

12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Economy Profile 2015

India



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN **189** ECONOMIES

A World Bank Group Flagship Report

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INTRODUCTION

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

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for India. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June

1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

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 2015* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2015*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business). The 10 topics included in the ranking in *Doing Business 2015*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators (formerly employing workers) are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

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

ECONOMY OVERVIEW

Region: South Asia

Income category: Lower middle income

Population: 1,252,139,596

GNI per capita (US\$): 1,570

DB2015 rank: 142

DB2014 rank: 140*

Change in rank: -2

DB 2015 DTF: 54

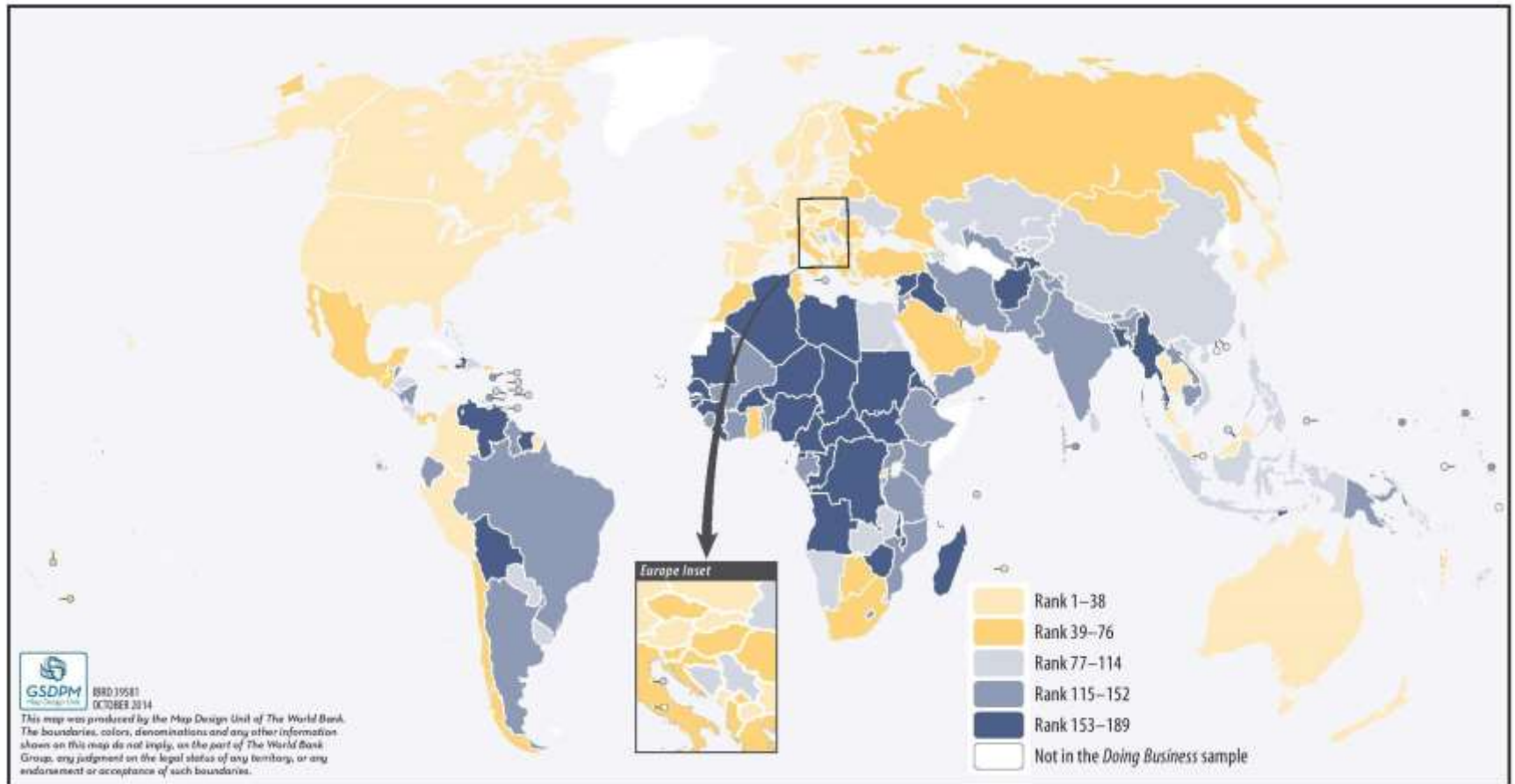
DB 2014 DTF: 52.8

Change in DTF: 1.2

* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.

THE BUSINESS ENVIRONMENT

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



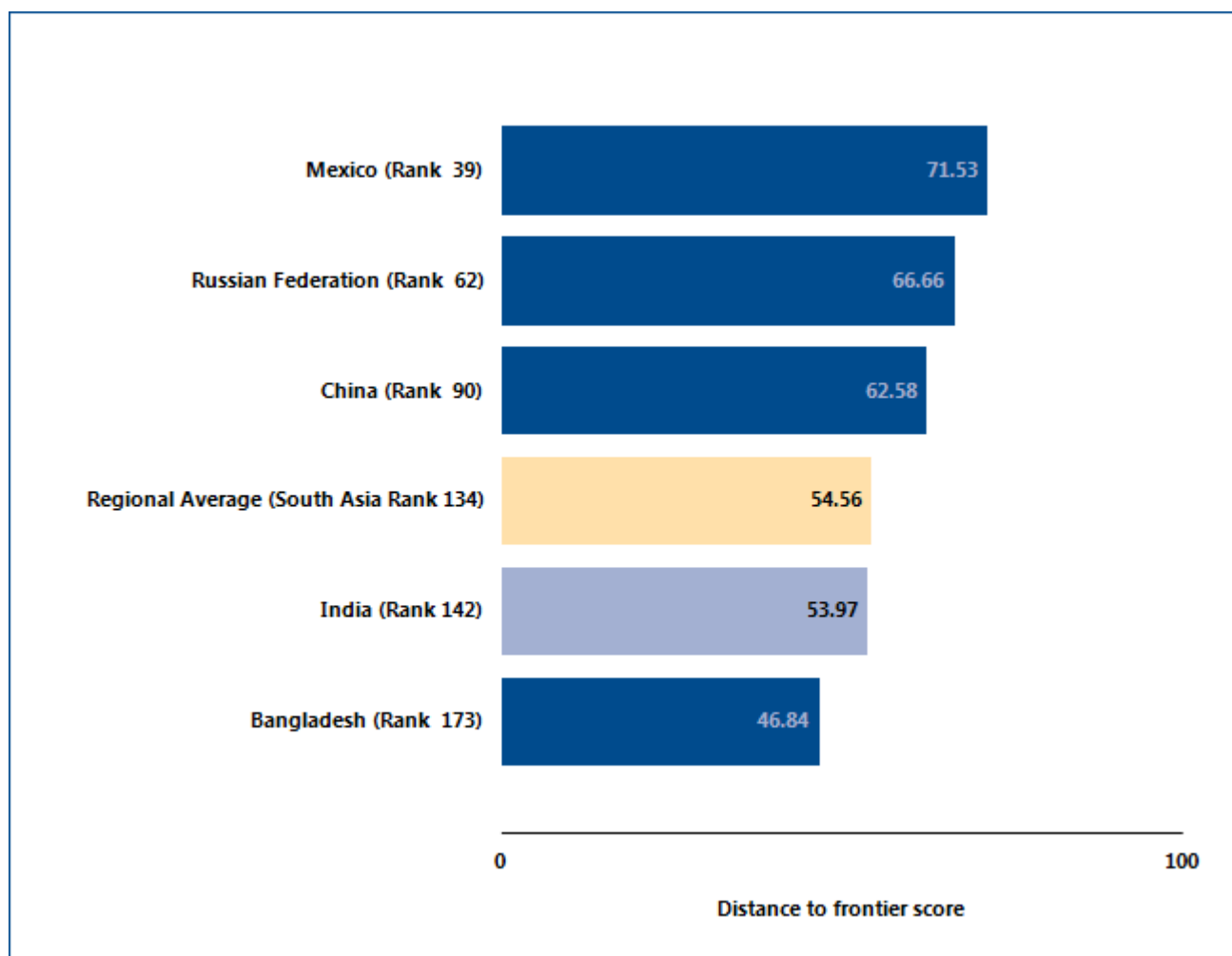
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

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



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - India
 (Scale: Rank 189 center, Rank 1 outer edge)

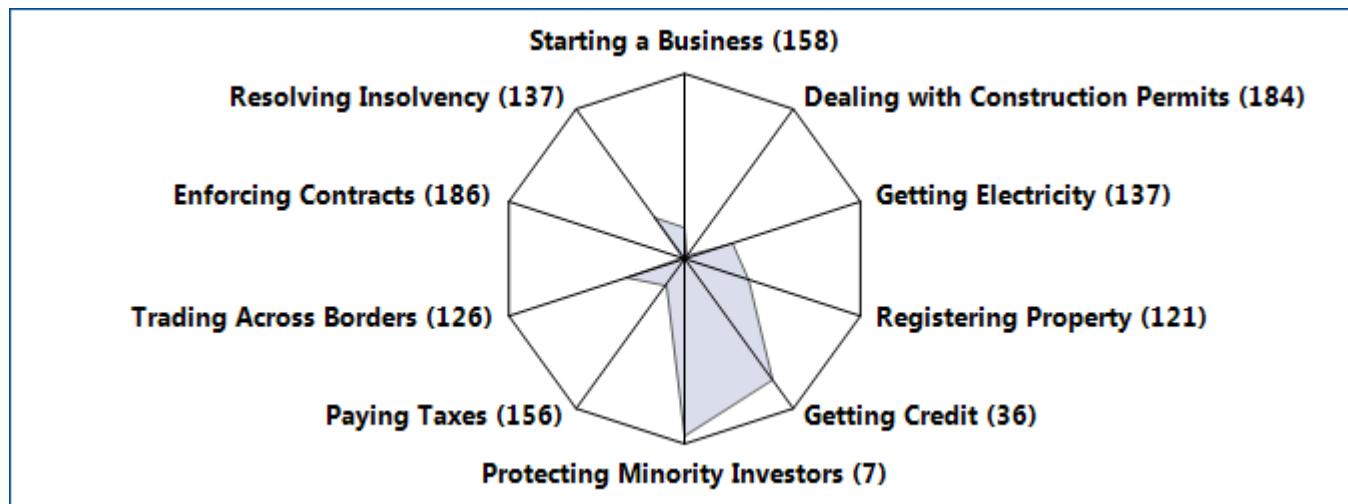
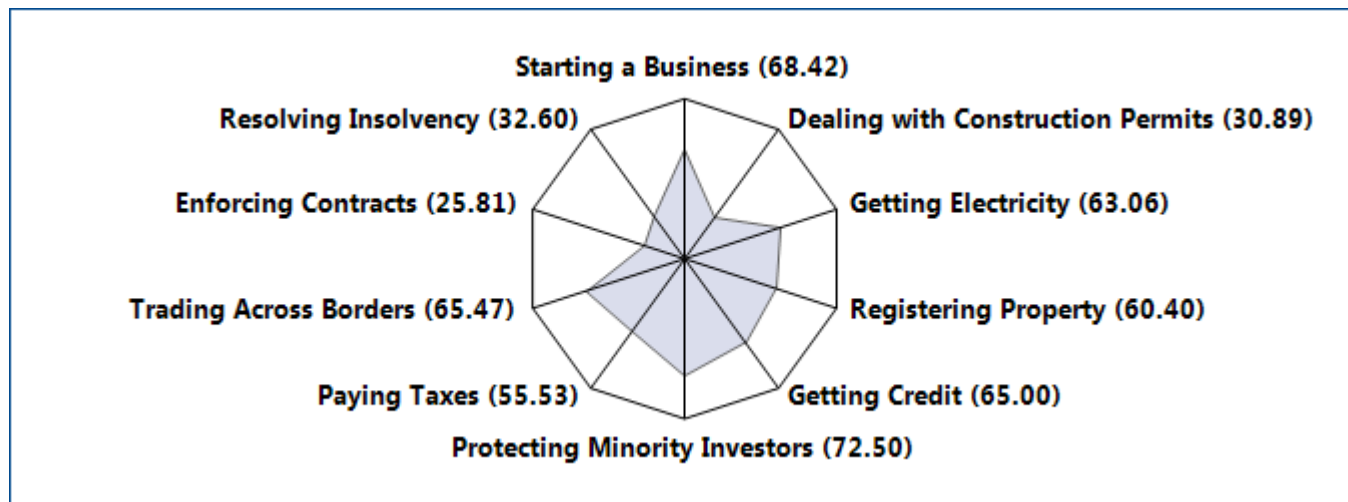


Figure 1.4 Distance to frontier scores on *Doing Business* topics - India
 (Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy’s distance to frontier (DTF) scores for the 10 topics included in this year’s aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

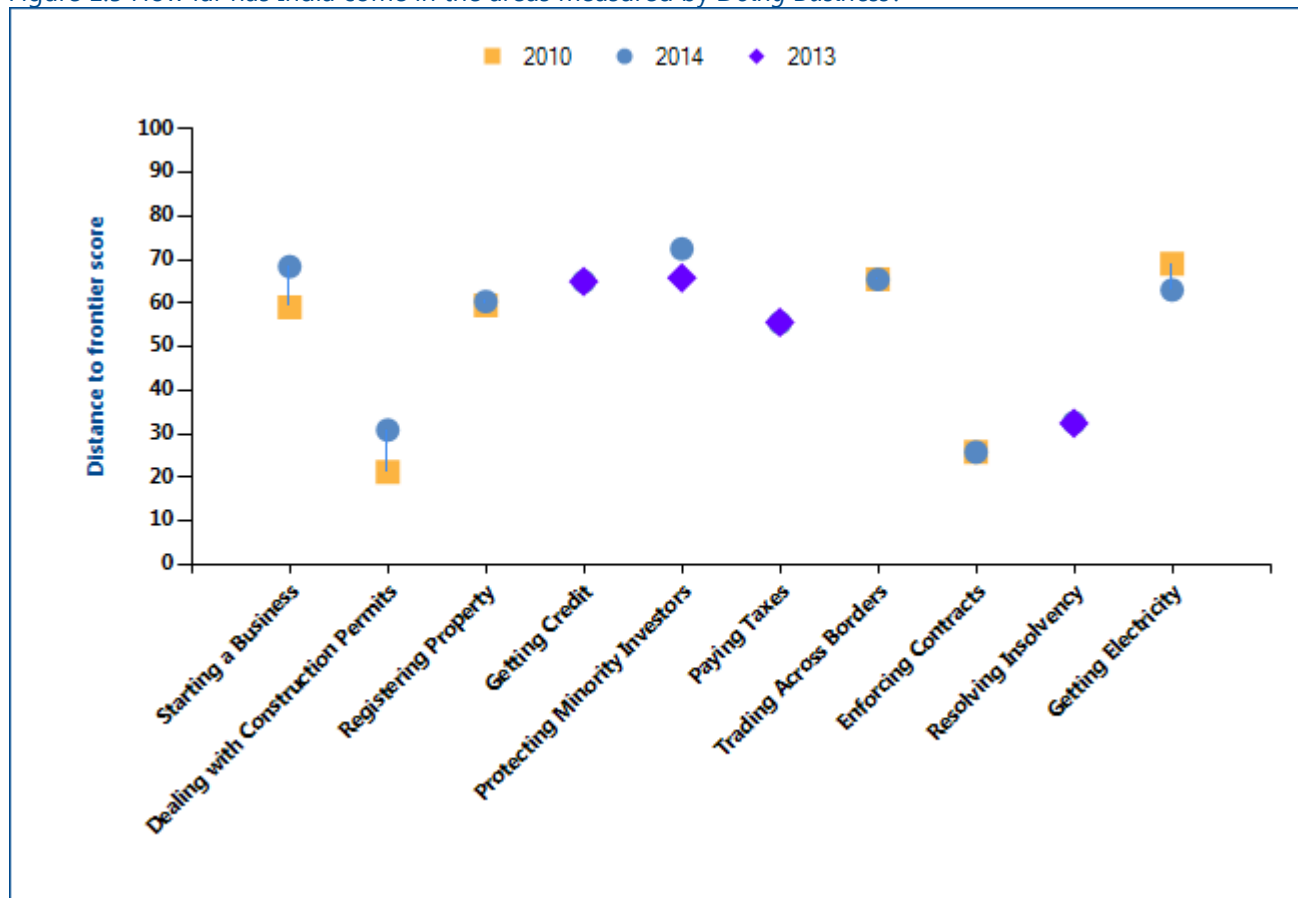
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

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

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

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 1.5).

Figure 1.5 How far has India come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2015* report for more details on the distance to frontier score.

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 DB2015	India DB2014	Mumbai DB2015	Delhi DB2015	Bangladesh DB2015	China DB2015	Mexico DB2015	Russian Federation DB2015	Best performer globally DB2015
Starting a Business (rank)	158	156	--	--	115	128	67	34	New Zealand (1)
Starting a Business (DTF Score)	68.42	65.54	65.95	70.61	81.36	77.43	88.85	92.17	New Zealand (99.96)
Procedures (number)	11.9	11.5	13.0	11.0	9.0	11.0	6.0	4.4	New Zealand (1.0)*
Time (days)	28.4	26.1	30.0	27.0	19.5	31.4	6.3	11.2	New Zealand (0.5)
Cost (% of income per capita)	12.2	38.9	16.3	8.6	16.8	0.9	18.6	1.2	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	111.2	124.4	111.2	111.2	0.0	0.0	0.0	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	184	183	--	--	144	179	108	156	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	30.89	29.70	24.27	36.76	61.90	43.75	68.43	56.70	Hong Kong SAR, China (95.53)

Indicator	India DB2015	India DB2014	Mumbai DB2015	Delhi DB2015	Bangladesh DB2015	China DB2015	Mexico DB2015	Russian Federation DB2015	Best performer globally DB2015
Procedures (number)	25.4	25.4	27.0	24.0	13.4	22.0	11.3	19.8	Hong Kong SAR, China (5.0)
Time (days)	185.9	185.9	162.0	207.0	269.2	244.3	87.6	238.4	Singapore (26.0)
Cost (% of warehouse value)	28.2	31.3	46.1	12.3	2.1	7.6	10.3	1.9	Qatar (0.0)*
Getting Electricity (rank)	137	134	--	--	188	124	116	143	Korea, Rep. (1)
Getting Electricity (DTF Score)	63.06	62.55	70.33	56.62	17.32	66.35	68.47	60.89	Korea, Rep. (99.83)
Procedures (number)	7.0	7.0	7.0	7.0	9.0	5.5	6.8	5.6	12 Economies (3.0)*
Time (days)	105.7	105.7	67.0	140.0	428.9	143.2	78.9	179.1	Korea, Rep. (18.0)*
Cost (% of income per capita)	487.7	611.6	84.0	845.7	3,890.1	459.4	346.1	321.0	Japan (0.0)
Registering Property (rank)	121	115	--	--	184	37	110	12	Georgia (1)
Registering Property (DTF Score)	60.40	60.40	60.40	60.39	31.34	80.67	62.45	91.27	Georgia (99.88)
Procedures (number)	7.0	7.0	7.0	7.0	8.0	4.0	6.8	3.0	4 Economies (1.0)*
Time (days)	47.0	47.0	47.0	47.0	244.0	19.4	63.6	19.0	3 Economies (1.0)*
Cost (% of property value)	7.0	7.0	7.0	7.0	7.2	3.6	5.1	0.1	4 Economies (0.0)*
Getting Credit (rank)	36	30	--	--	131	71	12	61	New Zealand (1)
Getting Credit (DTF Score)	65.00	65.00	65.00	65.00	30.00	50.00	80.00	55.00	New Zealand (100)
Strength of legal rights index (0-12)	6	6	6	6	6	4	8	4	3 Economies (12)*

Indicator	India DB2015	India DB2014	Mumbai DB2015	Delhi DB2015	Bangladesh DB2015	China DB2015	Mexico DB2015	Russian Federation DB2015	Best performer globally DB2015
Depth of credit information index (0-8)	7	7	7	7	0	6	8	7	23 Economies (8)*
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.9	33.2	0.0	0.0	Portugal (100.0)
Credit bureau coverage (% of adults)	22.4	19.8	22.4	22.4	0.0	0.0	100.0	64.6	23 Economies (100.0)*
Protecting Minority Investors (rank)	7	21	--	--	43	132	62	100	New Zealand (1)
Protecting Minority Investors (DTF Score)	72.50	65.83	72.50	72.50	60.83	45.00	57.50	50.83	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	6.7	5.7	6.7	6.7	6.3	5.0	6.0	5.0	Singapore (9.3)*
Extent of shareholder governance index (0-10)	7.8	7.5	7.8	7.8	5.8	4.0	5.5	5.2	France (7.8)*
Strength of minority investor protection index (0-10)	7.3	6.6	7.3	7.3	6.1	4.5	5.8	5.1	New Zealand (8.2)
Paying Taxes (rank)	156	154	--	--	83	120	105	49	United Arab Emirates (1)*
Paying Taxes (DTF Score)	55.53	55.64	55.53	55.53	73.98	67.44	71.17	80.63	United Arab Emirates (99.44)*
Payments (number per year)	33.0	33.0	33.0	33.0	21.0	7.0	6.0	7.0	Hong Kong SAR, China (3.0)*
Time (hours per year)	243.0	243.0	243.0	243.0	302.0	261.0	334.0	168.0	Luxembourg (55.0)
Trading Across Borders (rank)	126	122	--	--	140	98	44	155	Singapore (1)
Trading Across Borders	65.47	64.89	67.52	63.66	61.36	71.68	81.26	53.58	Singapore (96.47)

