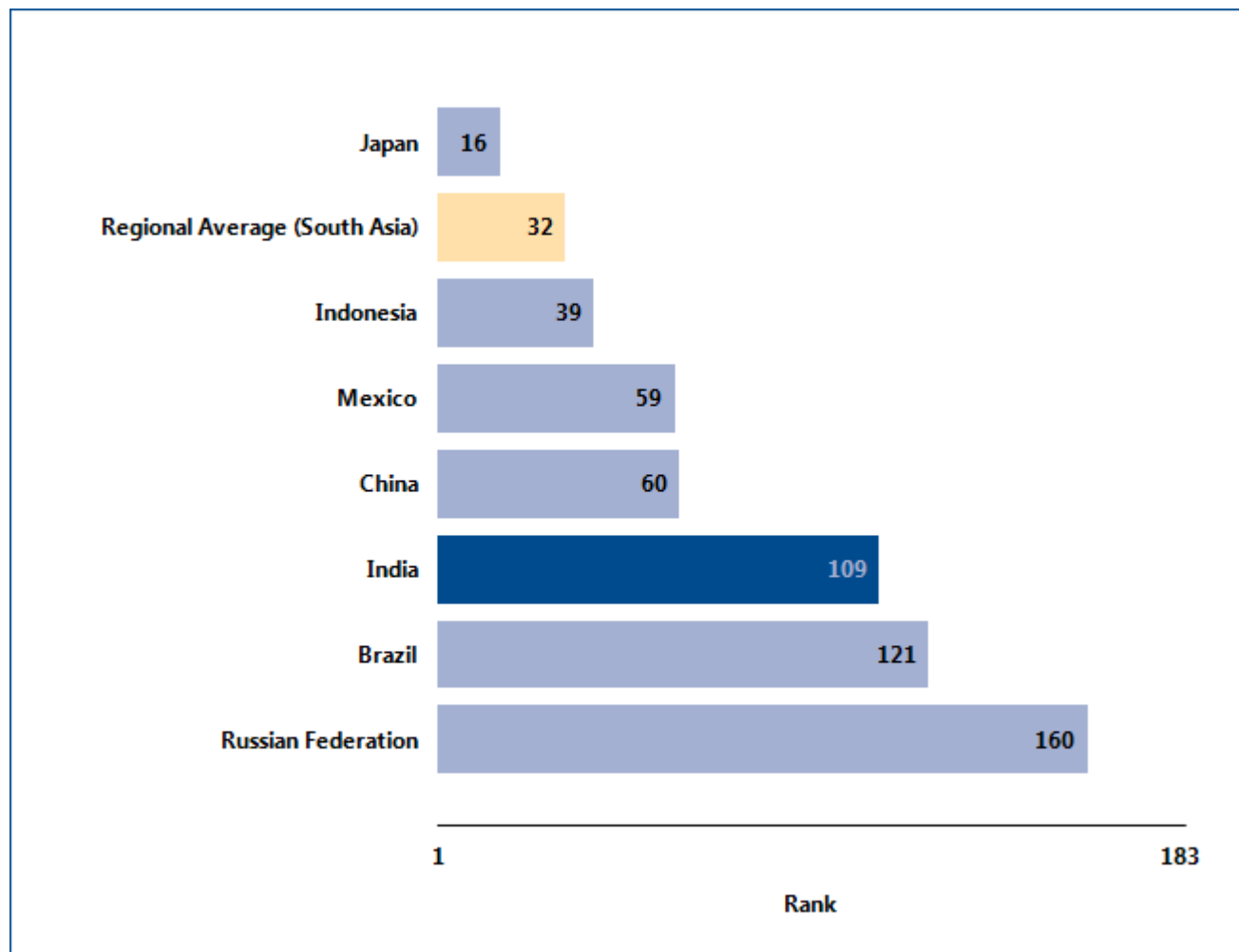
TRADING ACROSS BORDERS

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 8 documents, takes 16 days and costs \$1095. Importing the same container of goods requires 9 documents, takes 20 days and costs \$1070 (see the summary of procedures and documents at the end of this chapter for details).

Globally, India stands at 109 in the ranking of 183 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?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in India today, data over time show which aspects of the

process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in India over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	107	109
Documents to export (number)	8	8	8	8	8	8	8
Time to export (days)	27	27	18	17	17	17	16
Cost to export (US\$ per container)	864	864	820	945	945	1,055	1,095
Documents to import (number)	9	9	9	9	9	9	9
Time to import (days)	41	41	21	20	20	20	20
Cost to import (US\$ per container)	1,244	1,244	910	960	960	1,025	1,070

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

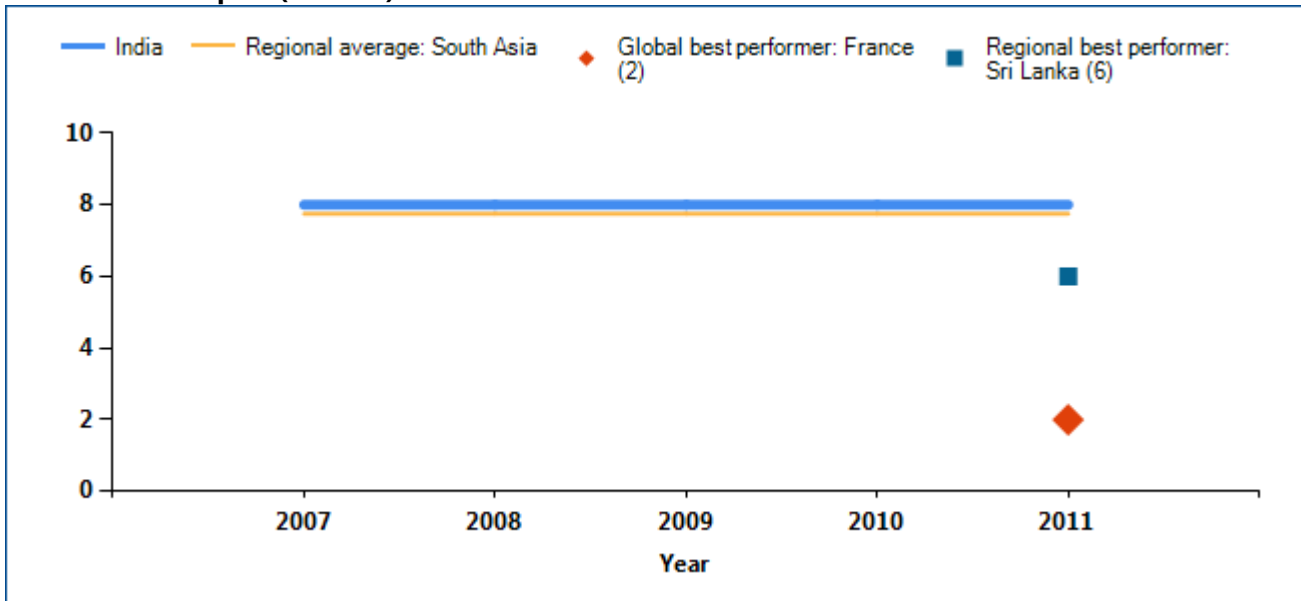
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These