Indicator	India DB2015	India DB2014	Mumbai DB2015	Delhi DB2015	Bangladesh DB2015	China DB2015	Mexico DB2015	Russian Federation DB2015	Best performer globally DB2015
(DTF Score)									
Documents to export (number)	7	7	7	7	6	8	4	9	Ireland (2)*
Time to export (days)	17.1	17.1	16.0	18.0	28.3	21.0	12.0	21.1	5 Economies (6.0)*
Cost to export (US\$ per container)	1,332.0	1,332.0	1,120.0	1,520.0	1,281.0	823.0	1,499.3	2,400.5	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	1,332.0	1,416.3	1,120.0	1,520.0	1,281.0	823.0	1,499.3	2,400.5	
Documents to import (number)	10	10	10	10	9	5	4	10	Ireland (2)*
Time to import (days)	21.1	21.1	20.0	22.0	33.6	24.0	11.2	19.4	Singapore (4.0)
Cost to import (US\$ per container)	1,462.0	1,462.0	1,250.0	1,650.0	1,515.0	800.0	1,887.6	2,594.5	Singapore (440.0)
Cost to import (deflated US\$ per container)	1,462.0	1,554.5	1,250.0	1,650.0	1,515.0	800.0	1,887.6	2,594.5	
Enforcing Contracts (rank)	186	186	--	--	188	35	57	14	Singapore (1)
Enforcing Contracts (DTF Score)	25.81	25.81	25.81	25.81	20.82	68.21	64.61	75.85	Singapore (89.54)
Time (days)	1,420.0	1,420.0	1,420.0	1,420.0	1,442.0	452.8	388.9	267.0	Singapore (150.0)
Cost (% of claim)	39.6	39.6	39.6	39.6	66.8	16.2	30.9	14.9	Iceland (9.0)
Procedures (number)	46.0	46.0	46.0	46.0	41.0	37.0	36.8	35.0	Singapore (21.0)*
Resolving Insolvency (rank)	137	135	--	--	147	53	27	65	Finland (1)
Resolving Insolvency (DTF Score)	32.60	32.43	32.60	32.60	29.49	55.31	72.59	49.69	Finland (93.85)

Indicator	India DB2015	India DB2014	Mumbai DB2015	Delhi DB2015	Bangladesh DB2015	China DB2015	Mexico DB2015	Russian Federation DB2015	Best performer globally DB2015
Time (years)	4.3	4.3	4.3	4.3	4.0	1.7	1.8	2.0	Ireland (0.4)
Cost (% of estate)	9.0	9.0	9.0	9.0	8.0	22.0	18.0	9.0	Norway (1.0)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	0	0	0	0	1	0	
Recovery rate (cents on the dollar)	25.7	25.4	25.7	25.7	25.8	36.0	68.1	43.0	Japan (92.9)
Strength of insolvency framework index (0-16)	6.0	6.0	6.0	6.0	5.0	11.5	11.5	8.5	5 Economies (15.0)*

Note: DB2014 rankings shown are not last year's published rankings but comparable rankings for DB2014 that capture the effects of such factors as data corrections and changes to the methodology. Trading across borders deflated and non-deflated values are identical in DB2015 because it is defined as the base year for the deflator. The best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2015 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. 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.

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

Source: *Doing Business* database.

STARTING A BUSINESS

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

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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

- Is a limited liability company, located in the largest business city and is 100% domestically owned¹.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city¹
- Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ 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)

¹ For the 11 economies with a population of more than 100 million, data for a second city have been added.

STARTING A BUSINESS

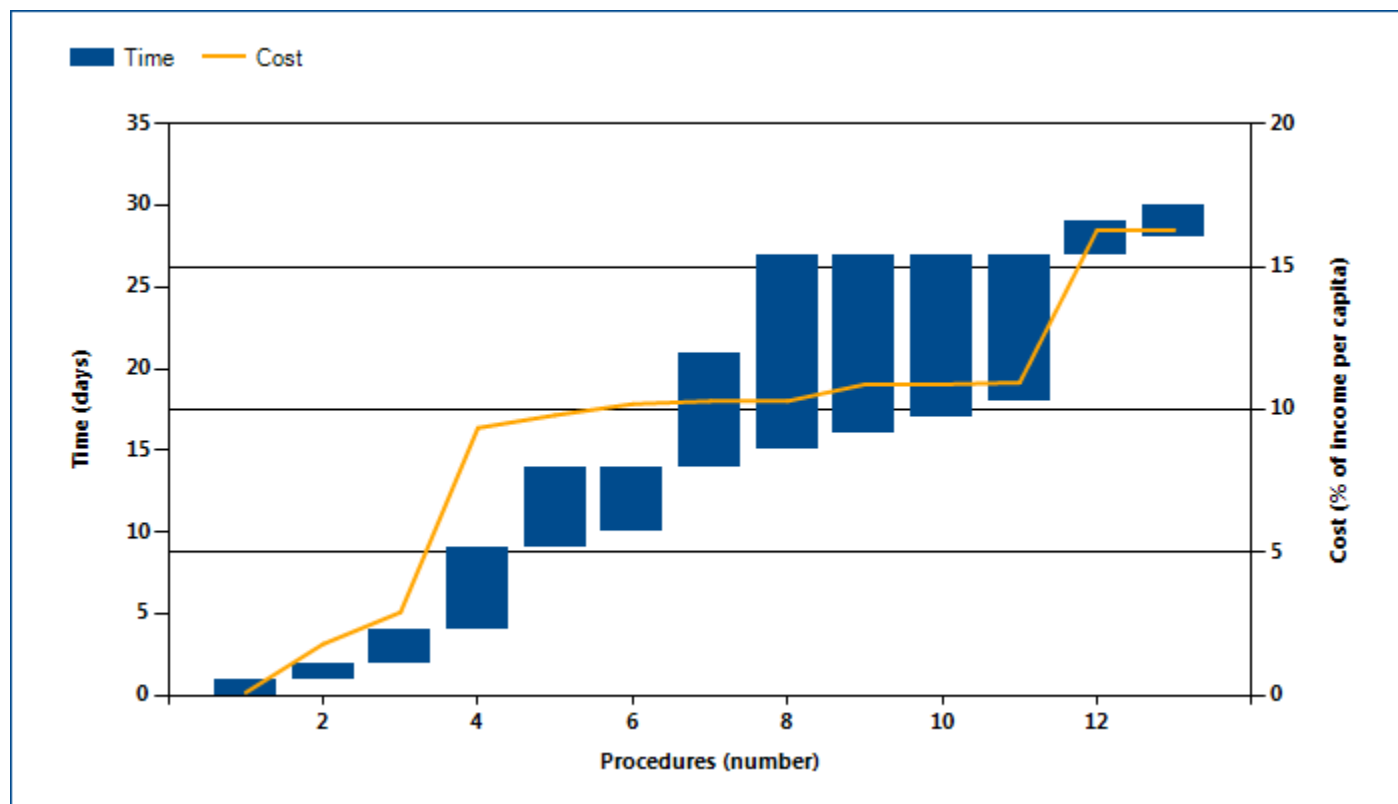
Where does the economy stand today?

What does it take to start a business in India? According to data collected by *Doing Business*, starting a business there requires 11.9 procedures, takes 28.4 days, costs 12.2% of income per capita and requires paid-in minimum capital of 111.2% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

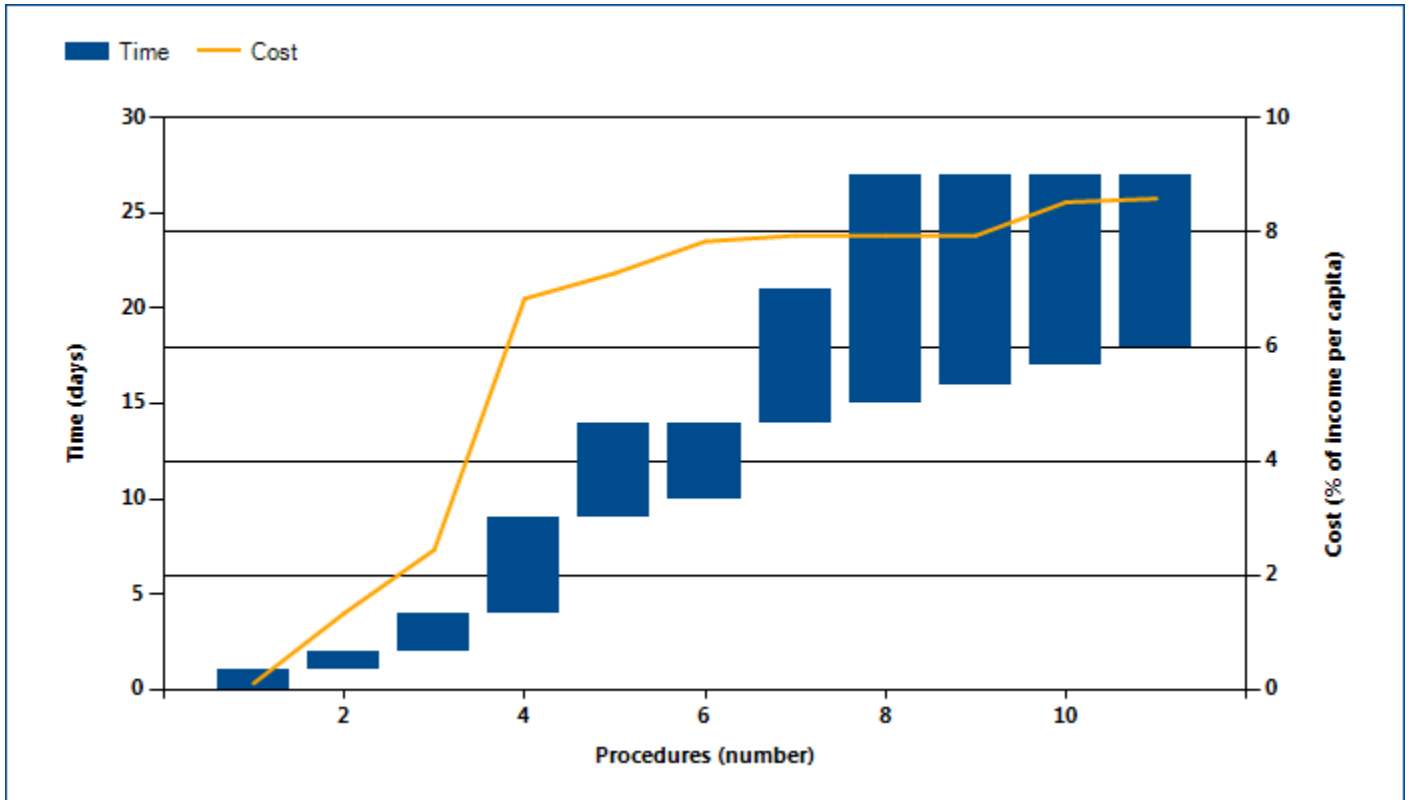
largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in India - Mumbai

Paid-in minimum capital (% of income per capita): 111.2



What it takes to start a business in India - Delhi



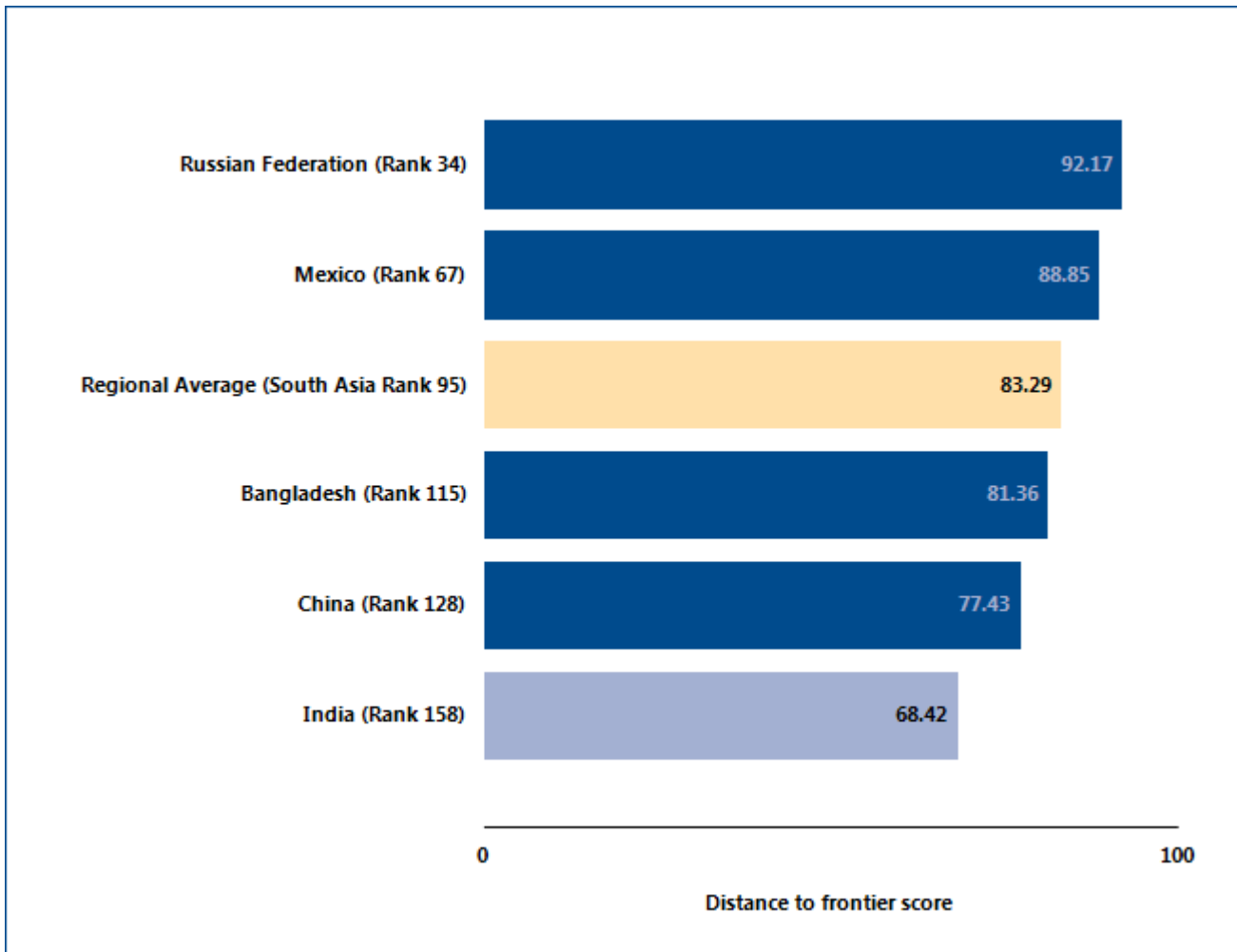
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For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

STARTING A BUSINESS

Globally, India stands at 158 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to start a business.

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



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

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

Table 2.1 How has India made starting a business easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	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.
DB2015	India made starting a business easier by considerably reducing the registration fees, but also made it more difficult by introducing a requirement to file a declaration before the commencement of business operations. These changes apply to both Delhi and Mumbai.

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

Legal form: Private Limited Company

Paid in minimum capital requirement: INR 100,000

City: Mumbai, Delhi

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in India - Mumbai

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain director identification number (DIN) online</p> <p>By a notification dated 27 March, 2011, the Ministry of Corporate Affairs (MCA) has revised the process for obtaining a Director Identification Number (DIN). The process for obtaining DIN is as follows:</p> <p>1) Downloading and completing e-Form DIN-1. This form has to be submitted along with a photograph of the applicant and a scanned copy of supporting documents.</p> <p>2) Scanning the supporting documents. These include an Affidavit containing the applicant's name, middle name and date of birth. In addition, proof of address (not older than 2 months from the date of filing of form DIN-1) and proof of identify (a copy of the applicant's Income Tax Permanent Account Number (PAN) Card and passport) must be filed. The Affidavit has to be executed on non-judicial stamp paper and must be duly notarized.</p> <p>3) The e-Form must be digitally signed by a practicing professional (i.e. Chartered Accountant/ Company Secretary/Cost and Works Accountant) or the Company Secretary in full time employment of the company. By doing so, the practicing professional verifies the particulars of the applicant as mentioned in the application form.</p> <p>4) After the certification of a practicing professional, the applicant submits the completed application to the MCA website and obtains a DIN-1 number.</p> <p>Legal Basis: Notification No. G.S.R 427(E) dated 2nd June, 2011 [Companies Director Identification Number (Second Amendment) Rules, 2011]</p> <p>Agency: Ministry of Corporate Affairs (Federal)</p>	1 day	INR 100

No.	Procedure	Time to complete	Cost to complete
2	<p>Obtain a digital signature certificate</p> <p>To use the new electronic filing system under MCA 21, the applicant must obtain a Class-II Digital Signature Certificate from a certification agency authorized by the Controller of Certification Agencies. These include private agencies like NIC, E-Mudhra, MTNL Trust line, to which company directors submit the prescribed application form along with notarized proof of identity and address.</p> <p>A Class-II Digital Signature Certificate can be obtained for either a period of 1 year or a period of 2 years, and then needs to be renewed for another 1 or 2 years upon payment of renewal fees. Each agency has its own fee structure, ranging from INR 400 to INR 2650. The cost will vary in accordance with the duration of the Digital Signature Certificate. Once the Digital Signature Certificate is obtained, the authorized personnel (directors/manager/secretary) are required to register the same with MCA for statutory e-filing. This process is to be done online with MCA after the DIN has been obtained. (http://www.mca.gov.in/MCA21/Rolecheck.html)</p> <p><i>Agency: Authorized private agency (Federal)</i></p>	1 day	INR 400 to INR 2,650
3	<p>Reserve the company name with the Registrar of Companies (ROC) online</p> <p>The guidelines briefly list out the conditions and norms that must be fulfilled while a name is selected for a company. Names that are offensive or are similar to already existing names would not be registered. The Name Availability Guidelines prescribe a time period of one to two days for registering the name of a company, however, due to the large number of applications received, typically this process takes up to 3 days, and is as follows:</p> <ol style="list-style-type: none"> 1. Check availability of the proposed name by checking on the MCA21 portal for other companies or LLPs having similar names. Alternatively, engage a professional (practicing chartered accountant, company secretary or cost accountant) to perform the check on the MCA 21 portal and provide a search report which can be attached to the application. 2. Prepare the application in eForm 1A with all relevant details and declarations. If a professional has been engaged to check availability of name, have the professional certify and digitally sign the eForm 1A. 3. Upload the eForm 1A to the MCA 21 portal and pay fees of INR 1000 electronically (net banking or credit card). 4. If the e-Form 1A has been certified by a professional (as described 	2 days	INR 1,000

No.	Procedure	Time to complete	Cost to complete
	<p>above), the proposed name shall be approved by the Registrar of Companies on a priority basis via the Straight Through Process ("STP"), provided the name is not similar to any existing trademark, any of the words proposed in the company's name does not exactly match any existing company's name and the name does not consist of a single word (other than private limited).</p> <p>5. The name, if made available to the applicant, will be reserved for the applicant to use for 60 days from the date of approval. If the proposed company is not incorporated during this 60 day period, the approval will lapse and the name will be available to other applicants.</p> <p>This is in accordance with the Name Availability Guidelines 2011, General Circular No. 7/2012 dated 25th April 2012 issued by Ministry of Corporate Affairs, Government of India.</p> <p><i>Agency: Registrar of Companies, Ministry of Corporate Affairs (Federal)</i></p>		
<p>4</p>	<p>Pay stamp duties online, file all incorporation forms and documents online and obtain the certificate of incorporation</p> <p>As of January 1, 2010 it has been made compulsory to pay all stamp duties on incorporation documents online through the Ministry of Corporate Affairs (MCA) website. As a result of these reforms, the mode of payment of stamp duty through affixation of adhesive stamps on Articles of Association and Memorandum of Association has been replaced by the e-payment of applicable stamp duty on Articles and Memorandum of association through MCA portal. The reforms also provide that the documents on which e-stamping has been done, need not to be filed physically: electronic filing of the same would be sufficient.</p> <p>For registration, e-forms 1, 18 and 32 are required to be electronically filed on the website of the Ministry of Company Affairs. In addition, scanned copies of the signed Memorandum and Articles of Association, must be attached to e-Form 1. Proof of location Registered Office in the Form of Lease Deed must be attached to e-Form 18. The 3 forms as well as the memorandum and articles of association must be certified by a practicing professional for accuracy of the information/declarations. The certificate of incorporation is immediately issued by the Registrar of Companies, signed digitally and sent via email to the Company.</p> <p>Fee schedule for a small company of paid-up share capital between INR 500,000 and INR 1,000,000:</p> <ul style="list-style-type: none"> - Filing of the Memorandum of Association: INR 2,000 - Filing fee for filing the Articles of association: INR 400 - Filing fee for Form INC-7: INR 400 - Filing fee for Form INC-22: INR 400 - Filing fee for Form DIR-12: INR 400 - Stamp duty for Articles of Association: IINR 2,000 (INR 1,000 on every 	<p>5 days on average</p>	<p>see comments</p>