economies may provide a model for India on ways to improve the ease of trading across borders. And changes in regional averages can show where India is keeping up—and where it is falling behind.

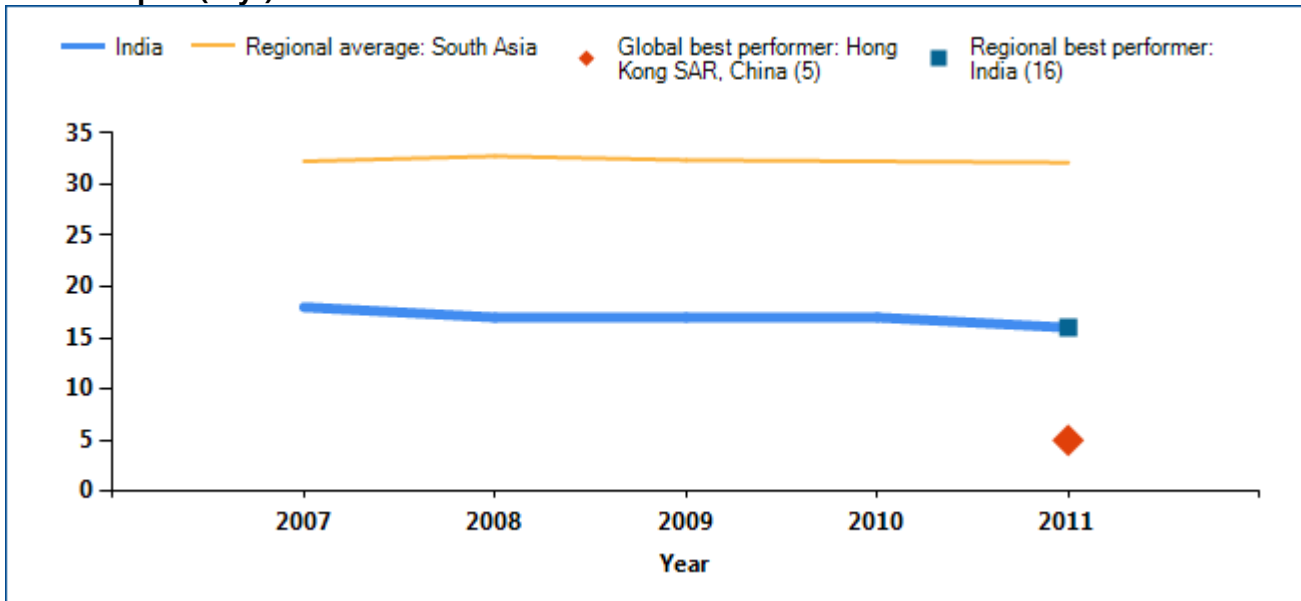
TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

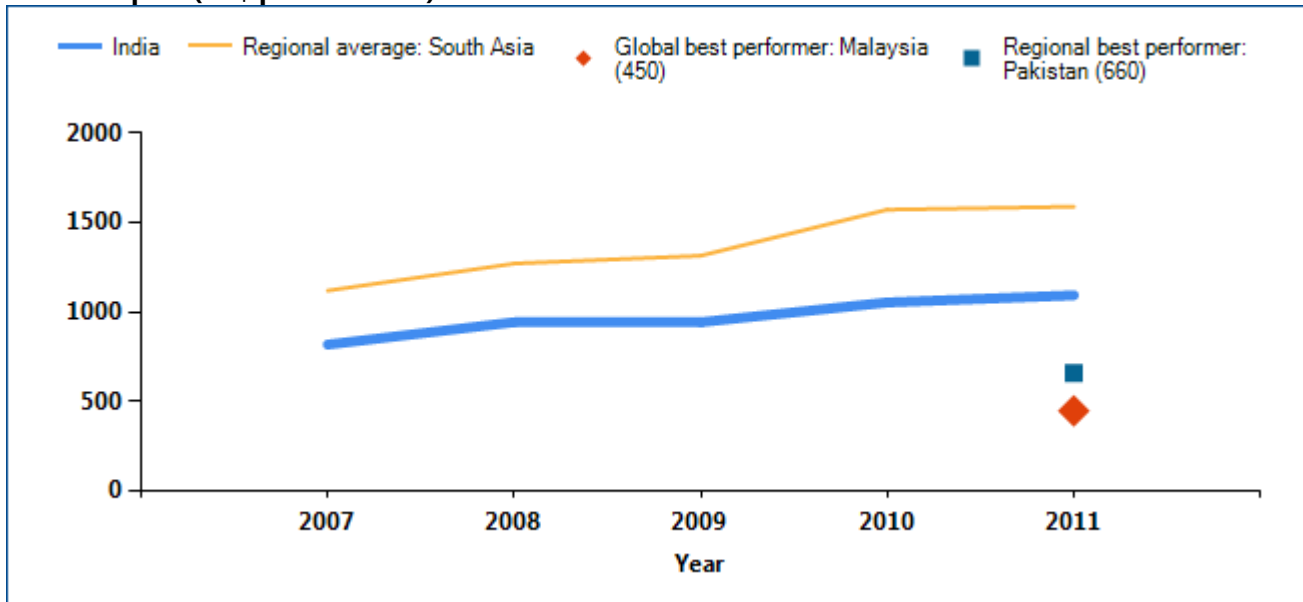


Time to export (days)

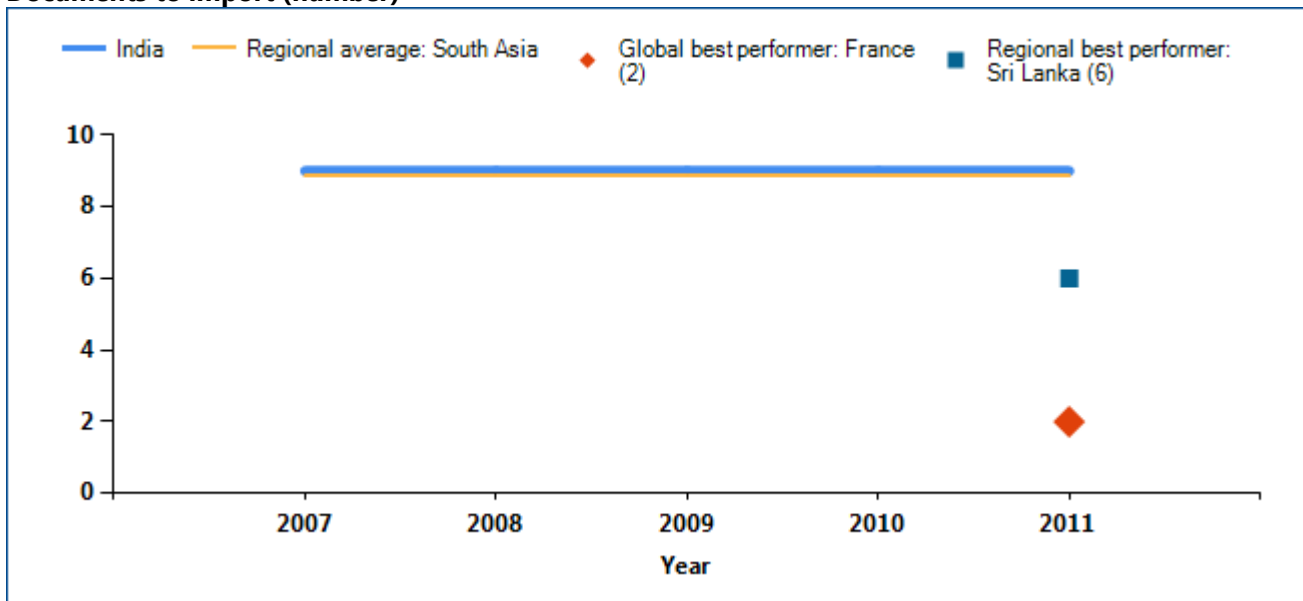


TRADING ACROSS BORDERS

Cost to export (US\$ per container)

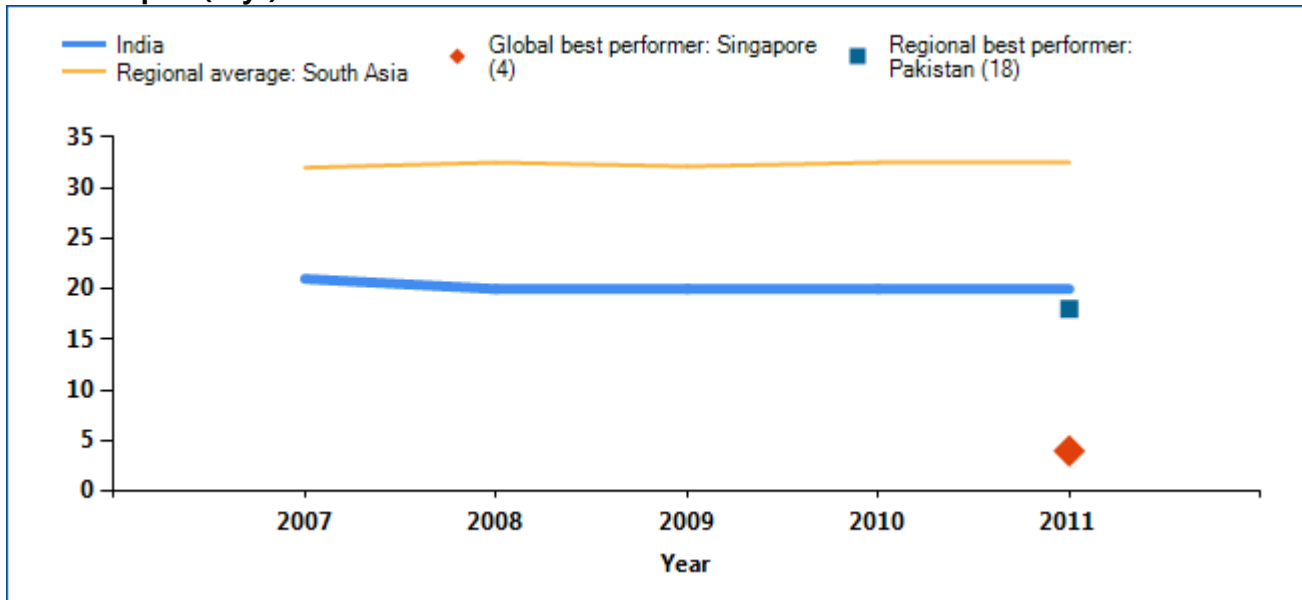


Documents to import (number)