No.	Procedure	Time to complete	Cost to complete
	<p>INR 5 Lakhs of authorized capital or part thereof subject to a maximum of 50 Lakhs of Stamp Duty) - Stamp duty for Memorandum of Association: INR 200</p> <p><i>Agency: Registrar of Companies, Ministry of Corporate Affairs (Federal)</i></p>		
5	<p>Request and obtain Certificate to Commence Operation</p> <p>Under Companies Act 2013 even a Private Company cannot commence its business or make any borrowings unless it files with Registrar of Companies a statement that the subscription money and minimum paid-up capital has been brought in. (Section 11) According to Section 11 Sub-section (1), a company having a share capital shall not commence any business or exercise any borrowing powers unless:</p> <p>a) Declaration is filed by a director with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him; and b) The company has filed with the Registrar a verification of its registered office.</p> <p>The company must file eForm INC-21: Declaration Prior to the Commencement of Business or Exercising Borrowing Powers. This form is required to be filed pursuant to Section 11 (1) (a) of the Companies Act, 2013 and Rule 24 of the Companies (Incorporation and Incidental) Rules, 2014.</p> <p><i>Agency: Registrar of Companies</i></p>	5 days	INR 400 for a company with capital between INR 500,000-2,499,999
6	<p>* Make a seal</p> <p>Under the Companies Act, 1956, all companies are required to have a common seal. Under Section 22 of the Companies Act, 2013, only a person authorized by the company, in writing under common seal, is empowered to execute deeds on behalf of the company.</p> <p><i>Agency: Authorized vendor (Private)</i></p>	1 day (simultaneous with previous procedure)	INR 350-500
7	<p>Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) or Unit Trust of India (UTI)</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</p>	7 days	INR 93

No.	Procedure	Time to complete	Cost to complete
	<p>July 2003) outsourced their operations pertaining to allotment of PAN and issue of PAN cards to UTI Investor Services Ltd, which was authorized to set up and manage IT PAN Service Centers in all cities where there is an Income Tax office. The National Securities Depository Limited (NSDL) has also launched PAN operations effective June 2004, setting up TIN Facilitation Centers.</p> <p>The applicant completes Form 49A (statutory form for applying for PAN), pays the due fees of INR 93 (plus applicable taxes currently at 12.36%) either online or otherwise and submits the application form together with proof of identity, proof of address and 2 recent photographs to the authorized agent/designated service centers for verification. 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><i>Agency: Private agencies authorized by UTI or NSDL, as outsourced by the Income Tax Department (Federal)</i></p>		
8	<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. 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>As of April 2012, all employers must register online with the EPFO online portal in order to generate challans for making any remittances (www.epfindia.gov.in). Filing of Electronic Challan cum Return (ECR) and deposit of contributions are also done online through the same website. Along with the information regarding the employees to be provided by the employer for registration, it has been made mandatory to submit the AADHAAR (unique identification) details of employees. All eligible employees are required to become members of the Fund and individual account number is allotted by the employer in prescribed manner.</p> <p><i>Agency: Employees Provident Fund Organization (Federal)</i></p>	12 days, simultaneous with previous procedure	no charge
9	<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</p>	10 days, simultaneous with previous procedure	INR 500 (Registration Fee) + INR 25 (Stamp Duty) for compulsory VAT

No.	Procedure	Time to complete	Cost to complete
	<p>by the founders who are required to obtain registration or those who voluntarily desire to get registration can be, as of 1st October 2009, filed electronically on the website www.mahavat.gov.in. After the completed application form is submitted online, an acknowledgment containing the date and time for attending before the registering authority along with code/designation and address of registering authority is generated. The company should print a copy of the completed e-application and submit it along with the acknowledgement to the registration authority for verification and photo attestation on a given date and time along with relevant documents. If the application is correct and complete in all respect along with relevant documents then the registering authority will generate TIN after verification of the documents. Registration certificate will be printed and issued to the company on the appointed date. Usually, the appointment date is scheduled in the next 10 days.</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 or lease agreement or any other relevant documents - One recent passport size photograph of the applicant - Copy of Income Tax Assessment Order having PAN or copy of PAN card - Chalan in Form No. 210 (original) showing payment of registration fee at INR 5000/in case of voluntary RC and INR 500/in other cases <p><i>Agency: Department of Sales Tax</i></p>		<p>registration</p>
<p>10</p>	<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>9 days, simultaneous with previous procedure</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
	<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 INR 25,000 per month is covered by this Act. Employers can now submit application online for registration under ESI Act on the ESIC website (www.esic.in).</p> <p><i>Agency: Employees' State Insurance Corporation (Federal)</i></p>		
<p>11</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 Chalans, and all TDS/TCS certificates issued. Failure to apply for a TAN or to comply with any of the other provisions of the section is subject to a penalty of INR 10,000/- .</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 tin.nsd.com. The processing fee for both applications (a new TAN or a change request) is INR 55 (plus applicable taxes - currently at 12.36%).</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</p>	<p>7 days, simultaneous with previous procedure</p>	<p>INR 55 application fee</p>

No.	Procedure	Time to complete	Cost to complete
	<p>the NSDL website www.tin-nsdl.com or offline. However, after the payment of the fee by credit card, the hard copy of the application must be physically filed with NSDL.</p> <p><i>Agency: Private agencies authorized by NSDL, as outsourced by the Income Tax Department (Federal)</i></p>		
<p>12</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, 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. Supporting documents must be attached, including a certified true copy of the company's PAN Card, TAN Allotment Letter, Certificate of Incorporation, Memorandum and Articles of Association, a list of company directors, their particulars and copies of their PAN Cards. - 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, 2010, the Schedule for fees for registration & renewal of registration (as per Rule 5) is as follows:</p> <p>0 employees: INR 120 1 to 5 employees: INR 360 6 to 10 employees: INR 720 11 to 20 employees: INR 1,200 21 to 50 employees: INR 2,400 51 to 100 employees: INR 4,200 101 or more: INR 5,400.</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><i>Agency: Municipal Corporation of Greater Mumbai</i></p>	<p>2 days</p>	<p>INR 1,200 (registration fee) + 3 times registration fee for Trade Refuse Charges (INR 3,600)</p>

No.	Procedure	Time to complete	Cost to complete
13	<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. Profession Tax online registration was introduced by the Commissioner of Sales Tax (Profession Tax), Maharashtra State, Mumbai vide Notification No. PFT2012/NTF 15/Adm-20, dated 19 March 2012.</p> <p>As of April 2012, all applications for registration (i.e. for obtaining a Profession Tax Registration Certificate) are required to be made online on the website of www.mahavat.gov.in, in 'Form I'. In addition, the employer must obtain a certificate of enrolment under section 5(2) of the Profession tax Act; thus, the company is required to submit Form II. Upon electronic submission of forms I and II, an acknowledgement containing the date and time for attending before the Tax Registration Authority is generated. The director or Authorised Signatory then submits this acknowledgement together with supporting documents (proof of address, company deed, registration number and certificate) on a given date and time to the Professions Tax Registration Authority and obtains the TIN (Registration/Enrolment Certificate Number under the Profession Tax Act) as per Trade Circular No. 5T of 2012 (profession tax) dated 31st March, 2012.</p> <p><i>Agency: Commissioner of Profession Tax, Department of Sales Tax</i></p>	2 days, simultaneous with previous procedure	no charge

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

Summary of time, cost and procedures for starting a business in India - Delhi

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal</p> <p>The concept of a Director Identification Number (DIN) has been introduced for the first time with the insertion of Sections 266A to 266G of Companies (Amendment) Act 2006. As such, all the existing and intending Directors have to obtain DIN within the prescribed time-frame as notified. As per the revised procedure for DIN Allotment, any person intending to apply for DIN shall have to make an application in eForm DIN-1 and should follow the following procedure: 1. eForm DIN-1 has to follow the offline eFiling process. 2. Attach the photograph and scanned copy of supporting documents i.e. proof of identity, and proof of residence as per the guidelines. Physical documents are not required to submit at DIN cell. 3. Along with the supporting documents, verification by the applicant for applying for allotment of Director Identification Number (DIN) shall also be attached. This shall contain the name, father's name, date of birth and text of declaration and physical signature of the applicant. 4. The eForm shall have to be</p>	1 day	INR 100

No.	Procedure	Time to complete	Cost to complete
	<p>digitally signed and shall be uploaded on MCA21 portal. 5. Upon upload, Pay the fees for eForm DIN-1. Only electronic payment of the fees shall be allowed (i.e. Netbanking/Credit Card). 6. Upon upload and successful payment: In case eForm DIN-1 is signed by an applicant or by the Managing Director/existing Director of the company in which the applicant is a Director or the Company Secretary in full time employment of the company, or details have been identified as a potential duplicate, Provisional DIN shall be generated. 7. Intimate approved DIN to your Companies: On approval of DIN, intimate your DIN to all the company(ies) (within a period of 30 days from the date of approval) in which you are a Director, in form DIN-2. 8. Company to intimate your DIN to ROC: After the Director has intimated the DIN allotted to the company(ies). The Company(ies) is/are then required to intimate the DINs of its Directors to the ROC in eForm DIN-3 within a period of seven days of receiving eForm DIN-2. (Filing of DIN-3 is applicable only in cases, where the date of appointment of Director(s) in such company(ies), is prior to September 1, 2007)</p> <p><i>Agency: Ministry of Corporate Affairs</i></p>		
<p>2</p>	<p>Obtain digital signature certificate online from private agency authorized by the Ministry of Corporate Affairs (National)</p> <p>To use the new electronic filing system under MCA 21, the applicant must obtain a Class-II Digital Signature Certificate from a certification agency authorized by the Controller of Certification Agencies. These include private agencies like NIC, E-Mudhra, MTNL Trust line, to which company directors submit the prescribed application form along with notarized proof of identity and address. A Class-II Digital Signature Certificate can be obtained for either a period of 1 year or a period of 2 years, and then needs to be renewed for another 1 or 2 years upon payment of renewal fees. Each agency has its own fee structure, starting from INR 400. The cost will vary in accordance with the duration of the Digital Signature Certificate. Once the Digital Signature Certificate is obtained, the authorized personnel (directors/manager/secretary) are required to register the same with MCA for statutory e-filing. This process is to be done online with MCA after the DIN has been obtained. (http://www.mca.gov.in/MCA21/Rolecheck.html)</p> <p><i>Agency: Certified private agencies</i></p>	<p>1 day</p>	<p>INR 400-1,800</p>
<p>3</p>	<p>Reserve the company name online with the Registrar of Companies (ROC)</p> <p>The Name Availability Guidelines prescribe a time period of one to two days for registering the name of a company, however, due to the large number of applications received, typically this process takes up to 3 days, and is as follows: 1. Check availability of the proposed name by checking on the MCA21 portal for other companies or LLPs having similar names. Alternatively, engage a professional (practicing chartered</p>	<p>2 days</p>	<p>INR 1,000</p>

No.	Procedure	Time to complete	Cost to complete
	<p>accountant, company secretary or cost accountant) to perform the check on the MCA 21 portal and provide a search report which can be attached to the application. 2. Prepare the application in eForm INC-1: Application for Reservation of Name with all relevant details and declarations. If a professional has been engaged to check availability of name, have the professional certify and digitally sign the eForm INC-1. 3. Upload the eForm INC-1 to the MCA21 portal and pay fees of Rs. 1000 electronically (net banking or credit card). 4. If the e-Form INC-1 has been certified by a professional (as described above), the proposed name will be made available to the applicant online, without any backend processing, provided the name is not similar to any existing trademark, any of the words proposed in the company's name does not exactly match any existing company's name and the name does not consist of a single word (other than private limited). If the e-Form INC-1 is not certified by a professional or if any of these provisos are not satisfied, the proposed name will be processed by the Registrar of Companies and availability or non-availability of name will be communicated to the applicant. 5. The name, if made available to the applicant, will be reserved for the applicant to use for 60 days from the date of approval. If the proposed company is not incorporated during this 60 day period, the approval will lapse and the name will be available to other applicants. This is in accordance with the Name Availability Guidelines 2011, General Circular No. 7/2012 dated 25th April 2012 issued by Ministry of Corporate Affairs, Government of India. The fee for registering the name of a company is INR 1,000.</p> <p><i>Agency: Registrar of Companies (ROC)</i></p>		
4	<p>Pay stamp duties online, file all incorporation forms and documents online and obtain the Certificate of Incorporation</p> <p>As of January 1, 2010 it has been made compulsory to pay all stamp duties on incorporation documents online through the Ministry of Corporate Affairs (MCA) website. As a result of these reforms, the mode of payment of stamp duty through affixation of adhesive stamps on Articles of Association and Memorandum of Association has been replaced by the e-payment of applicable stamp duty on Articles and Memorandum of Association through MCA portal. The reforms also provide that the documents on which e-stamping has been done, need not to be filed physically: electronic filing of the same would be sufficient. For registration, the following forms are required to be electronically filed on the website of the Ministry of Company Affairs: (a) e-Form INC-7 (Application for Incorporation of Company (Old Form 1)); (b) e-Form INC-22 (Notice of Situation or Change of Situation of Registered Office (Old Form 18)); (c) e-Form DIR-12 (Particulars of Appointment of Directors and the Key Managerial Personnel and the Changes among Them (Old Form 32)) Along with these documents, scanned copies of the signed and the Memorandum and Articles of Association, must be attached to eForm INC-7. Proof of location Registered Office in the Form of Lease Deed or NOC from the Owner must be attached to Form INC-22. The 3 forms as well as the Memorandum and Articles of association must be certified by a</p>	5 days on average	see comments

No.	Procedure	Time to complete	Cost to complete
	<p>practicing professional regarding the correctness of the information/declarations. - The fees for registering a company can be paid online using a credit card or by payment in cash at certain authorized banks. - The Certificate of Incorporation is immediately issued by the Registrar of Companies, signed digitally and sent via email to the Company. Fee schedule for a small company of paid-up share capital between INR 500,000 and INR 1,000,000: - Filing of the Memorandum of Association: INR 2,000 - Filing fee for filing the Articles of association: INR 400 - Filing fee for Form INC-7: INR 400 - Filing fee for Form INC-22: INR 400 - Filing fee for Form DIR-12: INR 400 - Stamp duty for Articles of Association: INR 150 - Stamp duty for Memorandum of Association: INR 200</p> <p><i>Agency: Registrar of Companies (ROC)</i></p>		
5	<p>Request and obtain Certificate to Commence Operation</p> <p>Under Companies Act 2013 even a Private Company cannot commence its business or make any borrowings unless it files with Registrar of Companies a statement that the subscription money and minimum paid-up capital has been brought in. (Section 11) According to Section 11 Sub-section (1), a company having a share capital shall not commence any business or exercise any borrowing powers unless: a) Declaration is filed by a director with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him; and b) The company has filed with the Registrar a verification of its registered office. The company must file eForm INC-21: Declaration Prior to the Commencement of Business or Exercising Borrowing Powers. This form is required to be filed pursuant to Section 11 (1) (a) of the Companies Act, 2013 and Rule 24 of the Companies (Incorporation and Incidental) Rules, 2014.</p> <p><i>Agency: Registrar of Companies</i></p>	5 days on average	INR 400 for a company with capital between INR 500,000-2,499,999
6	<p>* Make a seal</p> <p>Under the Companies Act, 1956, all companies are required to have a common seal. Under Section 22 of the Companies Act, 2013, only a person authorized by the company, in writing under common seal, is empowered to execute deeds on behalf of the company.</p> <p><i>Agency: Authorized vendor (Private)</i></p>	1 day (simultaneous with previous procedure)	INR 500-1,000
7	<p>Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL) or the Unit Trust of India (UTI) Investors Services Ltd., as outsourced by the Income Tax Department</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</p>	7 days	INR 93

No.	Procedure	Time to complete	Cost to complete
	<p>tax deduction and collection account number (TAN) for depositing tax deducted at source. The Central Board of Direct Taxes (CBDT) has instructed banks not to accept any form for tax payment (Chalan) without the PAN or TAN, as applicable. The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department. In order to improve PAN related services, the Income Tax department (effective July 2003) outsourced their operations pertaining to allotment of PAN and issue of PAN cards to UTI Investor Services Ltd, which was authorized to set up and manage IT PAN Service Centers in all cities where there is an Income Tax office. The National Securities Depository Limited (NSDL) has also launched PAN operations effective June 2004, setting up TIN Facilitation Centers. The PAN application is made through the above mentioned service centers on Form 49A, with a certified copy of the certificate of registration, issued by the Registrar of Companies, along with proof of company address and personal identity. A fee of INR 93 (plus applicable taxes currently at 12.36%) applies for processing the PAN application. IT PAN Service Centers or TIN Facilitation Centers will supply PAN application forms (Form 49A), assist the applicant in filling up the form, collect filled form and issue acknowledgement slip. After obtaining PAN from the Income Tax department, UTIISL or NSDL as the case may be, will print the PAN card and deliver it to the applicant. The application for PAN can also be made online but the documents still need to be physically dropped off for verification with the authorized agent. For more details (www.incometaxindia.gov.in , www.utiisl.co.in , www.tin-nsdl.com)</p> <p><i>Agency: Private agencies authorized by UTI or NSDL, as outsourced by the Income Tax Department (Federal)</i></p>		
8	<p>* Register with the Employees' Provident Fund Organization</p> <p>The Employees Provident Fund Organization (EPFO) is a statutory organization under the Ministry of Labor and Employment. The Provident Fund registration focuses on delinquent reporting, underreporting, or non-reporting of workforce size. If a company has more than 20 employees, then it is mandatory to register with the EPFO and a code number will be allotted to the company. Once the employer is registered with the EPFO, it will register his employees with the office and open Provident Fund accounts in the name of each employee. More information is available at www.epfindia.gov.in. As per an internal circular, the code number is to be allotted within 3 days of 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 later: in 12 to 15 days.</p> <p><i>Agency: Employees Provident Fund Organization (Federal)</i></p>	12 days on average (simultaneous with previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
9	<p>* Register for medical insurance at the regional office of the Employees' State Insurance Corporation</p> <p>Registration is the process by which every employer and every paid employee is identified for health-insurance purposes. The Employees' State Insurance (ESI) Act (1948) provides for a fund administered by the ESI corporation in which contribution is made both by the employer and the employee at the rates prescribed by the National Government. The Employer should register within 15 days after the Act becomes applicable. For this purpose, the employer should submit Form 01: Employees' Registration Form to the ESI regional office. Upon receipt of the registration form, the office shall allot an employer's code number and shall inform the employer of that number through an "intimation letter" sent by post. An employee's individual insurance involves a separate process, one which is initiated after employer's registration. The employer should fill out declaration forms for all coverable employees and submit the same, along with Form 3: Return of Declaration Forms, to the appropriate regional office within 10 days of the employee's appointment date. The employees' temporary cards (ESI Cards) are issued on the spot. It takes about 4 to 5 weeks to get a permanent ESI card. More information is available at http://www.esic.nic.in.</p> <p><i>Agency: Employees' State Insurance Corporation, Ministry of Labor and Employment</i></p>	<p>10 days (simultaneous with previous procedure)</p>	<p>no charge</p>
10	<p>* Register for Value-Added Tax (VAT) at the Department of Trade and Taxes, Government of NCT of Delhi (State)</p> <p>Form DVAT 04: Application for Registration under Delhi Value Added Tax Act, 2004 needs to be filed with Department of Trade and Taxes, Government of NCT of Delhi. Mandatory Supporting Documents are: (1) Parts A, B, C & D of the Form duly filled in; (2) Proof of incorporation of the applicant dealer i.e. copy of deed of constitution (partnership deed, if any, certificate of registration under the Societies Act, Trust deed, Memorandum and Articles of Association etc.) duly certified by the authorized signatory; (3) Proof of identity of authorized signatory signing the Registration Application Form; (4) Two self-addressed envelopes (Without stamps); (5) In case of a dealer applying for registration and simultaneously opting for payment of tax under composition scheme, please attach application in Form DVAT 01 along with this application; (6) Proof of Security along with duly filled Form DVAT-12 Optional Supporting Documents (For reduction in Security Amount) are: (1) Proof of ownership of principal place of business; (2) Proof of ownership of residential property by proprietor/ managing partner; (3) Copy of passport of proprietor/ managing partner; (4) Copy of Permanent Account Number in the name of the business allotted by the Income Tax Department (5) Copy of last electricity bill (The bill should be in the name of the business and for the address specified as the main place of business in the registration form) (6) Copy of last telephone bill (The bill should be in the name of the business and for the address specified as the main place of business in</p>	<p>9 days on average (simultaneous with previous procedure)</p>	<p>INR 500 registration fee + INR 25 stamp duty for compulsory VAT registration</p>

No.	Procedure	Time to complete	Cost to complete
	<p>the registration form)</p> <p><i>Agency: Department of Trade and Taxes, Government of NCT of Delhi</i></p>		
11	<p>* Obtain a Tax Account Number (TAN) for income taxes deducted at the source from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL), as outsourced by the 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/- . The application for allotment of a TAN must be filed using Form 49B and submitted at any TIN Facilitation Center authorized to receive e-TDS returns. Locations of TIN Facilitation Centers are at www.incometaxindia.gov.in and tin.nsd.com. The processing fee for both applications (a new TAN or a change request) is INR 55 (plus applicable taxes currently at 12.36%). After verification of application, the same is sent to Income Tax Department and upon satisfaction the department issues the TAN to the applicant. The national government levies the income tax. Since outsourcing, any authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) can accept and process the TAN application. The application for TAN can be made either online TAN can be through the NSDL website www.tin-nsdl.com or offline. However, after the payment of the fee by credit card, the hard copy of the application must be physically filed with NSDL.</p> <p><i>Agency: Private agencies authorized by UTI or NSDL, as outsourced by the Income Tax Department (Federal)</i></p>	7 days (simultaneous with previous procedure)	INR 55 application fee

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

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

What do the indicators cover?