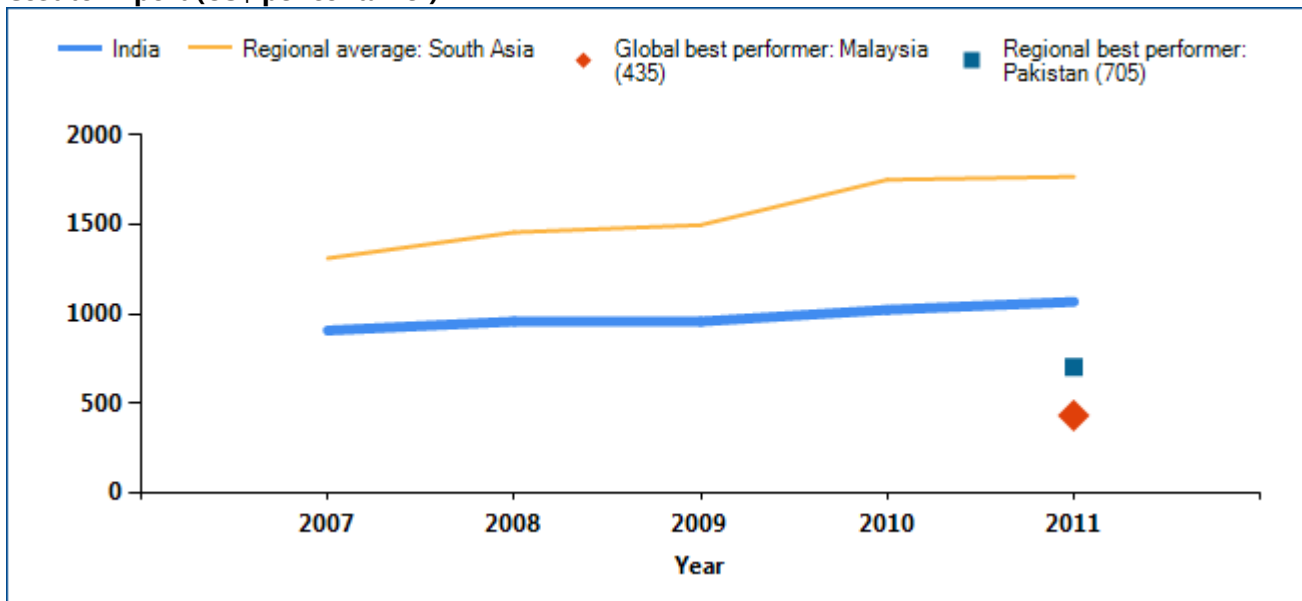


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US\$ per container)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

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 9.2)?

Table 9.2 How has India made trading across borders easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	An electronic data interchange (EDI) was implemented, allowing exporters to submit documents to customs online. The EDI system also enables customs to automatically assess export documents, making customs clearance more efficient. The new system reduced the time needed to export.

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. 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	OECD high income
Documents to export (number)	8	8	4
Time to export (days)	16	32	10
Cost to export (US\$ per container)	1095	1,590	1,032
Documents to import (number)	9	9	5
Time to import (days)	20	33	11
Cost to import (US\$ per container)	1070	1,768	1,085

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	8	415
Customs clearance and technical control	2	130
Ports and terminal handling	3	200
Inland transportation and handling	3	350
Totals	16	1095

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	8	400
Customs clearance and technical control	4	120
Ports and terminal handling	5	200
Inland transportation and handling	3	350
Totals	20	1070

TRADING ACROSS BORDERS

Documents to export
Bill of lading
Statutory Declaration Form (customs export declaration)
Commercial Invoice
Certificate of Origin
Inspection report
Packing list
Technical standard certificate
Terminal handling receipts

Documents to import
Bill of lading
Cargo release order
Certificate of Origin
Commercial invoice
Customs import declaration
Inspection report
Packing list
Technical standard certificate
Terminal handling receipts

ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

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.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

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)

No bribes

Average attorney fees

Court costs, including expert fees

Enforcement costs

- 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.