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

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

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. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

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

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

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

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) 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).

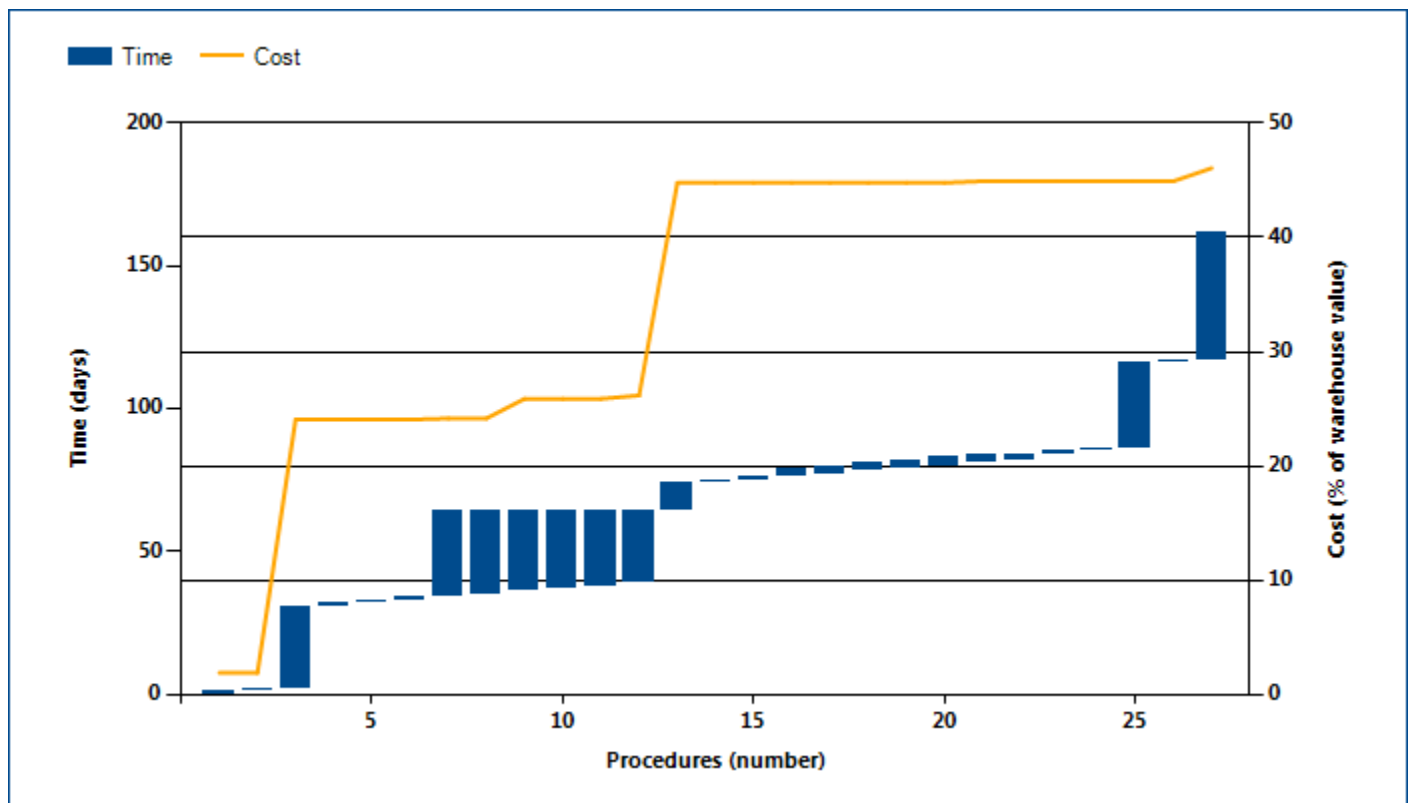
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

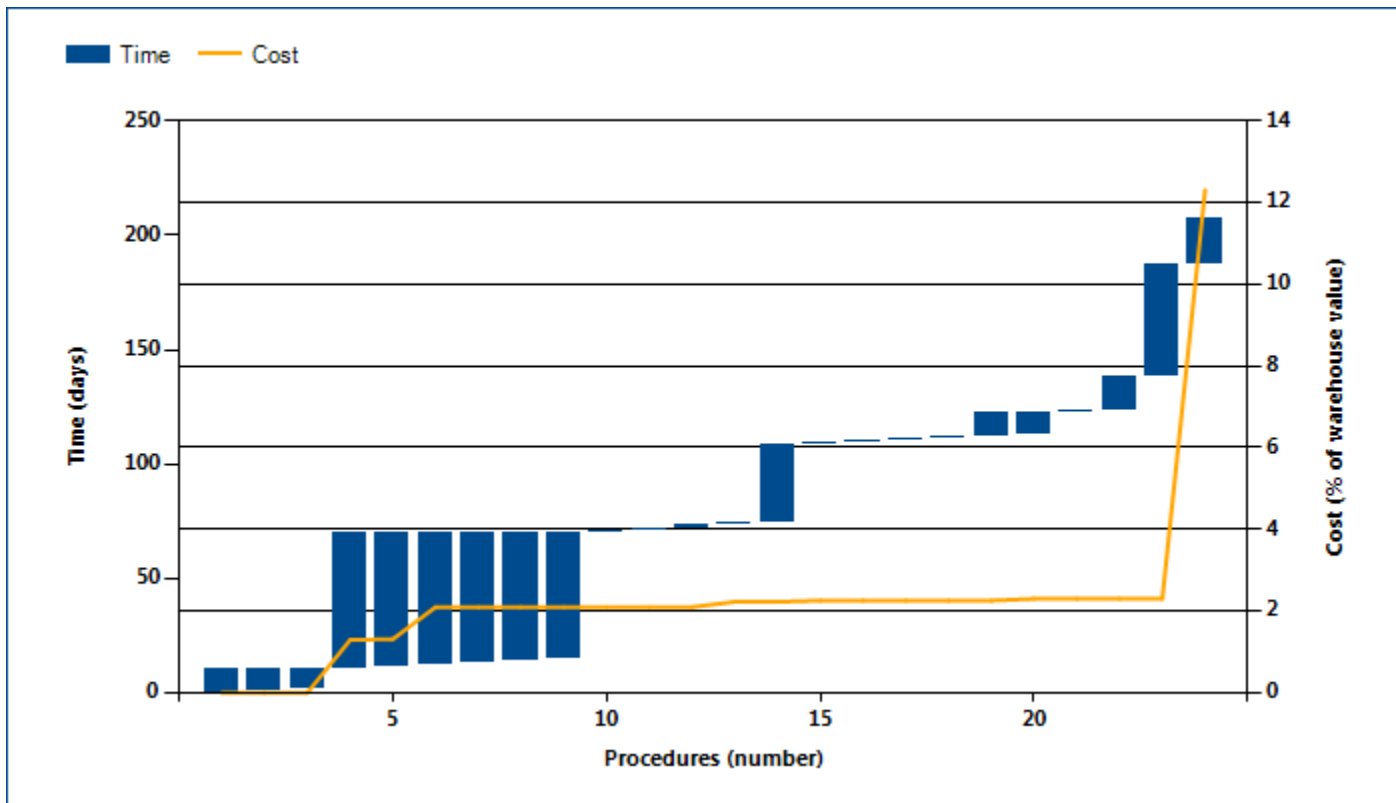
What does it take to comply with the formalities to build a warehouse in India? According to data collected by *Doing Business*, dealing with construction permits there requires 25.4 procedures, takes 185.9 days and costs 28.2% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

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



What it takes to comply with formalities to build a warehouse in India - Delhi



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

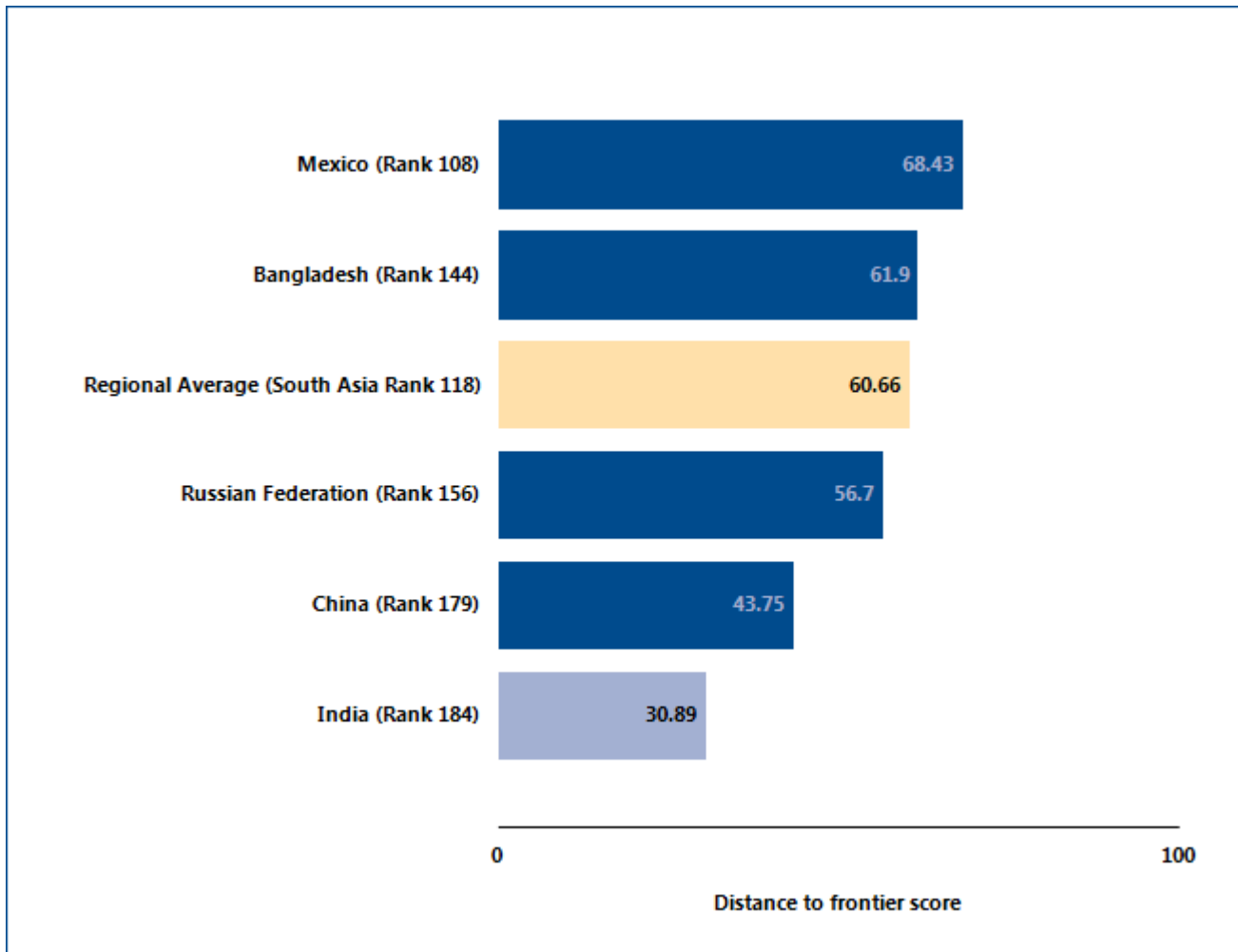
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, India stands at 184 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to legally build a warehouse.

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



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In

an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in India (table 3.1)?

Table 3.1 How has India made dealing with construction permits easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2013	India reduced the time required to obtain a building permit by establishing strict time limits for preconstruction approvals.

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

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

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

BUILDING A WAREHOUSE

Estimated cost of construction : **INR 4,496,273**

City : **Mumbai, Delhi**

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

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in India - Mumbai

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application and design plans and pay scrutiny fee</p> <p>BuildCo submits application form with plans and all required documents, as prescribed by Section 337 of the BMC Act, at the Andhuri Building Proposal Office of the BMC. If all documents are in order and the file is complete, BuildCo can proceed to pay the scrutiny fees in the same building by cash or bank draft.</p> <p>Once the fees have been paid, the application file is forwarded to the concerned officer in the Building Proposal Office. Then the file is forwarded to the Survey Office, which will remark on the application file and check the remarks from the Development Plan Office (obtained during the design stage of the project). If the Survey Office is satisfied with their review, they will send back the application file to the Building Proposal Office within one week.</p> <p>The cost for this procedure is INR 66 per sq. m. for commercial projects and INR 33 per sq. m. of the built up area or the plot area, whichever is larger, for residential projects.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	1 day	INR 85,840
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> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
3	<p>Obtain Intimation of Disapproval 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 reviews the proposal and forwards the report to the Assistant Engineer and Executive Engineer. The proposal is approved at the Executive Engineer's level if no concessions are involved. There are 3 executive engineers in the main Municipal Corporation of Greater Mumbai (MCGM) office and 2 in the Andhuri office (the latter is the office considered for the purposes of this study).</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 they 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> <ul style="list-style-type: none"> • Tree Authority • Storm Water and Drain Department • Sewerage Department • Hydraulic Department • Environmental Department (concerned with debris management) • Traffic and Coordination Department • 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 66 per square meter for commercial buildings + development charges of INR 700 per square meter for commercial buildings</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	29 days	INR 996,260

No.	Procedure	Time to complete	Cost to complete
4	<p>Submit structural plans approved by a structural engineer</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 the Municipal Corporation but copies are required to be submitted. Time required for submitting these structural plans is one day.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
5	<p>* Apply for no-objection certificate (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 down, BuildCo will have to plant trees to replace them.</p> <p><i>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
6	<p>Receive inspection from Tree Authority</p> <p>Inspectors from the Tree Authority visit the site to check if there are any trees located on the premises.</p> <p><i>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
7	<p>Obtain NOC from Tree Authority</p> <p>Upon receipt of application for NOC, the Tree Authority will send a Tree Officer to personally inspect the trees on the premise. The Tree Officer then submits a report to the Tree Authority within a period of 30 days from the receipt of the application.</p> <p><i>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</i></p>	30 days	INR 4,500
8	<p>* Request and obtain NOC from Storm Water and Drain Department</p> <p><i>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</i></p>	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
9	<p>* Request and obtain NOC from Sewerage Department</p> <p>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</p>	7 days	INR 77,306
10	<p>* Request and obtain NOC from Electric Department</p> <p>BuildCo has to inform Brihanmumbai Electric Supply and Transport (BEST) of the project's power requirements along with a copy of the application submitted for building plan approval. BEST will assess whether an electrical substation upgrade is required at this stage.</p> <p>Agency: Brihanmumbai Electric Supply and Transport (BEST)</p>	7 days	no charge
11	<p>* Request and obtain NOC from Traffic & Coordination Department</p> <p>Agency: Traffic & Coordination Department, Municipal Corporation of Greater Mumbai</p>	7 days	no charge
12	<p>* Request and obtain NOC from Chief Fire Office</p> <p>All commercial structures require a fire safety clearance.</p> <p>Agency: Chief Fire Office, Municipal Corporation of Greater Mumbai</p>	7 days	INR 13,006
13	<p>Obtain commencement certificate and pay development charges</p> <p>Upon submission of all required NOCs mentioned in the IOD and on compliance of the IOD conditions, the applicant may submit a request for the Commencement Certificate. The documents and NOC submitted by the applicants are verified by the staff and the necessary Commencement Certificate is approved. After payment of development charges and other applicable premium the Commencement Certificate is issued within 7 to 15 days.</p> <p>The commencement certificate is valid for four years in the aggregate, but must be renewed before the expiry of one year from the date it was issued if the work has not yet commenced. Such renewal shall be for three consecutive terms of one year each, after which the proposal would need to obtain development permission afresh.</p> <p>The cost for the CC is INR 200.00 per sq. m. of land + INR 500.00 per sq. m. of building area.</p> <p>Agency: Building Proposal Office, Municipal Corporation of Greater</p>	10 days	INR 836,100

No.	Procedure	Time to complete	Cost to complete
	<i>Mumbai</i>		
14	<p>Request and receive inspection of plinth</p> <p>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
15	<p>Submit letter stating completion of building works to obtain an occupancy certificate and certificate of completion</p> <p>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.</p> <p>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
16	<p>* Request and obtain completion NOC from Tree Authority</p> <p>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
17	<p>* Request and obtain completion NOC from Storm Water and Drain Department</p> <p>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
18	<p>* Request and obtain completion NOC from Sewerage Department</p> <p>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
19	<p>* Request and obtain completion NOC from Electric Department</p> <p>Agency: Electric Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge

No.	Procedure	Time to complete	Cost to complete
20	<p>* Request and obtain completion NOC from Traffic & Coordination Department</p> <p>Agency: Traffic & Coordination Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
21	<p>* Request and obtain completion NOC from Chief Fire Office</p> <p>All commercial structures require fire safety clearance according to fire and safety rules and regulations stipulated in Development Control Rules 1991 and the National Building Code. The fee for low-rise commercial buildings is INR 5.00 per sq. m.</p> <p>This NOC may be requested and obtained online, but it still takes several days to receive.</p> <p>Agency: Chief Fire Office, Municipal Corporation of Greater Mumbai</p>	3 days	INR 6,503
22	<p>* Apply for permanent water and sewer connection</p> <p>BuildCo must visit the ward office and submit a written request for a water and sewerage connection. The connection request must be submitted along with a copy of the building plans.</p> <p>Agency: Municipal Corporation of Greater Mumbai</p>	1 day	no charge
23	<p>Receive on-site inspection for connection to water and sewer</p> <p>The Assistant Engineer of the Municipal Corporation makes the inspection. There are two inspections: one before the connections are completed and another after completion. The inspection would not take more than a day. An officer of the Municipal Corporation inspects the premises and prepares a report on the connection.</p> <p>Agency: Municipal Corporation of Greater Mumbai</p>	1 day	no charge
24	<p>Request and receive completion inspection from Building Proposal Office</p> <p>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
25	<p>Obtain completion certificate</p> <p>The owner, through a licensed plumber, shall furnish a drainage completion certificate to the Commissioner. The licensed surveyor, engineer, or architect who has supervised the construction shall furnish a building completion certificate to the Commissioner. This shall be accompanied by three sets of plans of the completed development. The Commissioner shall inspect the work, and after satisfying himself that there is no deviation from the approved plans, issue a certificate of acceptance of the completion of the work.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	30 days	no charge
26	<p>Obtain occupancy certificate</p> <p>On receipt of the acceptance of completion certificate, the owner, through the licensed surveyor, engineer, or architect, shall submit to the Commissioner a development completion certificate with three copies of the completion plan, one of which shall be cloth mounted for record. The Commissioner may inspect the work and after satisfying himself that there is no deviation from the sanctioned plans, issue an occupancy certificate, or refuse to sanction the occupancy certificate within 21 days from the date of receipt of the said completion certificate.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
27	<p>Obtain permanent water and sewer connection</p> <p>Fees for water connection include:</p> <ul style="list-style-type: none"> • Water connection charges: INR 1,060.00 • Water meter: INR 150.00 • Refundable security deposit towards water charges bills at INR 25.00 per 1,000 liter + 60% of sewerage charges for the requirement of the building <p>Sewer fees are INR 50,000</p> <p><i>Agency: Municipal Corporation of Greater Mumbai</i></p>	45 days	INR 51,210

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

Summary of time, cost and procedures for dealing with construction permits in India - Delhi

No.	Procedure	Time to complete	Cost to complete
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No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain No Objection Certificate regarding land use per the zoning plan</p> <p><i>Agency: Town Planning Department of Municipal Corporation of Delhi</i></p>	10 days	no charge
2	<p>* Obtain Certificate of No Tax Due</p> <p>Starting July 2012, property tax can be paid online at www.mcdonline.gov.in. With the property tax receipt, the building company must obtain an up-to-date Certificate of No Tax Due from the Property Tax Department of Municipal Corporation of Delhi and submit it when applying for the Building Permit.</p> <p><i>Agency: Property Tax Department of Municipal Corporation of Delhi</i></p>	2 days	no charge
3	<p>* Notarize the affidavit/undertaking</p> <p>The building company must submit an Affidavit/Undertaking on non judicial paper of INR 10, duly attested by the Oath Commissioner when applying for the Building Permit. In the affidavit, the building company acknowledges that during the course of construction, no building material will be stacked on public land.</p> <p><i>Agency: Private Sector</i></p>	1 day	INR 100
4	<p>Request and obtain building permit</p> <p>The building company applies for the Building Permit by giving a notice in writing in the prescribed Form No. I along with the following documents:</p> <ol style="list-style-type: none"> 1. Six copies of building plans and statements 2. Proof of ownership 3. Specifications of the proposed construction 4. Supervision certificate signed by the licensed architect/engineer, supervisor and plumber; 5. Structural-stability Certificate signed by the licensed architect/engineer along with a copy of registration certificate (annexure A) 6. Rain Water-Harvesting Certificate in case of plot size more than 100 square meters signed by the licensed architect and owner (annexure B) 7. No Nuisance/Construction Debris Certificate signed by the owner (annexure C) 8. Declarations in the Form of Affidavits (annexure E-I) 9. Certificate of No Tax Due from the Property Tax Department <p>All the plans must be signed by the licensed architect/engineer and owner registered with the Council of Architects/Institution of Engineers and shall indicate their names, addresses, license and enrollment numbers.</p> <p>Upon receiving the application of industrial, institutional, and multi-</p>	60 days	INR 57,969

No.	Procedure	Time to complete	Cost to complete
	<p>storey buildings, the Municipal Corporation of Delhi will forwards 2 copies of the building plans and 2 copies of the layout plans to the Fire Service Department of Government NCT of Delhi. The Fire Service Department reviews the drawings and checks the fire and safety arrangement on the plans against the National Building Code of India 2005. It takes 3 weeks to issue a Provisional No Objection Certificate (no site inspection at the time of sanctioning the building plans). The drawings can only be approved by Municipal Corporation of Delhi and Building Permit issued after receiving the Provisional No Objection Certificate.</p> <p>The building company must pay INR 10 per sq. meter of built-up area for the Building Permit application as well as cess charges of 1% of cost of the construction. Cess charges are paid to the Municipal Corporation of Delhi, who will transfer the charges to the Labor Welfare Department of Government of NCT Delhi.</p> <p>The Municipal Corporation of Delhi sanctions building plans without site inspection but randomly selects about 20% of the buildings and inspects them after the issuance of Building Permits.</p> <p>A single window concept has been introduced for approval of building-plan applications. Online approval is available for residential plots and sanction is generally given within 1 week if all documents are complete. The Engineering Department of the Municipal Corporation of Delhi has also issued a detailed guide, "Build Your House With a Valid Building Permit" which is available online (MCD website at no charge) or in print (INR 200).</p> <p>As of December 2013, the cost for building permits are INR 5 per square meter for buildings less than 50 square meters, and INR 10 per square meter for buildings greater than 50 square meters.</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>		
5	<p>* Request and obtain Consent to Establish from Delhi Pollution Control Committee</p> <p>Delhi Pollution Control Committee, delegated by Central Pollution Control Board of statutory powers and functions, regulates water and air pollution. By regulation, the Delhi Pollution Control Committee has 3 months to approve an application but in practice, a committee meets monthly to discuss application received and the Consent to Establish is generally issued within 1 month.</p> <p><i>Agency: Delhi Pollution Control Committee</i></p>	30 days	INR 1,000
6	<p>* Request and obtain approval of the water and sewer connection plans</p> <p>A complete water and sewer supply schemes must be submitted, including:</p> <ul style="list-style-type: none"> • Six sets of layout plans, one should be cloth mounted 	30 days	INR 35,253

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> • Hydraulic calculations • Key plan • Proposed water lines showing position of UGR/slucice valves • Calculation of water demand • Capacity of UGR <p>This is submitted to DJB in the Executive Engineering and Planning office through the developing agency (Department of Development or Municipal Corporation of Delhi). A feasibility report is developed. If the water can be spared for the project then a connection and ferrule size is designed by the planning office as per the feasibility report. If there is not enough water, then plans will be approved through other sources of water such as through a tube well. The plans are then approved by the DJB. Once the fees for the Infrastructure Fund are paid, the DDA may begin construction on the water and sewer lines.</p> <p>The fees for the Infrastructure Fund are only paid by large agencies, group housing, hospitals, schools, and commercial complexes and institutions.</p> <p><i>Agency: Delhi Ja Board</i></p>		
7	<p>* Request and obtain No Objection Certificate from District Forest Office</p> <p>When the building company applies for the Building Permit, the building plans and Land Ownership Permit are sent to the District Forest Office from Forest Department of Government NCT of Delhi. Permission to fell trees is regulated under provisions of Delhi Tree Preservation Act 1994, which stipulates that 10 trees must be replanted for every 1 tree cut. The Act gives the District Forest Office 60 days to issue the No Objection Certificate but it is generally cleared in 1 week. Assuming the building company does not have to cut trees, it will not require the No Objection Certificate from District Forest Office after construction.</p> <p><i>Agency: District Forest Office</i></p>	7 days	no charge
8	<p>* Request and obtain No Objection Certificate from Traffic Department</p> <p><i>Agency: Licensing Branch of the Delhi Police</i></p>	1 day	no charge
9	<p>* Receive inspection from the Fire Department</p> <p><i>Agency: Fire Department</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
10	<p>Receive No Objection Certificate from Fire Department</p> <p><i>Agency: Fire Department</i></p>	1 day	no charge
11	<p>Submit commencement notice</p> <p>BuildCo must notify the MCD 7 days before beginning construction.</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>	1 day	no charge
12	<p>Request and receive inspection at the plinth level</p> <p>BuildCo must notify the MCD of the completion of the plinth level, including a copy of a valid certificate of the building plans. MCD inspects the construction and submits any objections, if necessary. Mandatory inspections are carried out at two stages: at plinth level and at completion. Routine inspections may be carried in between and the Municipal Corporation of Delhi reserves the right to inspect the premises before, during and after the construction.</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>	1 day	INR 15
13	<p>Request water and sewer connection approval</p> <p>The building company must submit water and sewer connection application forms. Documents to be attached:</p> <p>(1) Proof of identity document: photocopy of voter ID card, ration card, PAN card, driving license or post card</p> <p>(2) Property ownership document: photocopy of GPA, allotment letter, government allotment letter, sale deed or NOC from landlord</p> <p>(3) Proof of residence: photocopy of driving license, passport, election I card</p> <p>(4) Sanction of Water Supply Scheme</p> <p>It is compulsory to provide the document number of the attached documents.</p> <p>Delhi Ja Board has integrated the process of obtaining an Excavation Permit from Municipal Corporation of Delhi by charging a road restoration charges for water and sewer connections on behalf of MCD.</p> <p><i>Agency: Delhi Ja Board</i></p>	1 day	INR 5,800
14	<p>Receive on-site inspection for water and sewer connection and receive approval</p> <p>An inspection of the site will be performed by a Survey Officer.</p> <p><i>Agency: Delhi Ja Board</i></p>	34 days	no charge

No.	Procedure	Time to complete	Cost to complete
15	<p>Submit notice of completion and request occupancy permit</p> <p>The building company must submit a notice of completion in the pro forma given in the Building Bylaws (1983) along with a completion application and fee of INR 1 per square meter of built-up area. It has to submit the notice of completion through the licensed architect/engineer or supervisor who has supervised the construction accompanied by the following documents:</p> <ol style="list-style-type: none"> 1. Copy of lease-deed/sale deed 2. Three copies of the completion plan 3. Three copies of photographs taken from different angles so as to show the overall view of the building 4. Original sanctioned building plan (to be returned to the building company along with the Occupancy Certificate) 5. Copy of Water Connection Sanction and Sewerage Connection Sanction from Delhi Jal Board 6. Structural-stability Certificate signed by the licensed architect/engineer along with the structural drawings 7. Certificate of licensed architect/engineer or supervisor 8. Extension of time from the lessor if required 9. Rain Water-Harvesting Certificate in case of plot size more than 100 square meters signed by the licensed architect and owner 10. Affidavit/Undertaking of licensed architect/engineer or supervisor (as the case may be) 11. Affidavit of owner 12. A statement indicating deviations that are carried out and compounding fee payable <p><i>Agency: Municipal Corporation of Delhi</i></p>	1 day	INR 1,301
16	<p>Receive final inspection of the construction</p> <p>In practice this can take up to one week.</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>	1 day	no charge
17	<p>* Request final No Objection Certificate from the Fire Department</p> <p>The Municipal Corporation of Delhi will forward 2 copies of the completion plans to the Fire Service Department of Government NCT of Delhi for the Final No Objection Certificate, or the owners will visit the Fire Service Department in person to with the notice/guideline that it provided at the time of issuance of the Provisional No Objection Certificate and request the Fire Service Department to verify the compliance with the guidelines.</p> <p><i>Agency: Fire Department</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
18	<p>Receive site inspection from the Fire Department</p> <p>In practice this can take up to 15 days.</p> <p>Agency: Fire Department</p>	1 day	no charge
19	<p>Receive final No Objection Certificate from the Fire Department</p> <p>Agency: Fire Department</p>	10 days	no charge
20	<p>* Request consent to operate from the Delhi Pollution Control Board</p> <p>Agency: Delhi Pollution Control Committee</p>	1 day	INR 2,000
21	<p>Receive site inspection from the Delhi Pollution Control Board</p> <p>Delhi Pollution Control Committee carries out mandatory routine inspections. In practice this can take as much as 30 days.</p> <p>Agency: Delhi Pollution Control Committee</p>	1 day	no charge
22	<p>Obtain consent to operate from the Delhi Pollution Control Board</p> <p>The Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981 give the Delhi Pollution Control Committee 3 months to dispose an application. In practice, a committee meets monthly to discuss application received and the Consent to Establish is generally issued within 1 month. Depending on when BuildCo receives the inspection, it may take as little as a day, or as long as one month.</p> <p>Agency: Delhi Pollution Control Committee</p>	15 days	no charge
23	<p>Receive occupancy permit</p> <p>By regulation, Municipal Council of Delhi must grant or refuse the Occupancy Permit within 30 days of receiving the completion notice along with all mandatory documents. In practice, this takes anywhere from six to eight weeks.</p> <p>Agency: Municipal Corporation of Delhi</p>	49 days	no charge

No.	Procedure	Time to complete	Cost to complete
24	Obtain permanent water and sewer connection Delhi Ja Board contracts the work out to local licensed plumbers. <i>Agency: Delhi Ja Board</i>	20 days	INR 450,000

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

GETTING ELECTRICITY

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

What do the indicators cover?

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

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods

The electricity connection:

- Is 150 meters long and 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 to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 26880 kilowatt hour (kWh). The internal electrical wiring has been completed.

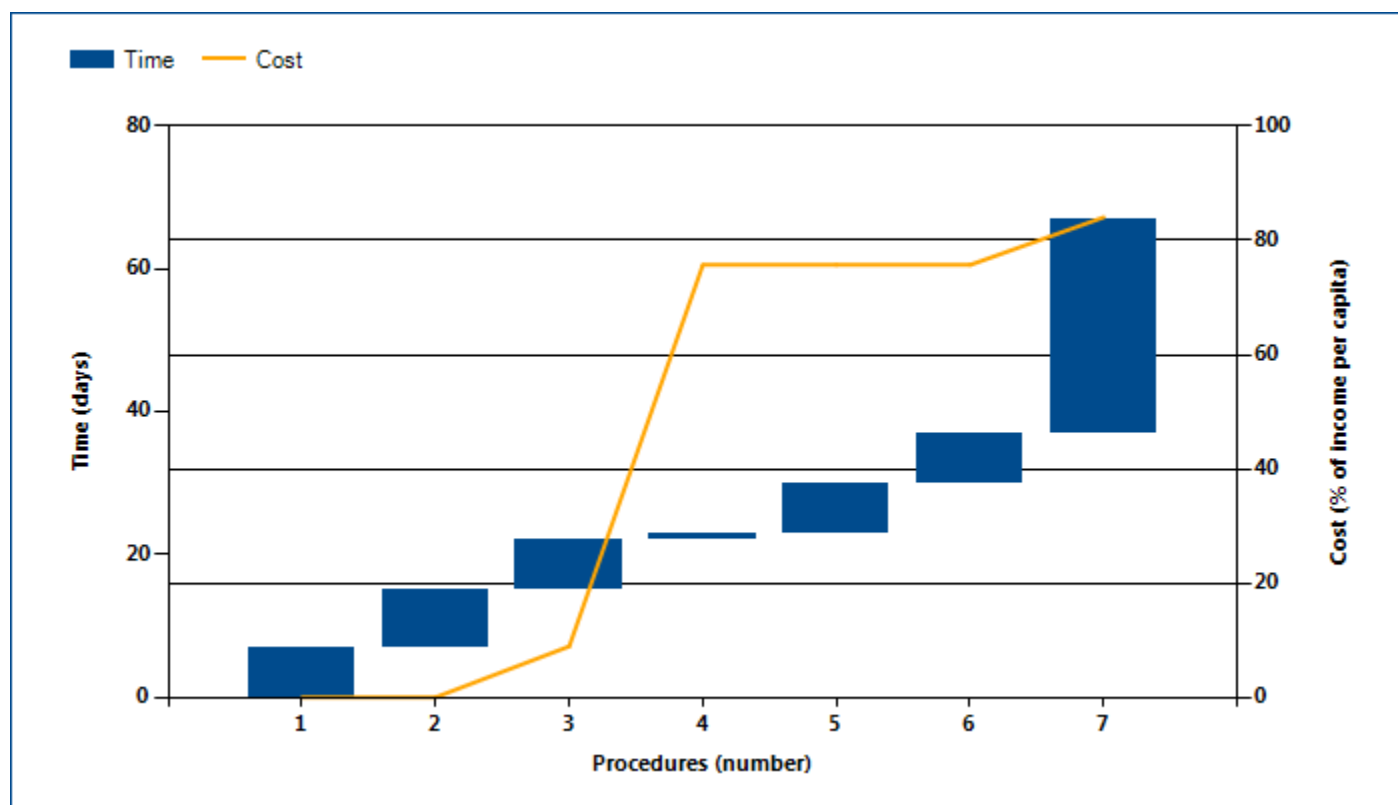
GETTING ELECTRICITY

Where does the economy stand today?

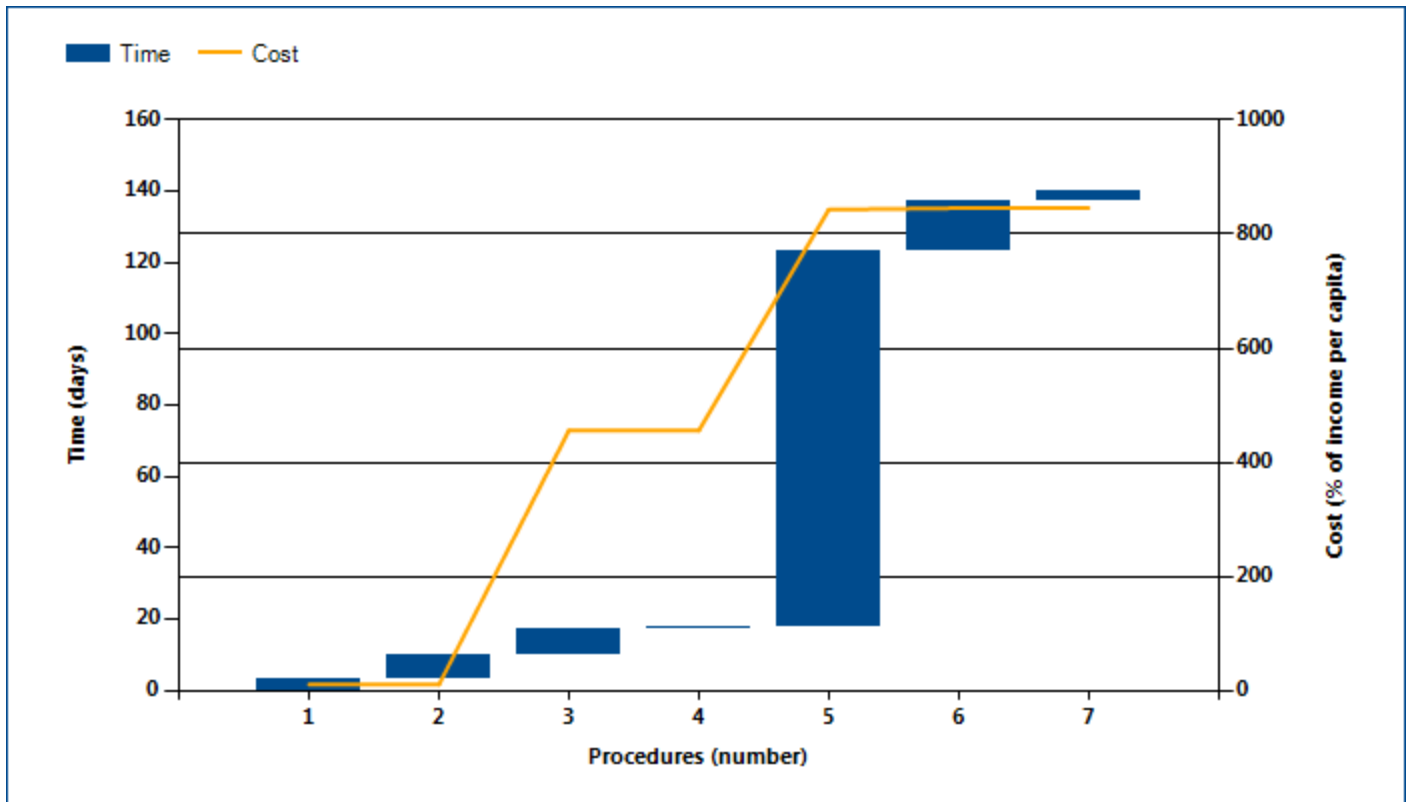
What does it take to obtain a new electricity connection in India? According to data collected by *Doing Business*, getting electricity there requires 7.0 procedures, takes 105.7 days and costs 487.7% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

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



What it takes to obtain an electricity connection in India - Delhi



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

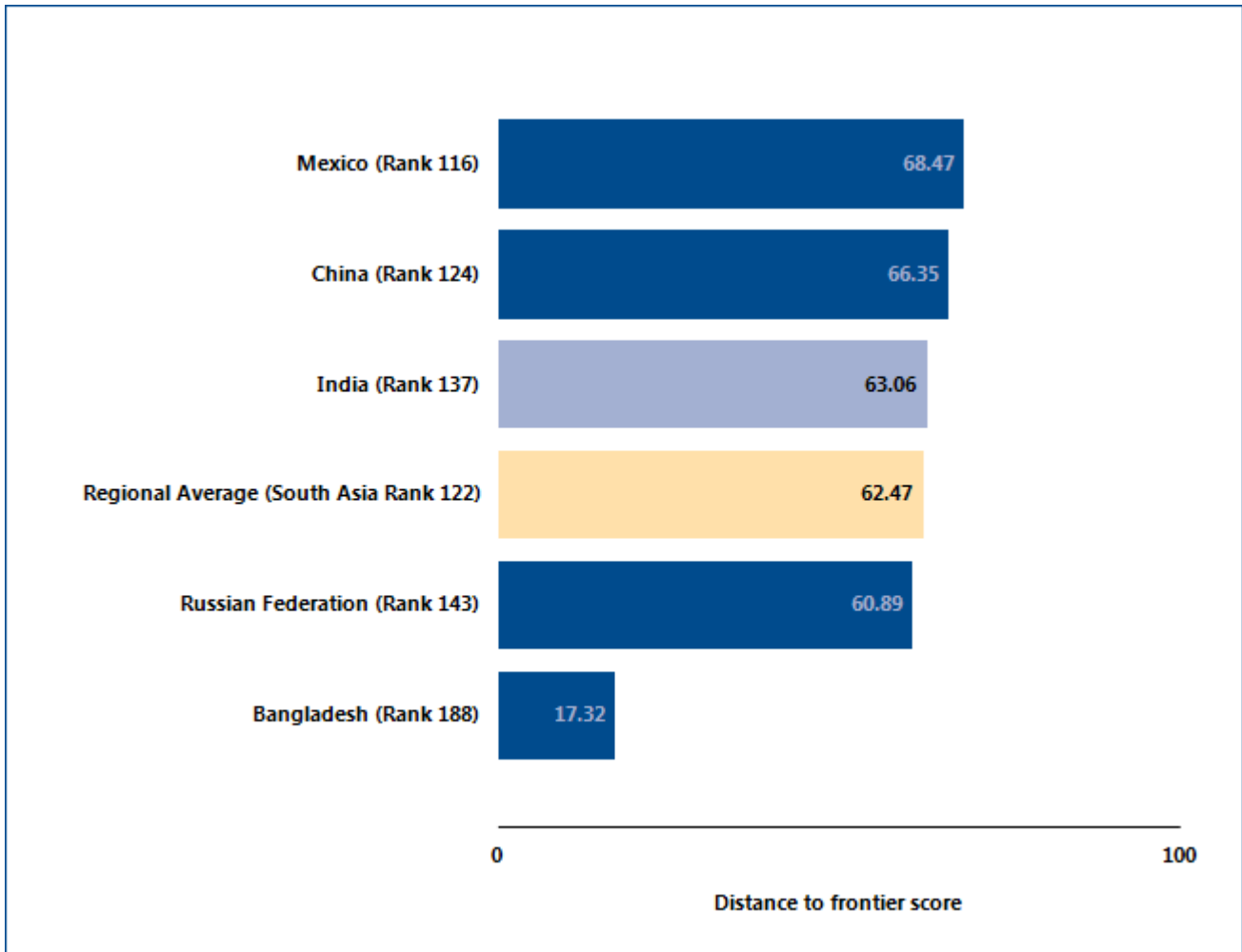
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, India stands at 137 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in India to connect a warehouse to electricity.

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



Source: Doing Business database.

GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to

ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in India (table 4.1)?

Table 4.1 How has India made getting electricity easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2015	In India the utility in Mumbai made getting electricity less costly by reducing the security deposit for a new connection.

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

Name of utility - Delhi:	TATA Power Delhi Distribution Limited
Name of utility - Mumbai:	Bhrihan Mumbai Electricity & Transport Undertaking
City:	Mumbai, Delhi

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.

Table 4.2 Summary of time, cost and procedures for getting electricity in India - Mumbai

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> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>	7 calendar days	INR 75

No.	Procedure	Time to complete	Cost to complete
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 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><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>	8 calendar days	INR 0
3	<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><i>Agency: Customer</i></p>	7 calendar days	INR 8,000
4	<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>	1 calendar day	INR 60,000

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>		
5	<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><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>	7 calendar days	INR 0
6	<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 assistance required concerning the installation.</p> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>	7 calendar days	INR 0
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</p>	30 calendar days	INR 7,498.61

No.	Procedure	Time to complete	Cost to complete
	<p>so deposited, towards satisfaction of any amount which is due or owing from the consumer.</p> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>		

* Takes place simultaneously with another procedure.