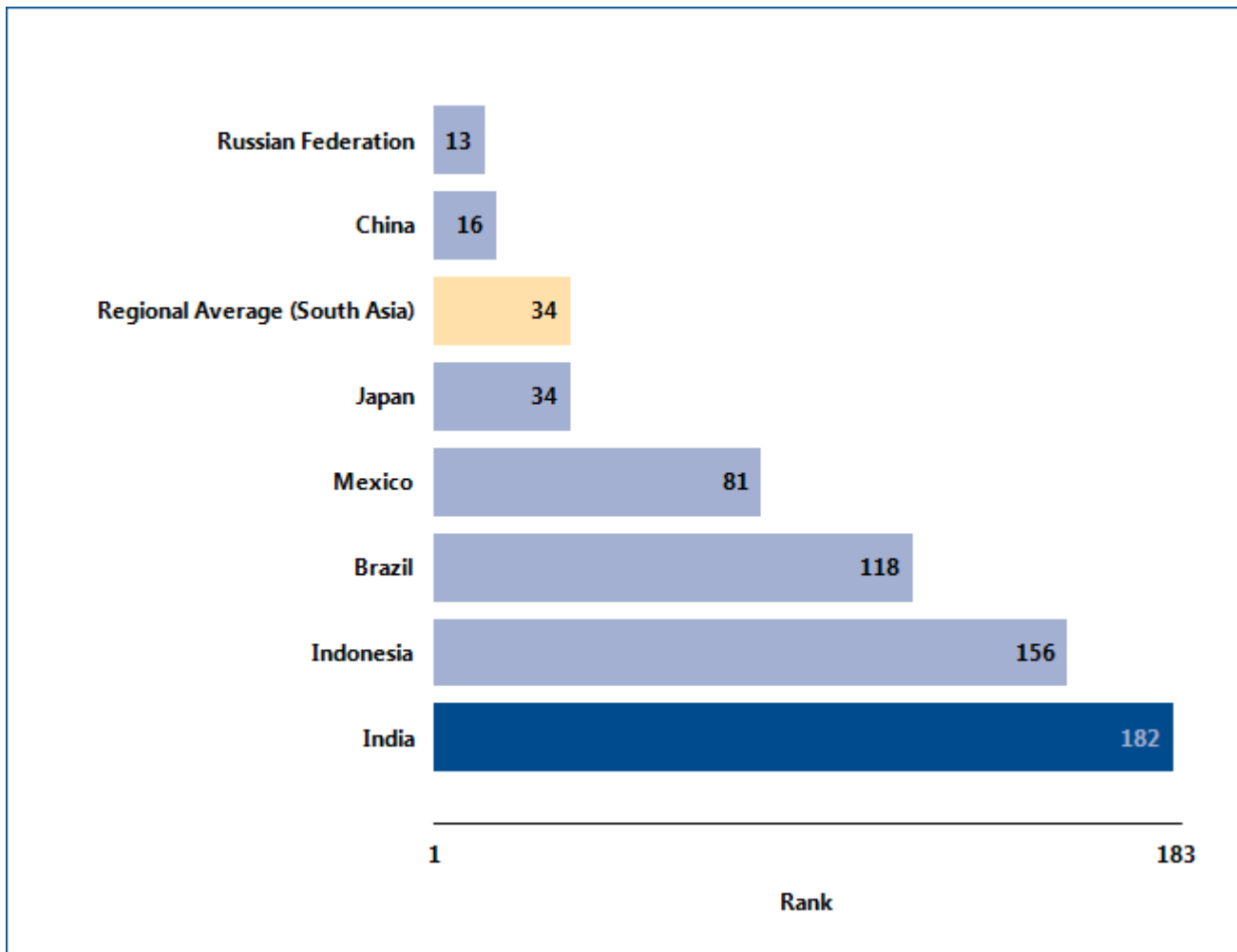
ENFORCING CONTRACTS

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*, enforcing a contract requires 46 procedures, takes 1420 days and costs 39.6% of the value of the claim (see the summary at the end of this chapter for details).

Globally, India stands at 182 in the ranking of 183 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?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in India today, data on the underlying indicators over time help

identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in India over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	182	182
Time (days)	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420
Cost (% of claim)	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6
Procedures (number)	46	46	46	46	46	46	46	46	46

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.

Source: *Doing Business* database.

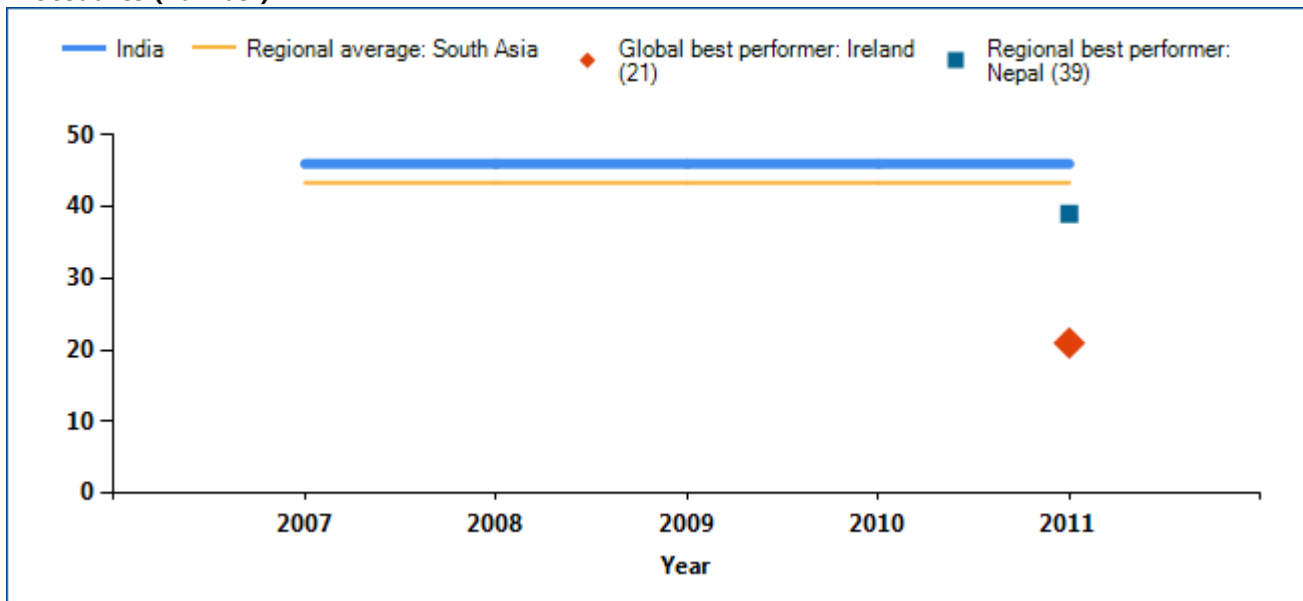
ENFORCING CONTRACTS

Equally helpful may be the benchmarks provided by the economies that today have 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). These economies may provide a model

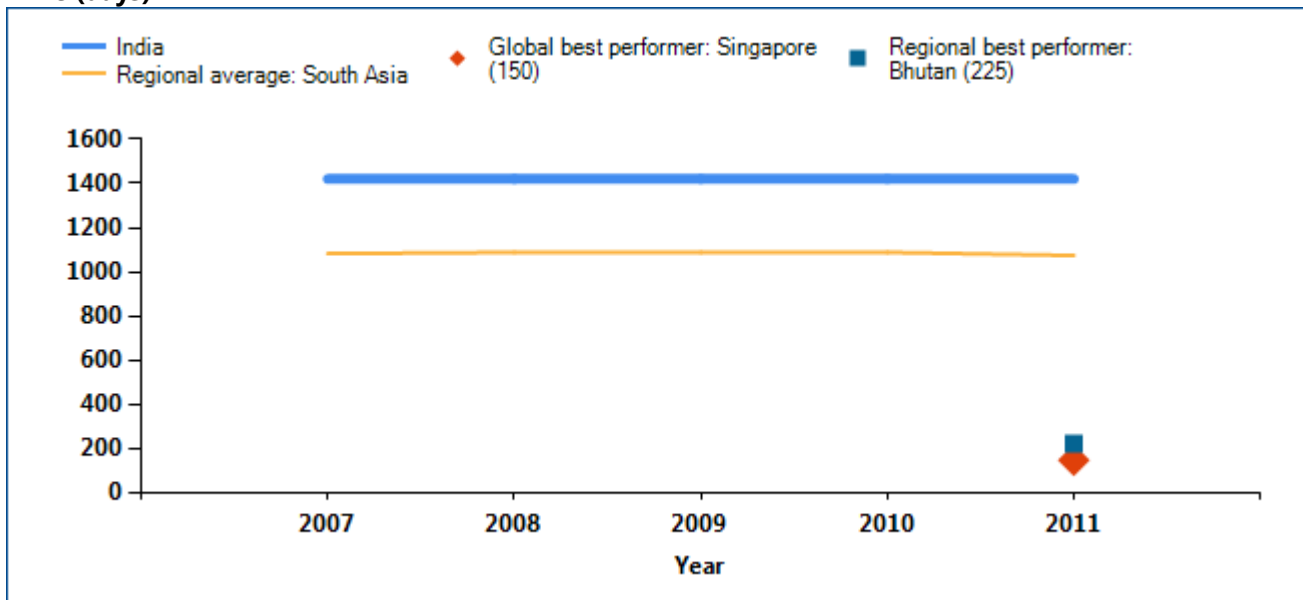
for India on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Procedures (number)