Source: Doing Business database.

Summary of time, cost and procedures for getting electricity in India - Delhi

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Tata Power Delhi Distribution Ltd. and await site inspection</p> <p>To apply for a new connection, customer must fill in the basic details in the Form at http://www.ndpl.com to generate a New Connection Request Notification Number. After customer fills the form and submits it, customer will receive a call from Sampark Kendra within 48 hour, who will provide customer the details of the documents to be submitted and information regarding nearest location for submission of documents.</p> <p>The list of documents is as follows: (1) Inland Revenue: Permanent Account No. of Income Tax; (2) Registrar of Companies: Certificate of Incorporation; (3) Municipal Authority: Trade License; (4) Electrical Inspector from Office of Electrical Inspectorate of Delhi: Firefighting/Lift Safety Certificate, where applicable; (5) Produced by customer themselves: a Certificate by the Electrical Contractor for Internal Wiring (6) Proof of Ownership or Occupancy.</p> <p>Customer can also call TPDDL on the 24 hour Sampark Kendra 66404040, for initiating the new connection process. However, customers are mandated to visit one Document Submission Centers along with the necessary documents to initiate the new connection process. New Connection Request Notification will be cancelled if the documents are not submitted within 3 working days.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	3 calendar days	INR 10,000
2	<p>Receive external site inspection from Tata Power and await estimate</p> <p>Customer makes appointment over the phone by providing application number as reference. TPDDL contacts the customer through e-mail, SMS or phone to make an inspection appointment at customer's convenience. Representative of TPDDL will inspect the premises to confirm its</p>	7 calendar days	INR 0

No.	Procedure	Time to complete	Cost to complete
	<p>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. Customer and/or his Licensed Electrical Contractor must be present during external site inspection.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>		
3	<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 TPDDL on which TPDDL'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 TPDDL's point of supply.</p> <p><i>Agency: Customer's contractor</i></p>	7 calendar days	INR 400,000
4	<p>Utility conducts internal wiring inspection</p> <p>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 on this behalf and under the direct supervision of a person holding a certificate of competency, issued by Government.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	1 calendar day	INR 0
5	<p>Utility conducts external connection and meter installation</p> <p>TPDDL will conduct external connection works, including the fixing of meters and coupling them with the customer's installation preparatory to the inspection and testing of the installation and connection of supply.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	105 calendar days	INR 347,728.44

No.	Procedure	Time to complete	Cost to complete
6	<p>Office of Electrical Inspectorate conducts internal wiring inspection</p> <p>Electrical Inspector from Office of Electrical Inspectorate comes to inspect the internal and external wiring to certify equipment installed is in compliance with Central Electrical Authority (CEA) Regulatory Standards. Clearance is issued on paper and given to customer and TPDDL typically on the 2nd day for electricity to flow.</p> <p><i>Agency: Office of Electrical Inspectorate</i></p>	14 calendar days	INR 2,750
7	<p>Utility turns on electricity</p> <p>Electricity starts flowing upon approval of the Electrical Inspector.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	3 calendar days	INR 0

* 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 of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. 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 and perform general commercial activities.
- Are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

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.
- Property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

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

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

No value added or capital gains taxes included

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

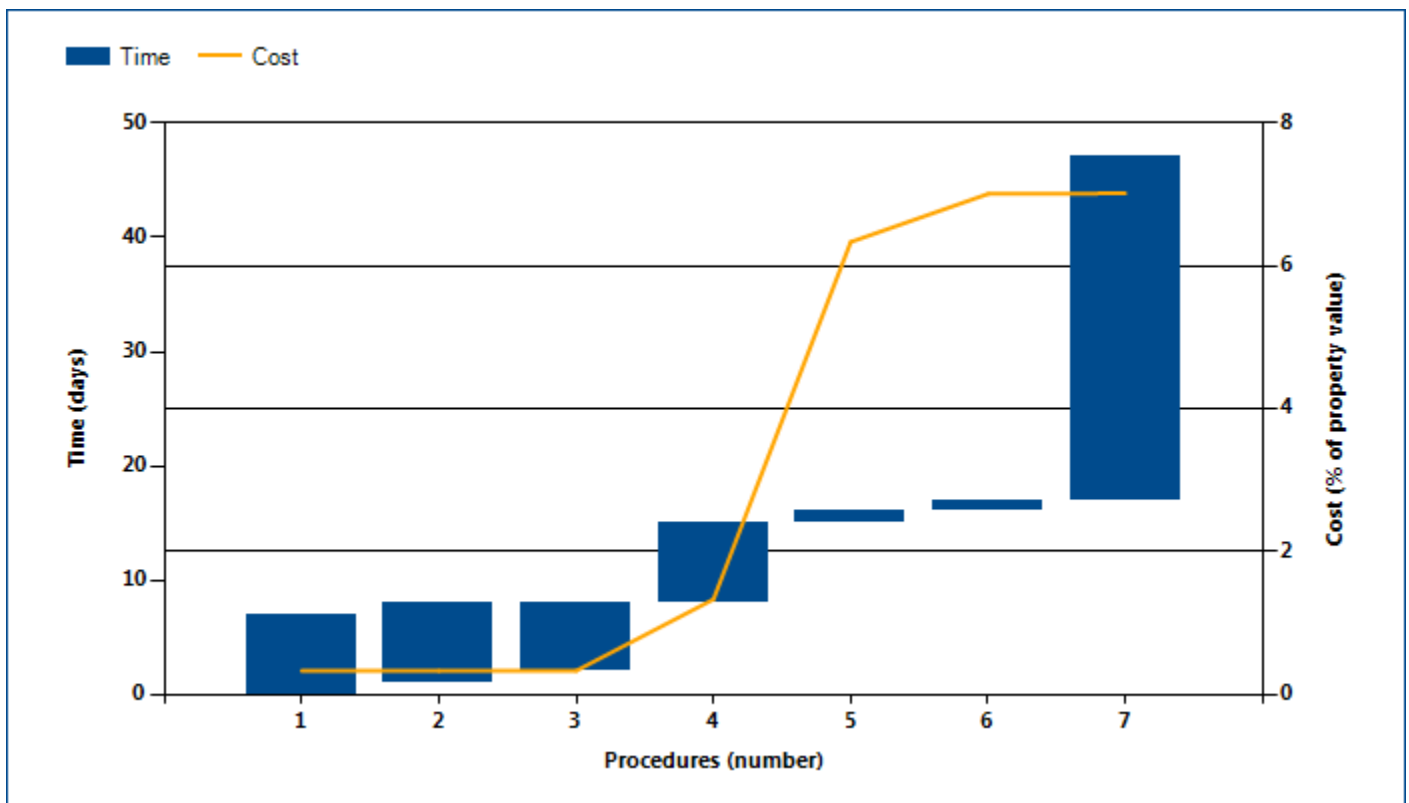
REGISTERING PROPERTY

Where does the economy stand today?

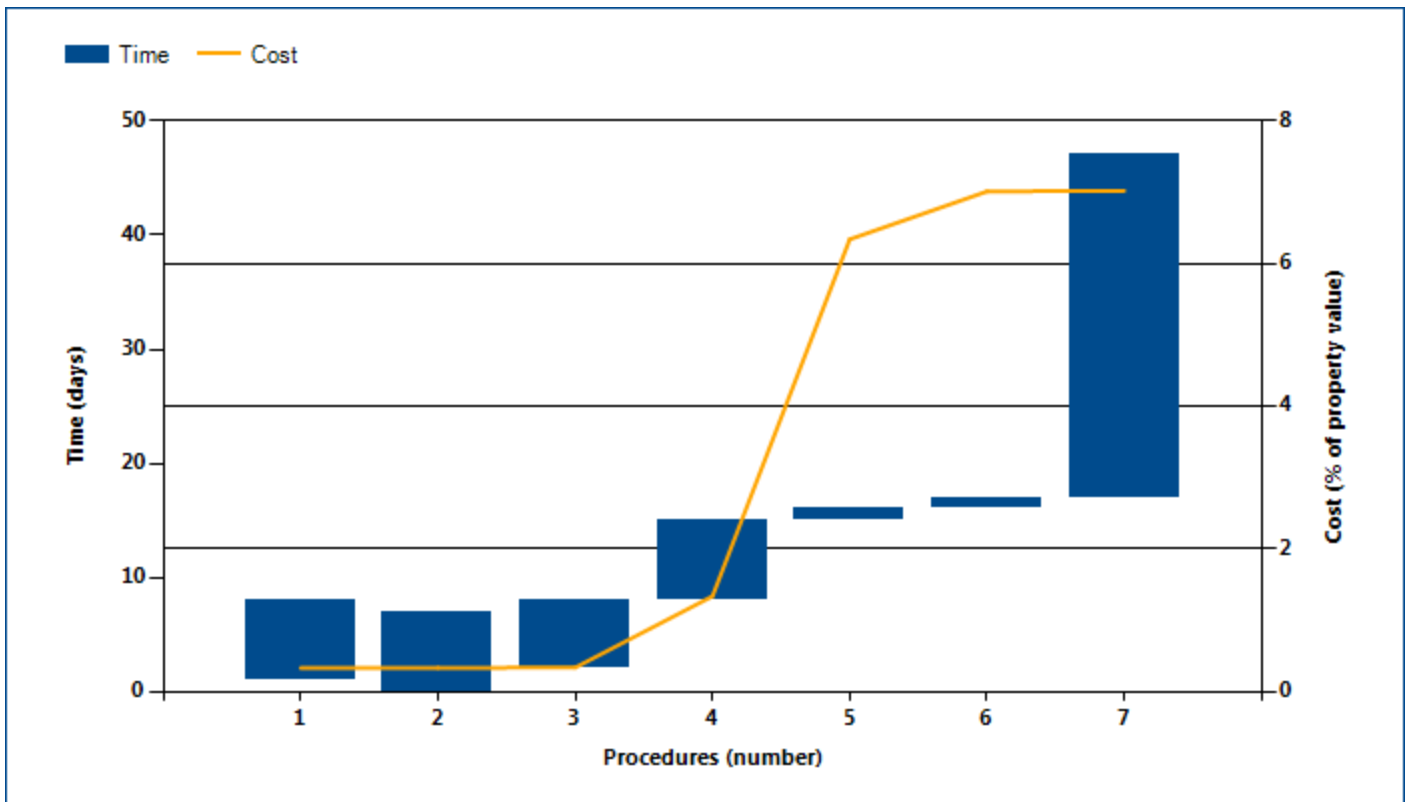
What does it take to complete a property transfer in India? According to data collected by *Doing Business*, registering property there requires 7.0 procedures, takes 47.0 days and costs 7.0% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in India - Mumbai



What it takes to register property in India - Delhi



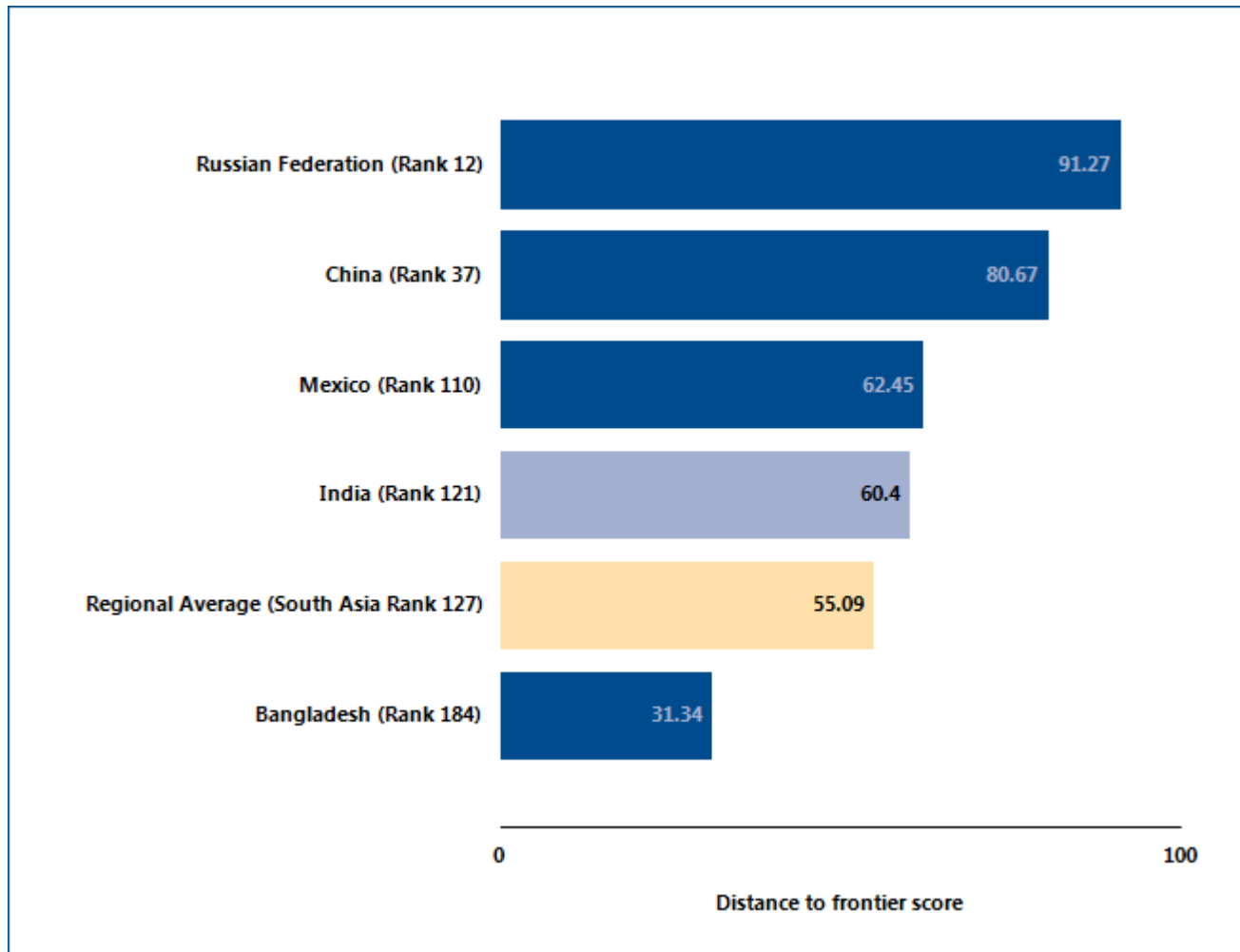
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For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

REGISTERING PROPERTY

Globally, India stands at 121 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to transfer property.

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



Source: Doing Business database.

REGISTERING PROPERTY

What are the 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

Property value: **INR 4,496,273**

City: **Mumbai, Delhi**

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

Table 5.2 Summary of time, cost and procedures for registering property in India

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain non-encumbrance certificate</p> <p>The purchaser should conduct a search of the property in the Registry office, noting the location details of the property and the time period to be checked. While investigating the title it should be verified (1) that the legal ownership document is in the name of the owner, issued by the Revenue Record Department under the seal of the Tahsildar, (2) that on the date of purchase the title of the owner for the preceding 40 years (preferably) shows no mortgage or other encumbrance as still existing on the date of purchase, (3) the property is transferable and heritable, (4) the transferor is competent and/or authorized to transfer the property, (5) the transferee is qualified to be a transferee, (6) the object or consideration for the transfer is lawful, (7) the transfer has been made and completed in the manner prescribed by law.</p> <p><i>Agency: Sub-Registrar Office</i></p>	7 days	INR 15000
2	<p>* Ensure that property is clear of all local tax dues</p> <p>Request all records regarding payment of local property taxes and any other possible municipal dues, for pick-up a week later, to ensure that the owner of the property is in good standing with municipal authorities</p> <p><i>Agency: North Delhi Municipal Corporation, South Delhi Municipal Corporation, East Delhi Municipal Corporation (depending on the location of the property)</i></p>	7 days	INR 200

No.	Procedure	Time to complete	Cost to complete
3	<p>* Conduct charges search at the Registrar of Companies</p> <p>If the seller is a Company incorporated under the provisions of the Companies Act, 2013, the purchaser should conduct a search in the office of the Registrar of Companies to verify whether there is any charge (mortgage, encumbrance, etc.) on the property registered under Section 125 of the Companies Act, 2013. Note that if the Seller is not able to produce title deed, then Buyer must also check any potential creditors for mortgages by deposit of title deed, which are not recorded anywhere.</p> <p><i>Agency: Registrar of Companies</i></p>	1-2 days	INR 100
4	<p>Preparation of the final sale deed by the purchaser's lawyer</p> <p>The lawyer prepares the final sale deed and then engrosses the document on green paper leaving the date and place blank. This document is then submitted for stamping. The fee for the lawyer varies from transaction to transaction.</p> <p><i>Agency: Lawyer</i></p>	7 days	1% of the property value (About INR 45,000)
5	<p>Payment of Stamp Duty on the final Sale Deed through franking at the designated bank.</p> <p><i>Agency: Bank</i></p>	1 day	5% of property value
6	<p>Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances</p> <p>The documents are submitted to the office of the Sub-Registrar within whose jurisdiction the property is located. The authorized signatories of the seller and purchaser are required to be present along with two witnesses. Once the document is registered, a distinct document number is assigned to that document. The record of registration is kept in the office of sub registrar of assurance. The documents are presented before the Sub-Registrar in accordance with Section 32 of the Registration Act, 1908. Normally, the Seller hands over the peaceful vacant and physical possession of the property to the buyer simultaneous to the deed being presented for registration. Upon payment of the required registration fees and computer service charges in cash, as per the receipt, the document is returned within 30 minutes of getting the receipt. The documentation shall include: (1) Document required to be registered (in duplicate) (2) Two passport-size photographs of the authorized signatories of both parties. (3) Photo identification of each party and witnesses i.e. voters' identity card,</p>	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
	<p>passport, identity card issued by Govt. of India, Semi Govt. and Autonomous bodies or identification by a Gazette Officer. (4) Certified true copies of certificate of incorporation of both seller and purchaser. (5) Copy of the latest property register card (to be obtained from the City Survey Department) to indicate that the property does not belong to the government (6) Copy of the Municipal Tax bill to indicate the year in which the building was constructed (7) Copy of PAN Card of Income Tax of the Seller and the Buyer annexed along with the Sale Deed.</p> <p><i>Agency: Sub-Registrar of Assurances</i></p>		
7	<p>Apply to the Land & Survey Office for mutation of the tile of the property</p> <p>An application for mutation of the title of the property will have to be made to the Sub-Registrar office for seeking mutation of the title of the property in the name of the purchaser. The authorised signatory has to submit the duly signed application along with the affidavit, indemnity bond and a notarised copy of the registered Sale Deed. After the assessment of the request for mutation, the Sub-Registrar office decides the value of the tax on the property and issues a letter of mutation in favour of the purchaser. Cost included application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50.</p> <p><i>Agency: Land & Survey Office</i></p>	30 days	<p>INR 450 (Application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50)</p>

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

GETTING CREDIT

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

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, 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 (for more details on each case, see the Data Notes section of the *Doing Business 2015* report). 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. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)³

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)⁴

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

Credit bureau coverage (% of adults)

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

Credit registry coverage (% of adults)

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

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

³ For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

⁴ For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

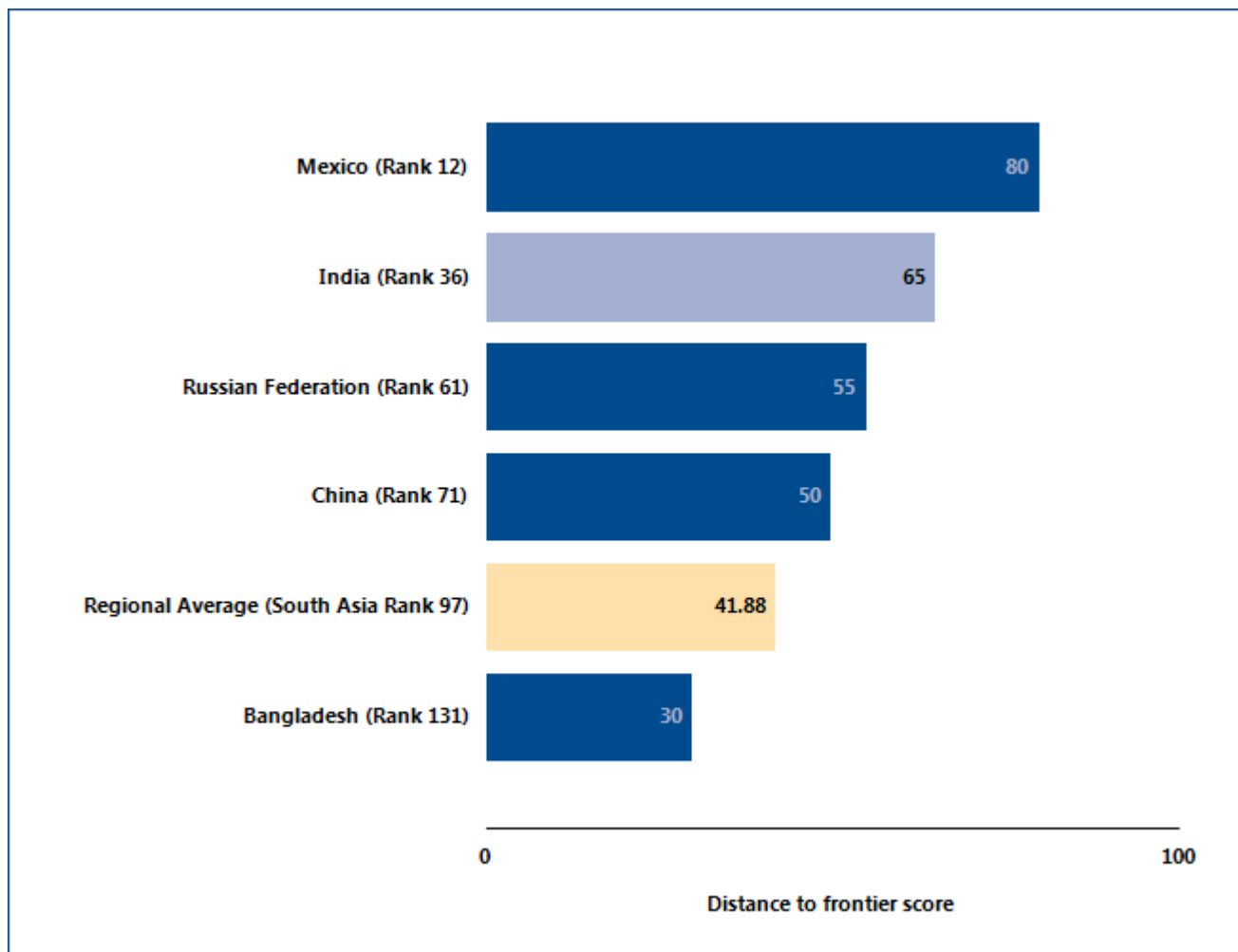
GETTING CREDIT

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 7 on the depth of credit information index and a score of 6 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 36 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in India support lending and borrowing.

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



Source: Doing Business database.

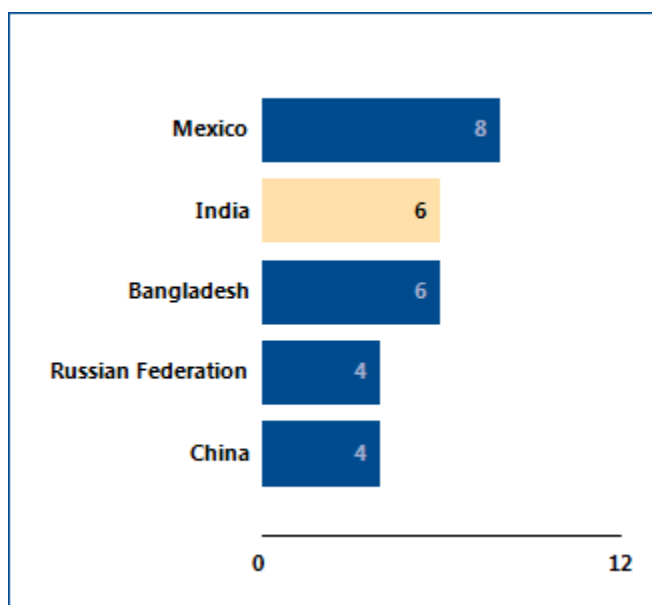
GETTING CREDIT

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

rights index for India and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

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

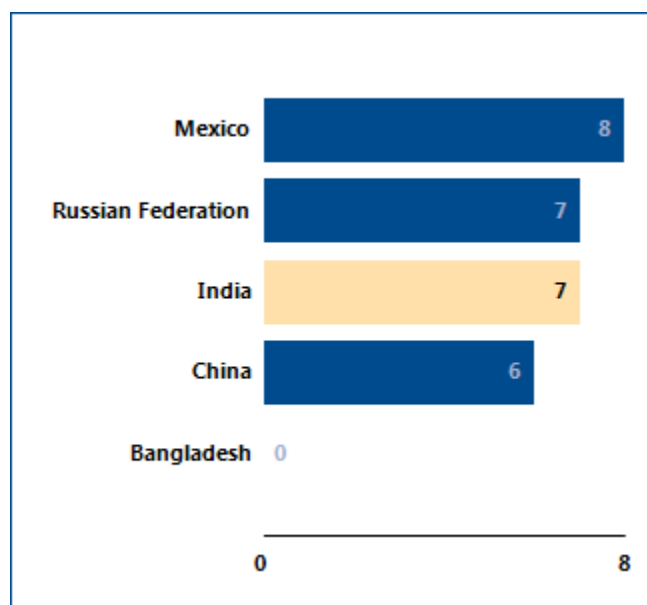
Economy scores on strength of legal rights index



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

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

Economy scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.
Source: Doing Business database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for India are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Mumbai Index score: 6	Delhi Index score: 6
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No	No
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	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	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	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	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	No	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No	No

Strength of legal rights index (0–12)	Mumbai Index score: 6	Delhi Index score: 6
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 7
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1

Note: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	7,224,478	0
Number of individuals	176,859,706	0
Percent of total	22.4	0.0

Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

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

The transaction involves the following details:

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

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

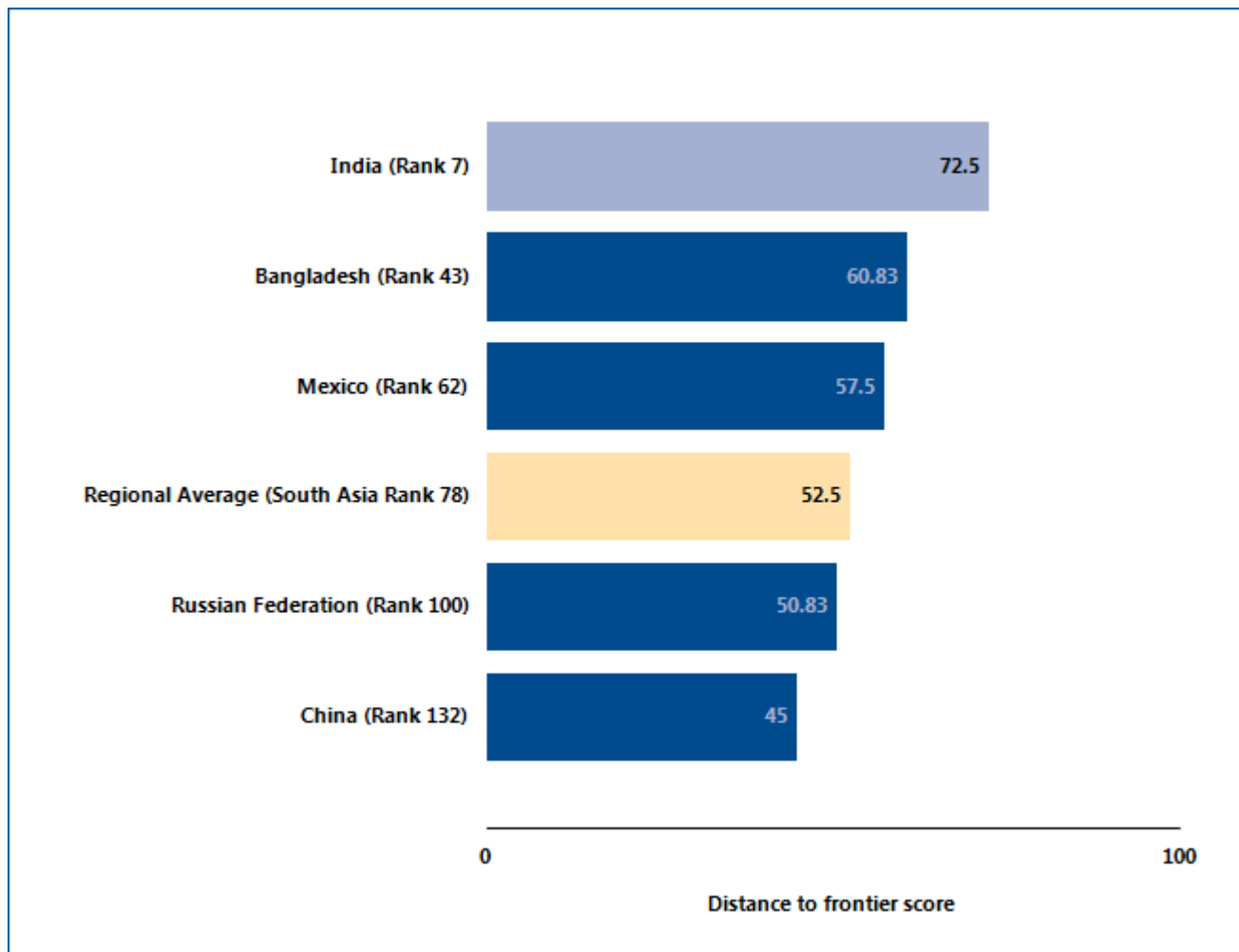
Where does the economy stand today?

How strong are minority investor protections against self-dealing in India? The economy has a score of 7.3 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, India stands at 7 in the ranking of 189 economies on the strength of minority 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 minority investor protections against self-dealing in the areas measured.

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



Source: Doing Business database.

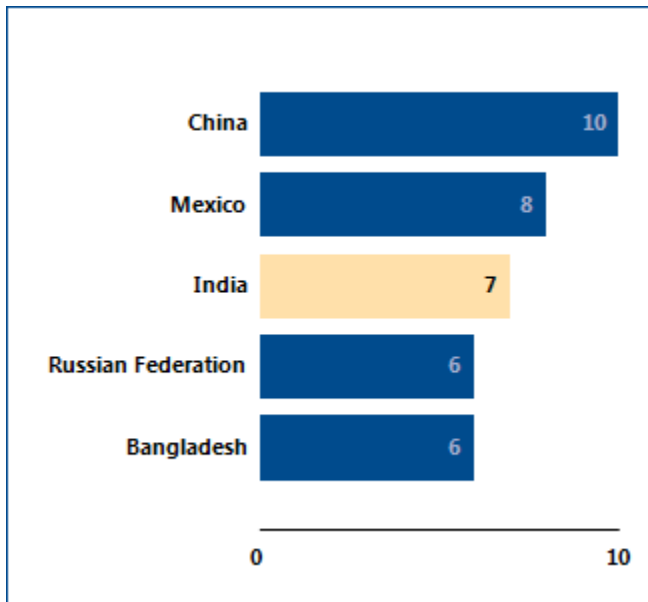
PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

indices for India in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 How extensive are disclosure requirements?

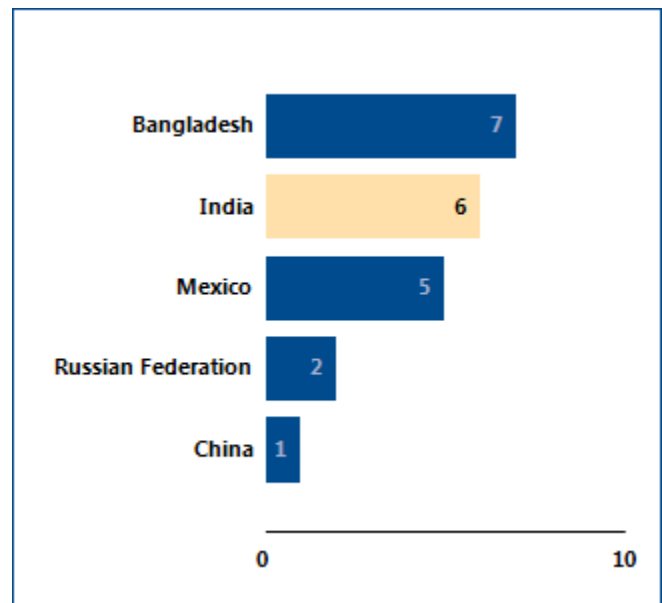
Extent of disclosure index (0-10)



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

Figure 7.3 How extensive is the liability regime for directors?

Extent of director liability index (0-10)

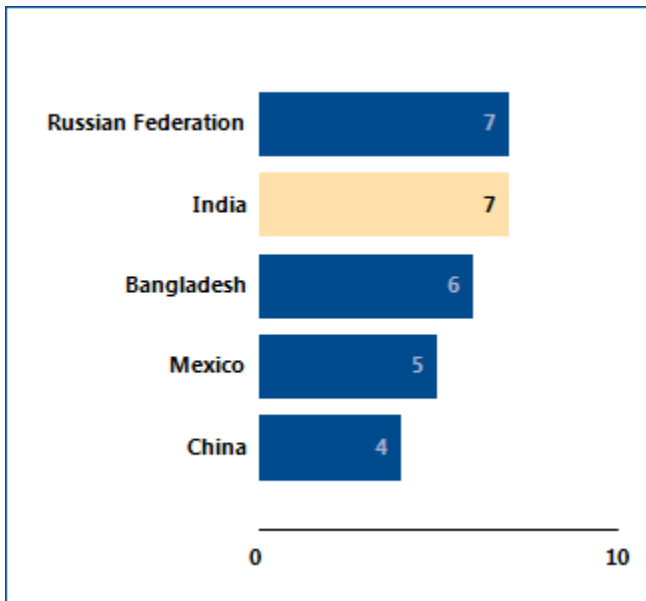


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Ease of shareholder suits index (0-10)



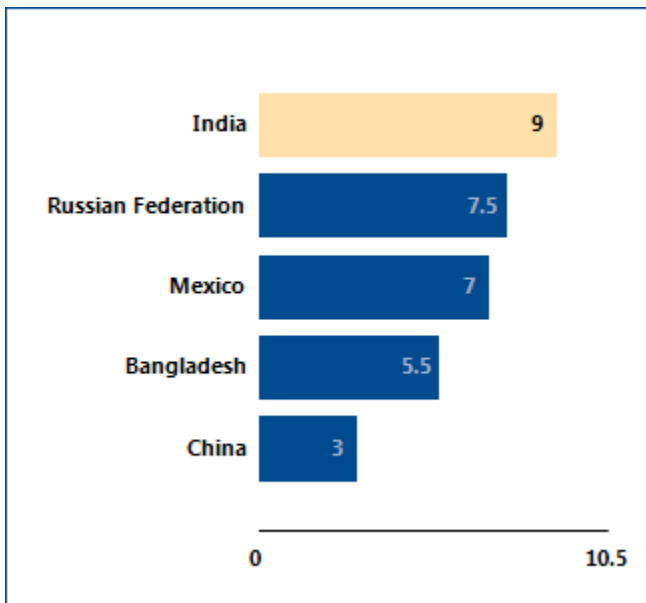
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

Extent of shareholder rights index (0-10.5)

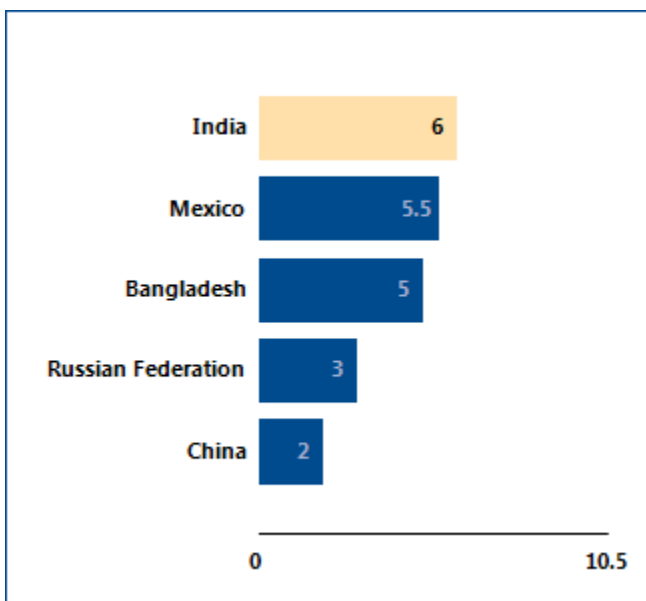


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

Strength of governance structure index (0-10.5)

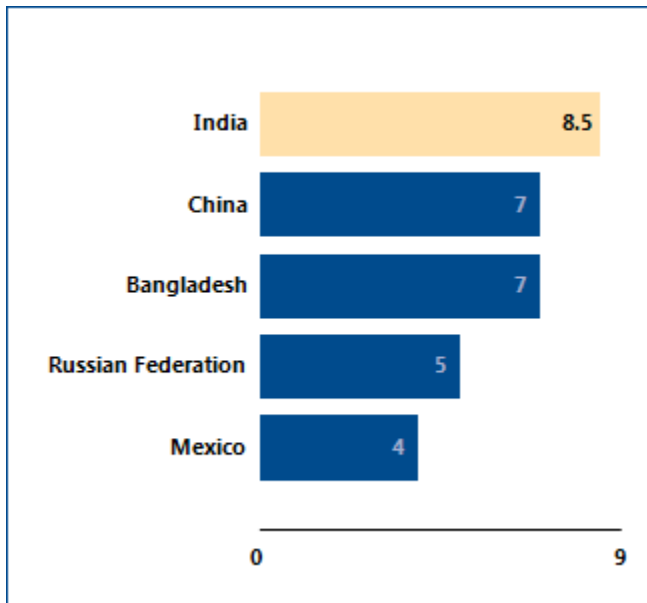


Note: Higher scores indicate more stringent governance structure requirements.

Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0-9)



Note: Higher scores indicate greater transparency.
Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

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

result, reforms to strengthen minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What minority investor protection reforms has *Doing Business* recorded in India (table 7.1)?

Table 7.1 How has India strengthened minority investor protections—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2015	India strengthened minority investor protections by requiring greater disclosure of conflicts of interest by board members, increasing the remedies available in case of prejudicial related-party transactions and introducing additional safeguards for shareholders of privately held companies. This reform applies to both Delhi and Mumbai.

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 MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for India are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for India.

Table 7.2 Summary of scoring for the protecting minority investors indicators in India

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Extent of disclosure index (0-10)		7.0		7.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Board of directors excluding interested members	2	Board of directors excluding interested members	2
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2	Full disclosure of all material facts	2
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2	Disclosure on the transaction and on the conflict of interest	2
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0	No disclosure obligation	0
Must an external body review the terms of the transaction before it takes place? (0-1)	Yes	1	Yes	1
Extent of director liability index (0-10)		6.0		6.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1	Yes	1
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0	Not liable	0
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Liable if unfair or prejudicial	2	Liable if unfair or prejudicial	2
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1	Yes	1
Can both fines and imprisonment be applied against the interested director? (0-1)	No	0	No	0

Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Voidable if negligently concluded	1	Voidable if negligently concluded	1
Ease of shareholder suits index (0-10)		7.0		7.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1	Yes	1
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	No	3	No	3
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2	Yes	2
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1	Yes	1
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	At the discretion of the court	0	At the discretion of the court	0
Strength of minority investor protection index (0-10)		7.3		7.3
Extent of conflict of interest regulation index (0-10)		6.7		6.7
Extent of shareholder rights index (0-10.5)		9.0		9.0
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	Yes	1.5	Yes	1.5
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	Yes	1.5	Yes	1.5
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.5	Yes	1.5
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	No	0	No	0
Strength of governance structure index (0-10.5)		6.0		6.0
Is the CEO barred from also serving as chair of the board of directors?	Yes	1.5	Yes	1.5
Must the board of directors include independent board members?	Yes for listed companies	1	Yes for listed companies	1
Must a company have a separate audit committee?	Yes for listed companies	1	Yes for listed companies	1
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	Yes	1.5	Yes	1.5
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	Yes for listed companies	1	Yes for listed companies	1
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	No	0	No	0
Extent of corporate transparency index (0-9)		8.5		8.5

Must ownership stakes representing 10% be disclosed?	Yes for listed companies	1	Yes for listed companies	1
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	Yes	1.5	Yes	1.5
Must the compensation of individual managers be disclosed?	Yes	1.5	Yes	1.5
Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	Yes	1.5	Yes	1.5
Must annual financial statements be audited by an external auditor?	Yes	1.5	Yes	1.5
Must audit reports be disclosed to the public?	Yes	1.5	Yes	1.5
Extent of shareholder governance index (0-10)		7.8		7.8

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

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 of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate⁵. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- 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.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year’s threshold is 26.1%.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

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

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- 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.