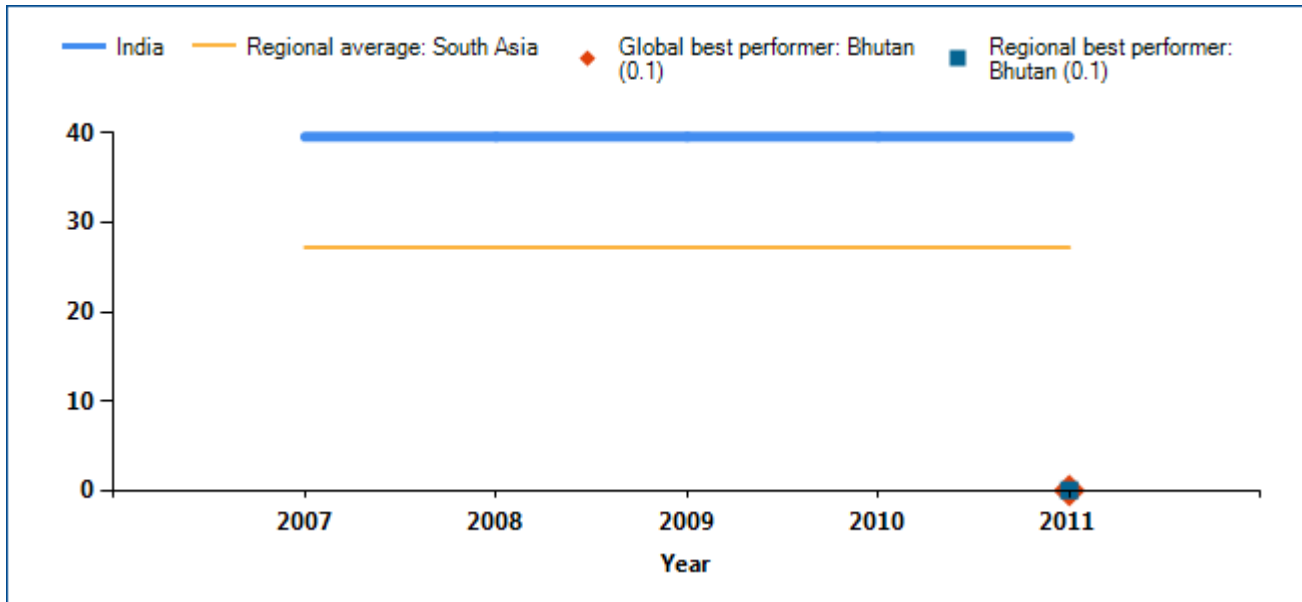


Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

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 10.2)?

Table 10.2 How has India made enforcing contracts easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

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). 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	OECD high income
Time (days)	1420	1,074.75	518.03
Filing and service	20		
Trial and judgment	1095		
Enforcement of judgment	305		
Cost (% of claim)	39.6	27.24	19.71
Attorney cost (% of claim)	30.58		
Court cost (% of claim)	8.5		
Enforcement Cost (% of claim)	0.5		
Procedures (number)	46	43.38	31.42

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.

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

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

- 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.

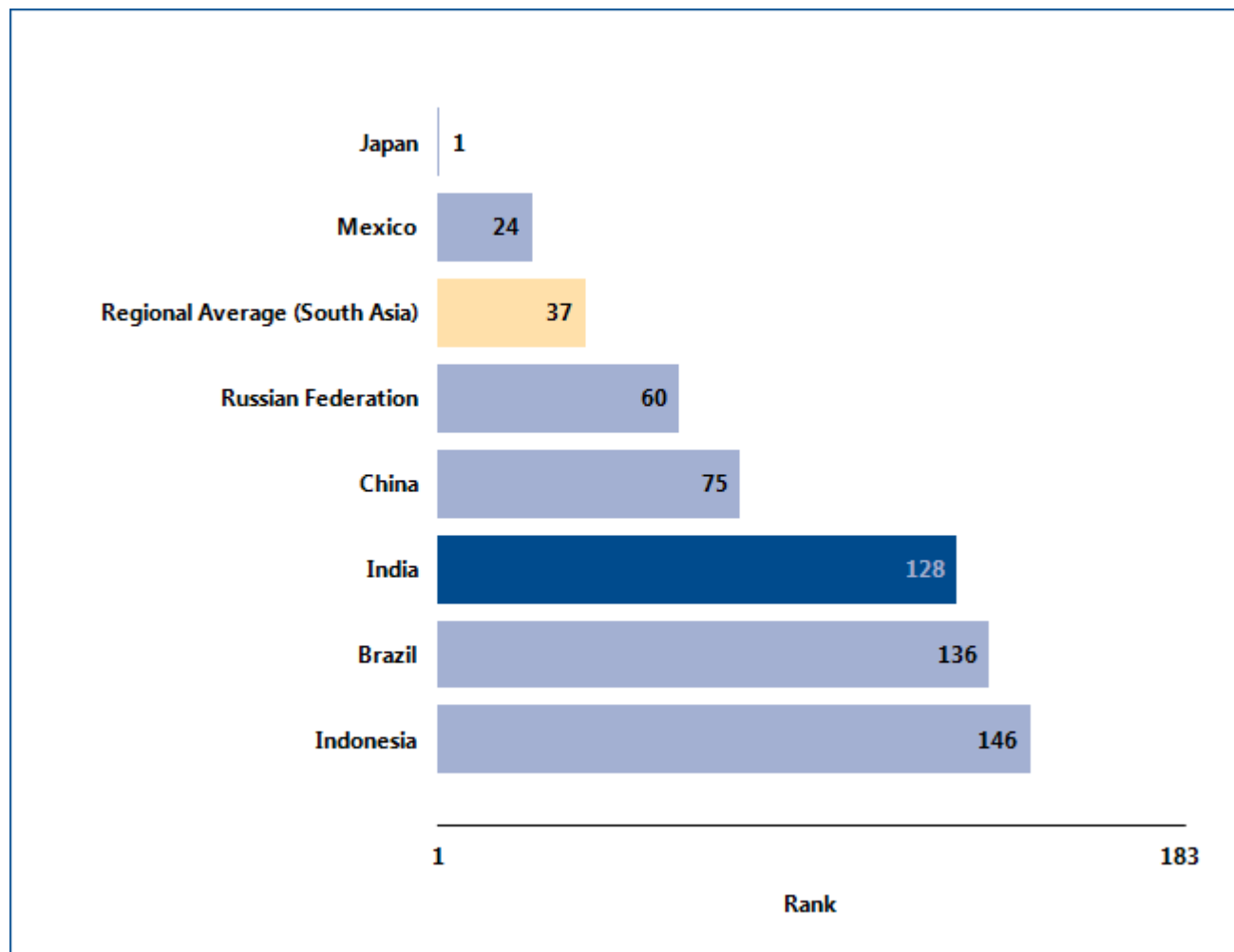
RESOLVING INSOLVENCY

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 7.0 years on average and costs 9% of the debtor’s estate. The average recovery rate is 20.1 cents on the dollar.

Globally, India stands at 128 in the ranking of 183 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?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in India today, data over time show where the efficiency has changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in India over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	140	128
Time (years)	10.0	10.0	10.0	10.0	10.0	8.5	7.0	7.0	7.0
Cost (% of estate)	9	9	9	9	9	9	9	9	9
Recovery rate (cents on the dollar)	12.1	12.2	12.8	13.0	11.6	12.5	15.1	16.3	20.1

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. "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.

Source: *Doing Business* database.

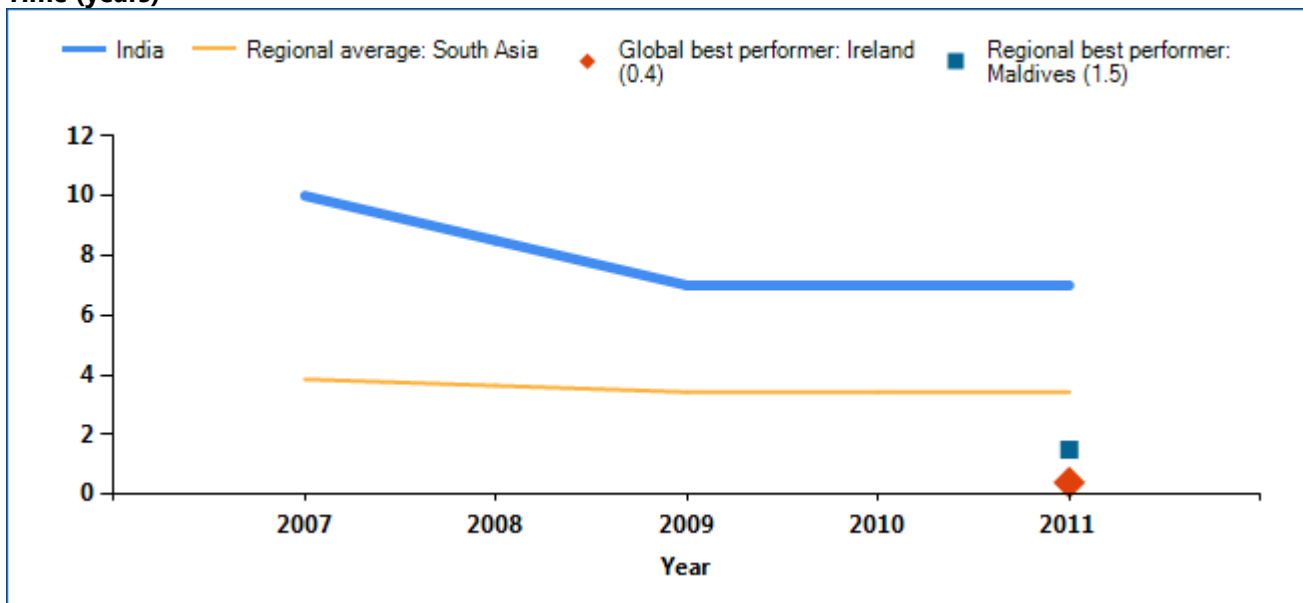
RESOLVING INSOLVENCY

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These economies may provide a model for India on

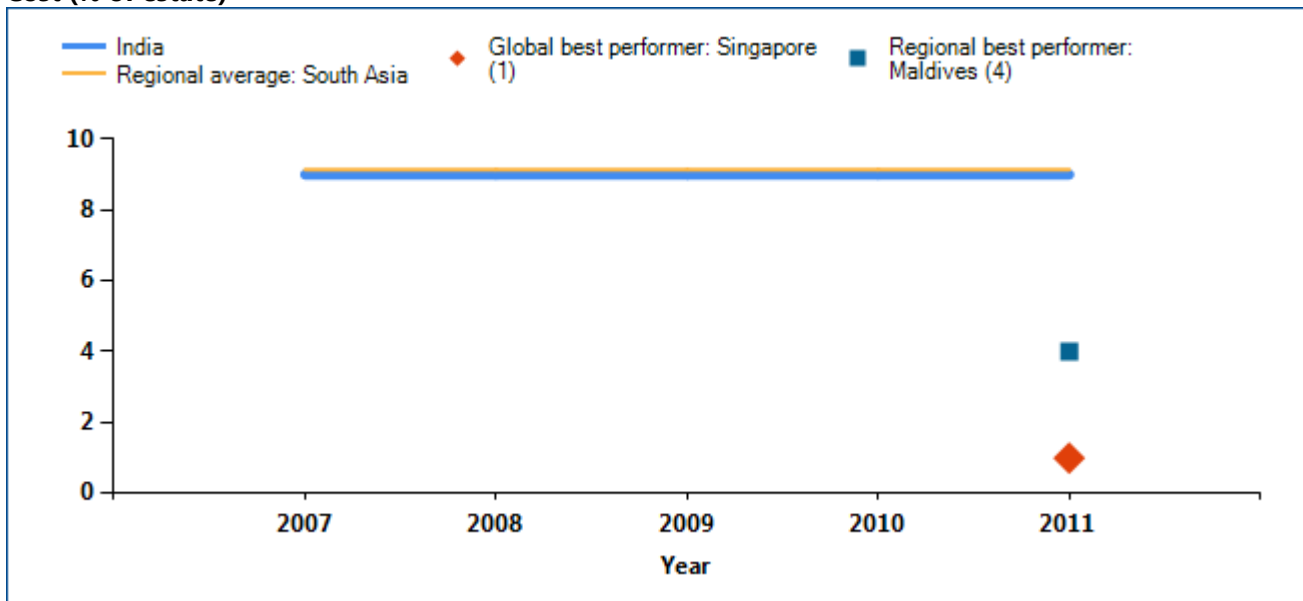
ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where India is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

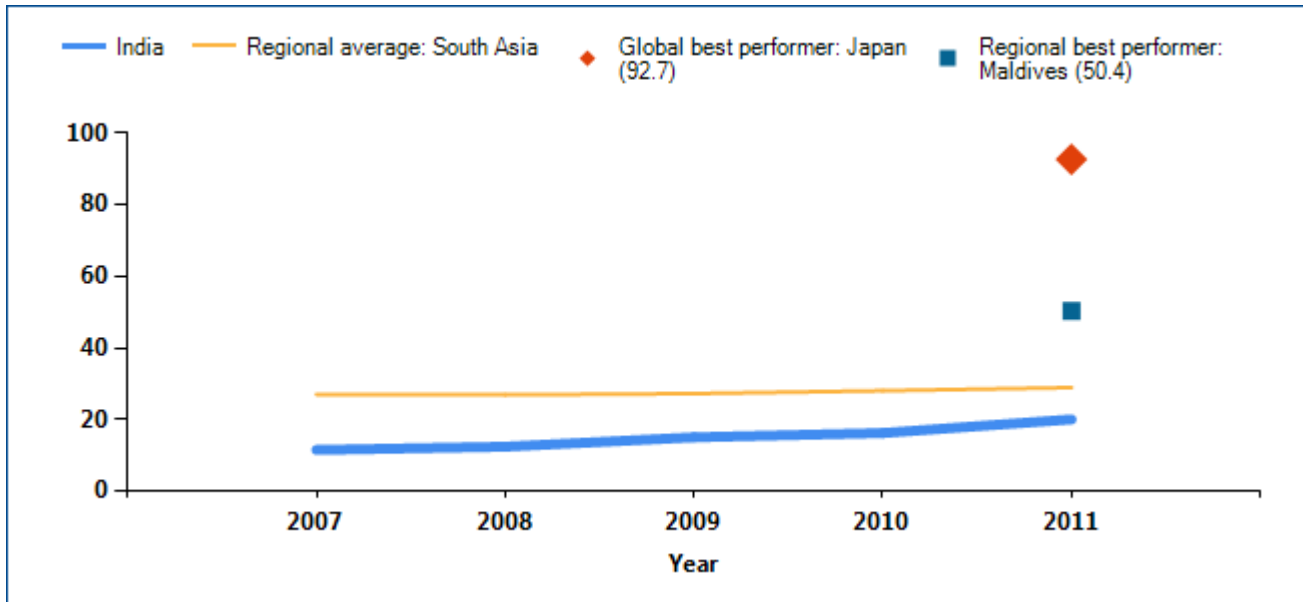


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a “no practice” mark; see the data notes for details.

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 11.2)?

Table 11.2 How has India made resolving insolvency easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	Procedures under the 2002 Securitization Act have become more effective, easing the process and reducing the time required to close a business.
DB2009	No reform.

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.

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 of achieving a regulatory goal or complying 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 data for all sets of indicators in *Doing Business 2012* are for June 2011.³

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 through more than 9,028 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. 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 2012* team members visited 40 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.

³ The data for paying taxes refer to January – December 2010.

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business 2012 reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from 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://www.worldbank.org/data/countryclass>. 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 2012 reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

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 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 and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (see the section on subnational *Doing Business* indicators). 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 2012* would differ from the recollection of

entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Subnational *Doing Business* indicators

This year *Doing Business* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

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 the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an

automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

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

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the

regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

The ease of doing business index ranks economies from 1 to 183. 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 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.⁴

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18th, 14th, 53rd and 0 percentiles. So on average Korea ranks in the 21st percentile on the ease of starting a business. It ranks in the 12th percentile on getting credit, 25th percentile on paying taxes, 8th percentile on enforcing contracts, 7th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—

⁴ In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

yield a ranking nearly identical to the simple average used by *Doing Business*.⁵ Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.⁶

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, its 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 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

⁵ 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.

⁶ A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 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.

Economies that improved the most across 3 or more Doing Business topics in 2010/11

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 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.⁷ Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d’Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russia, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

Distance to frontier measure

This year’s report introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the “frontier” and shows

⁷ *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

the extent to which the economy has closed this gap over time. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Denmark and Slovenia on the cost (0% of income per capita) and Australia on the paid-in minimum capital requirement (0% of income per capita).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit. To do so, each of the 32 component indicators y is rescaled to $(y - \min)/(max - \min)$, with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2005. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over time.

The maximum (max) and minimum (min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2011). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. 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.

Take Colombia, which has a score of 0.21 on the distance to frontier measure for 2011. This score indicates that the economy is 21 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2005, with a score of 0.43. The difference between the scores shows an improvement over time.

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