PAYING TAXES

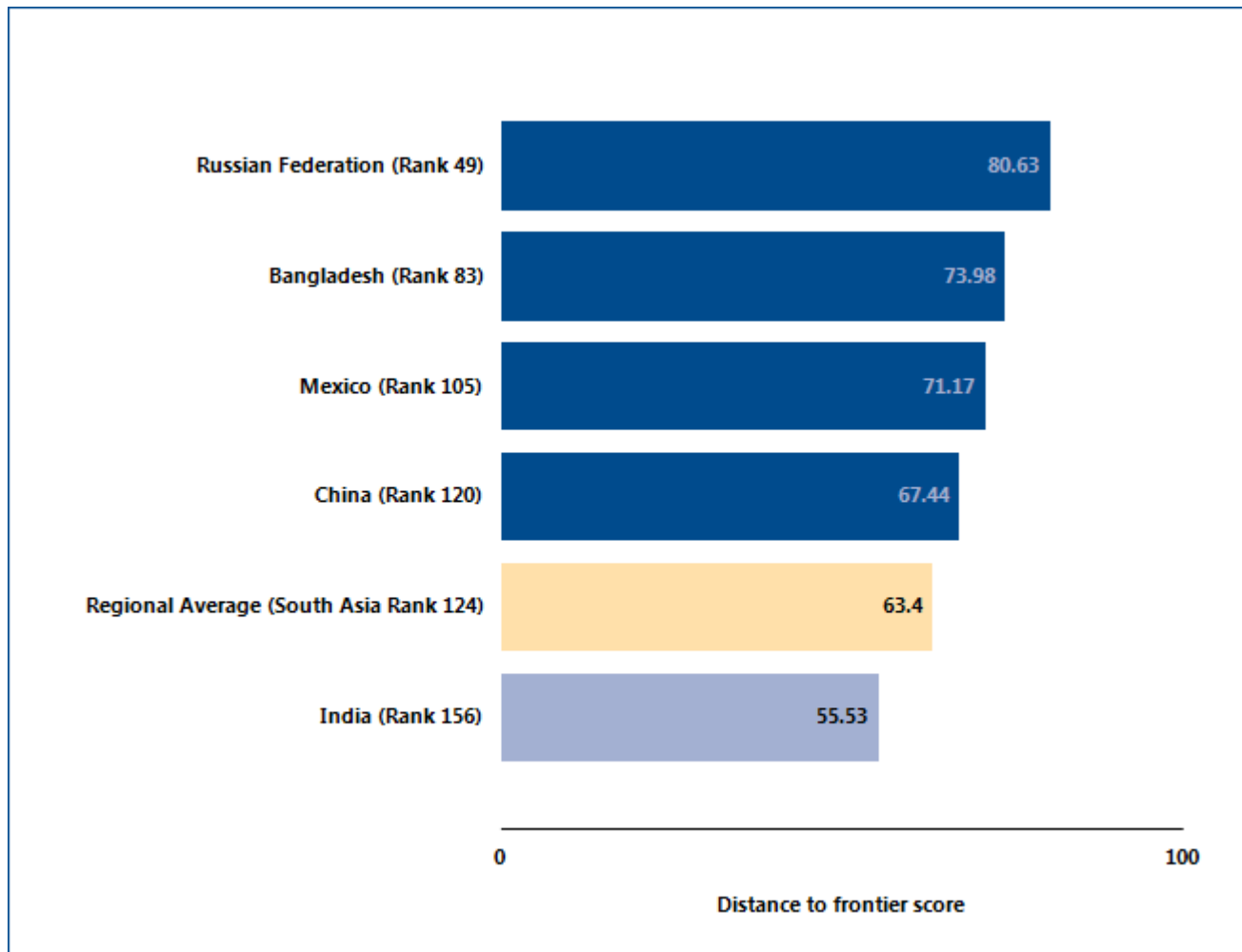
Where does the economy stand today?

What is the administrative burden of complying with taxes in India—and how much do firms pay in taxes? On average, firms make 33.0 tax payments a year, spend 243.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 61.7% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, India stands at 156 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in India.

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



Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in India (table 8.1)?

Table 8.1 How has India made paying taxes easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
DB2012	India eased the administrative burden of paying taxes for firms by introducing mandatory electronic filing and payment for value added tax.

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 the taxes and contributions that would be paid by a standardized 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 a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Mumbai, Delhi

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

Table 8.2 Summary of tax rates and administration

Mumbai: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	45	30%	taxable profit	21.2	
Social security contributions	12		93	13.61%	gross salaries	15.4	
Central Sales Tax	1	online filing	105	2%	purchase price	14.1	
Employee's state insurance contribution	12		0	4.75%	gross salaries	5.4	
Dividend tax	1		0	16.995%	dividend distributions	4	
Property tax	1		0	10%	assessed value	1.3	

Mumbai: 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
Tax on insurance contracts	1		0	12% * (1+ 2% Education cess + 1% Secondary & High education cess)	insurance premium	0.3	
Vehicle tax (pollution tax)	1		0	INR 200	fixed fee per vehicle	0	
Tax on interest	0	withheld	0	10%	interest income	0	included in other taxes
Fuel tax	1		0		fuel consumption	0	small amount
State VAT	1	online filing	0	12.5%	value added	0	not included
CENVAT (Excise Duty)	1	online filing	0	12% * (1+ 2% Education cess + 1% Secondary & High education cess)	value added	0	not included
Income surcharge	0	paid jointly	0	10%	on applicable federal taxes	0	included in other taxes
Education cess	0	paid jointly	0	2%	all federal taxes including the surcharge	0	included in other taxes
Secondary & Higher education cess	0	paid jointly	0	1%	all federal taxes including the surcharge	0	included in other taxes
Employee paid - Social security contributions	0	paid jointly	0	12% + 1.75%	gross salaries	0	withheld

Mumbai: 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
Totals	33.0		243.0			61.7	

Delhi: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	45	30%	taxable profit	21.2	
Social security contributions	12		93	13.61%	gross salaries	15.4	
Central Sales Tax	1	online filing	105	2%	purchase price	14.1	
Employee's state insurance contribution	12		0	4.75%	gross salaries	5.4	
Dividend tax	1		0	16.995%	dividend distributions	4	
Property tax	1		0	10%	assessed value	1.3	
Tax on insurance contracts	1		0	12% * (1+2% Education cess + 1% Secondary & High education cess)	insurance premium	0.3	
Vehicle tax (pollution tax)	1		0	INR 100 quarterly	fixed fee per vehicle	0	
Tax on interest	0	withheld	0	10%	interest income	0	included in other taxes
Fuel tax	1		0		fuel consumption	0	small amount
State VAT	1	online filing	0	12.5%	value added	0	not included

Delhi: 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
CENVAT (Excise Duty)	1	online filing	0	12% * (1+ 2% Education cess + 1% Secondary & High education cess)	value added	0	not included
Income surcharge	0	paid jointly	0	10%	on applicable federal taxes	0	included in other taxes
Education cess	0	paid jointly	0	2%	all federal taxes including the surcharge	0	included in other taxes
Secondary & Higher education cess	0	paid jointly	0	1%	all federal taxes including the surcharge	0	included in other taxes
Employee paid - Social security contributions	0	paid jointly	0	12% + 1.75%	gross salaries	0	withheld
Totals	33.0		243.0			61.7	

Source: Doing Business database.

TRADING ACROSS BORDERS

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

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover predefined stages 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 of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation such as an authorized economic operator status.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

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

Time required to export and import (days)

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

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

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

The traded product:

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

TRADING ACROSS BORDERS

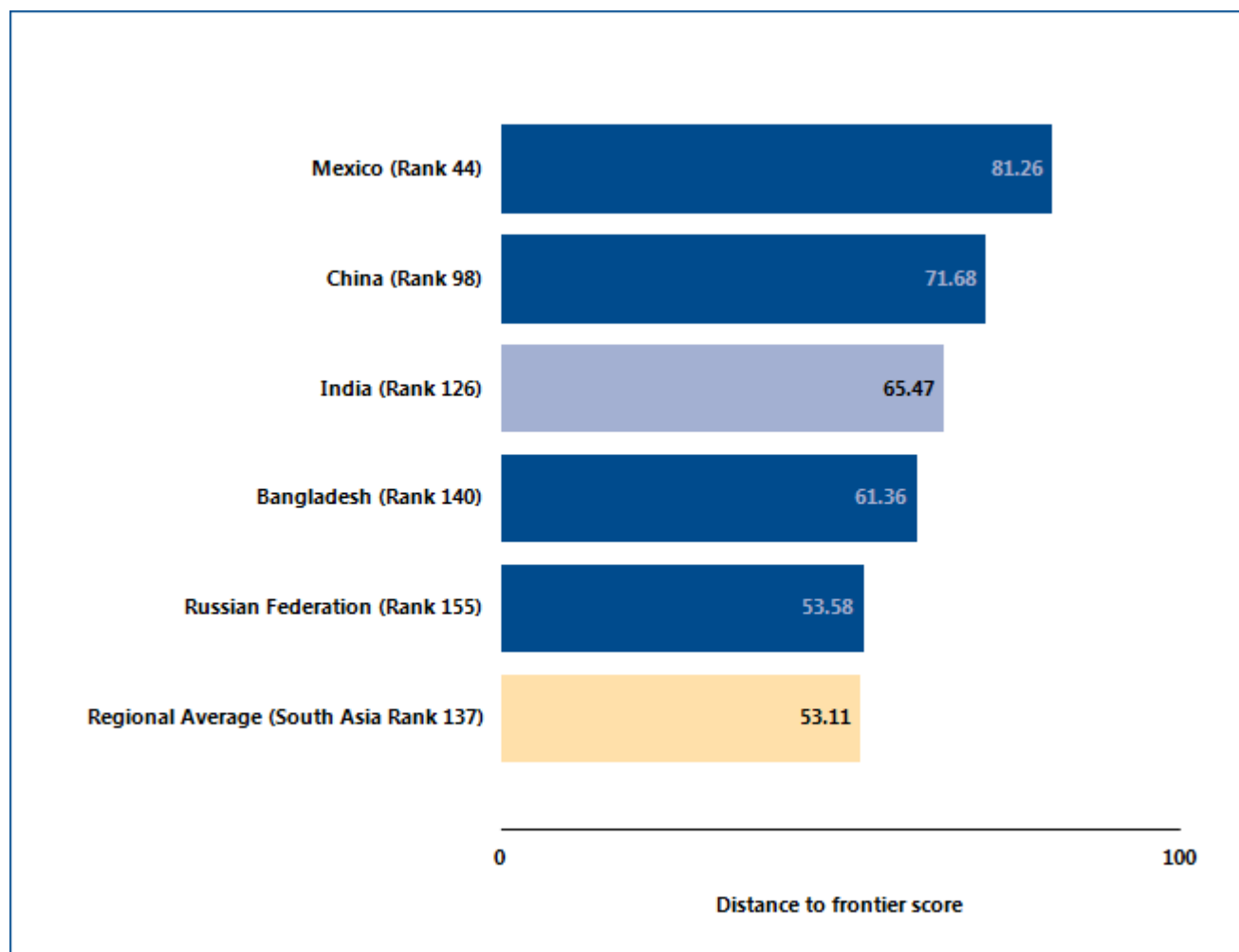
Where does the economy stand today?

What does it take to export or import in India? According to data collected by *Doing Business*, exporting a standard container of goods requires 7 documents, takes 17.1 days and costs \$1332.0. Importing the same container of goods requires 10 documents, takes 21.1 days and costs \$1462.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, India stands at 126 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in India to export and import goods.

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



Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

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

LOCATION OF STANDARDIZED COMPANY

Port Name - Delhi: Mumbai (Nhava Sheva)

Port Name - Mumbai: Mumbai (Nhava Sheva)

City: Mumbai, Delhi

The predefined stages, 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.

Stages to export	Mumbai		Delhi	
	Time (days)	Cost (US\$)	Time (days)	Cost (US\$)
Customs clearance and inspections	2	130	2	130
Documents preparation	8	365	8	365
Inland transportation and handling	3	400	5	800
Ports and terminal handling	3	225	3	225
Totals	16	1,120	18	1,520

Stages to import	Mumbai		Delhi	
	Time (days)	Cost (US\$)	Time (days)	Cost (US\$)
Customs clearance and inspections	4	200	4	200
Documents preparation	8	400	8	400
Inland transportation and handling	3	400	5	800
Ports and terminal handling	5	250	5	250
Totals	20	1,250	22	1,650

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

Documents to import
Bill of Entry (customs import declaration)
Bill of lading
Cargo release order
Certified engineer's report (No objection certificate)
Commercial invoice
Inspection report
Packing list
Product manual
Technical standard certificate / No objection certificate
Terminal handling receipts

Source: Doing Business database.

ENFORCING CONTRACTS

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

What do the indicators cover?

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

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

- The seller and buyer are located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- 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 the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

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

Time required to complete procedures (calendar days)

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

Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

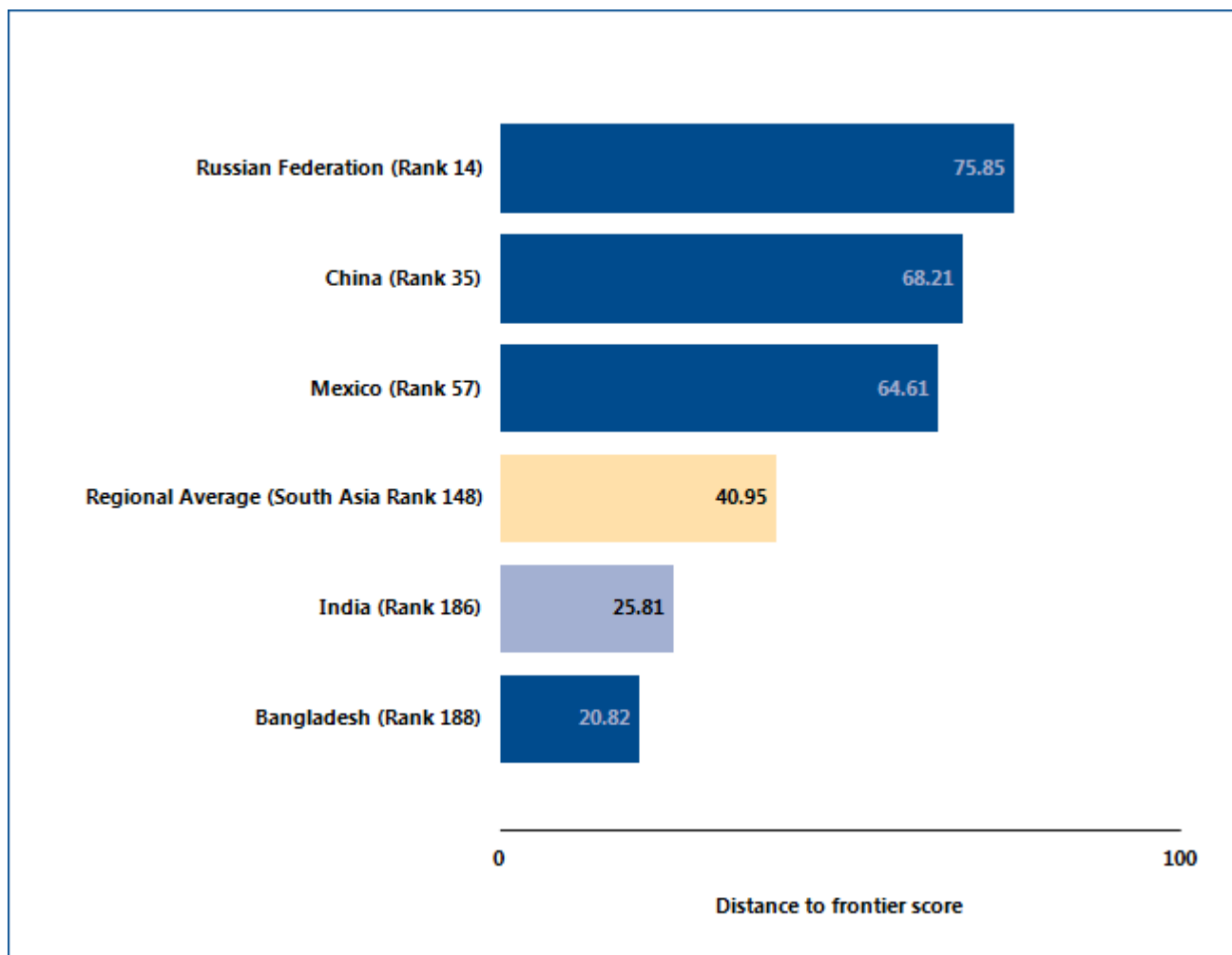
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in India? According to data collected by *Doing Business*, contract enforcement takes 1420.0 days, costs 39.6% of the value of the claim and requires 46.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business

cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

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

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



Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the 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 questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
Claim value - Delhi:	INR 262,601
Claim value - Mumbai:	INR 262,601
Court name - Delhi:	Delhi District Court
Court name - Mumbai:	Bombay City Civil Court
City:	Mumbai, Delhi

Table 10.2 Summary of time, cost and procedures for enforcing a contract in India

Indicator	Mumbai	Delhi	South Asia average
Time (days)	1420	1420	1,077
Filing and service	20	20	
Trial and judgment	1095	1095	
Enforcement of judgment	305	305	
Cost (% of claim)	39.6	39.6	30.4
Attorney cost (% of claim)	30.6	30.6	
Court cost (% of claim)	8.5	8.5	
Enforcement Cost (% of claim)	0.5	0.5	
Procedures (number)	46	46	43
Number of procedures (without bonus points)	46	46	
Total number of procedures (including bonus points)	46	46	

No.	Mumbai Procedures
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
*	Plaintiff pays court fees: Plaintiff pays court fees (e.g. court duties, stamp duties, or any other type of court fees). Answer 'yes' even if Plaintiff recovers these costs.
3	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
4	Judicial scrutiny of summons and complaint: Judge examines Plaintiff's summons and complaint for formal requirements as a matter of law or standard practice.
*	Judge admits summons and complaint: Judge admits summons and complaint (after verifying the formal requirements).
5	Court order for service: Upon Plaintiff's request, judge orders process be served on Defendant.
6	Delivery of summons and complaint to person authorized to perform service of process on Defendant: The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes the necessary steps to arrange for physical service of process on Defendant (e.g. instructing a court officer or a private bailiff).
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
7	Attempt at physical delivery: An attempt to physically deliver summons and complaint to Defendant is made.
8	Second attempt at physical delivery: If a first attempt is not ordinarily successful, a second attempt to physically deliver the summons and complaint to Defendant is required by law or standard practice. (Check 'yes' only if a first attempt at physical delivery is not ordinarily successful)
*	Proof of service: Plaintiff submits proof of service to court, as required by law or standard practice.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.

No.	Mumbai Procedures
9	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
10	Custody of assets attached prior to judgment: If physical attachment is ordered, Defendant's attached assets are placed in the custody or control of an enforcement officer or private bailiff.
11	Hearing on pre-judgment attachment: A hearing takes place as a matter of law or standard practice to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions.
	Trial and judgment:
*	Defendant files preliminary objections.: Defendant presents preliminary objections to the court. (Preliminary exemptions differ from answers on the merits. Examples of preliminary motions are motions to dismiss on the basis of the statute of limitations or jurisdictional objections, etc.) Checke
*	Plaintiff's answer to preliminary motions: Plaintiff responds to preliminary motions raised by Defendant. Checked as 'yes' if preliminary motions are commonly raised (step 30) and if Plaintiff responds to them immediately.
12	Judge's resolution on preliminary objections: Judge decides on preliminary objections separately from the merits of the case. Checked as 'yes' if preliminary objections are commonly made (step 30) and if judge resolves the question before rendering his decision.
13	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).
14	Deadline for Plaintiff to reply to Defendant's defense or answer: Judge sets a deadline for Plaintiff's submission of a reply to the Defendant's defense or answer.
15	Plaintiff's written reply to Defendant's answer: Plaintiff responds to Defendant's answer with a written pleading, which may or may not include witness statements or expert (witness) statements.
16	Filing of written submissions: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
17	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings. Check as 'yes' if this commonly happens.
18	Framing of issues: Plaintiff and Defendant assist the court in framing issues on which evidence is to be presented.
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 5-b).
19	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert (see assumption 5-b).
*	Delivery of expert report by court-appointed expert: The independent expert, appointed by the court, delivers his or her expert report to the court (see assumption 5-b).

No.	Mumbai Procedures
*	Discovery requests: Plaintiff and Defendant make requests for the disclosure of documents, attempting to force the other party to reveal potentially detrimental documents. Check as 'yes' if discovery requests usually entail disputes.
*	Setting of date(s) for oral hearing or trial: Judge sets the date(s) for the oral hearing or trial.
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court (see assumption 5-a).
20	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial (see assumption 5-a).
21	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial as a matter of common practice.
22	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
23	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
*	Request for closing of the evidence period: Plaintiff or Defendant requests the judge to close the evidence period.
24	Closing of the evidence period: The court makes the formal decision to close the evidence period.
25	Order for submission of final arguments: The judge sets a deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
26	Judgment date: The judge sets a date for delivery of the judgment.
27	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
28	Writing of judgment: The judge produces a written copy of the judgment.
29	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
30	Plaintiff receives a copy of the judgment: Plaintiff receives a copy of the written judgment which is 100% in favor of Plaintiff (see assumption 6).
31	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).
32	Order for reimbursement by Defendant of Plaintiff's court fees: The judgment orders Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	Enforcement of judgment:
*	Plaintiff hires a lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.

No.	Mumbai Procedures
33	Plaintiff retains an enforcement agent to enforce the judgment.: Plaintiff retains the services of a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
34	Plaintiff advances enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a private bailiff.
*	Plaintiff's request for physical enforcement: As Plaintiff commonly fears that Defendant might physically resist the taking into custody of its previously attached movable assets, Plaintiff requests the judge or the police authorities to obtain police assistance during the physical enforcement of the
35	Judge's order for physical enforcement: Judge orders the police to assist with the physical enforcement of the attachment of Defendant's movable assets. Check as "yes" only if the pretrial order of attachment for Defendant's moveable assets does not ordinarily involve physical seizure of the as
36	Identification of Defendant's assets by court official or Defendant for purposes of enforcement: The judge, a court enforcement officer, a private bailiff or the Defendant himself identifies Defendant's movable assets for the purposes of enforcing the judgment through a sale of Defendant's assets.
37	Plaintiff identifies Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
38	Creditor notification of intent to attach: A court enforcement officer or private bailiff notifies other creditors of the intent to attach Defendant's goods.
39	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
40	Report on execution of attachment: A court enforcement officer or private bailiff delivers a report on the attachment of Defendant's movable goods to the judge.
41	Valuation or appraisal of attached movable goods: The court or court-appointed valuation expert evaluates the attached goods.
42	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
43	Call for public auction: Judge calls a public auction by, for example, advertising or publication in the newspapers.
44	Sale through public auction: The Defendant's movable property is sold at public auction.
45	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
46	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

No.	Delhi Procedures
-----	------------------

No.	Delhi Procedures
	Filing and service:

* Not counted in the total number of procedures.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

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

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator 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.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

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

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

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

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

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

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

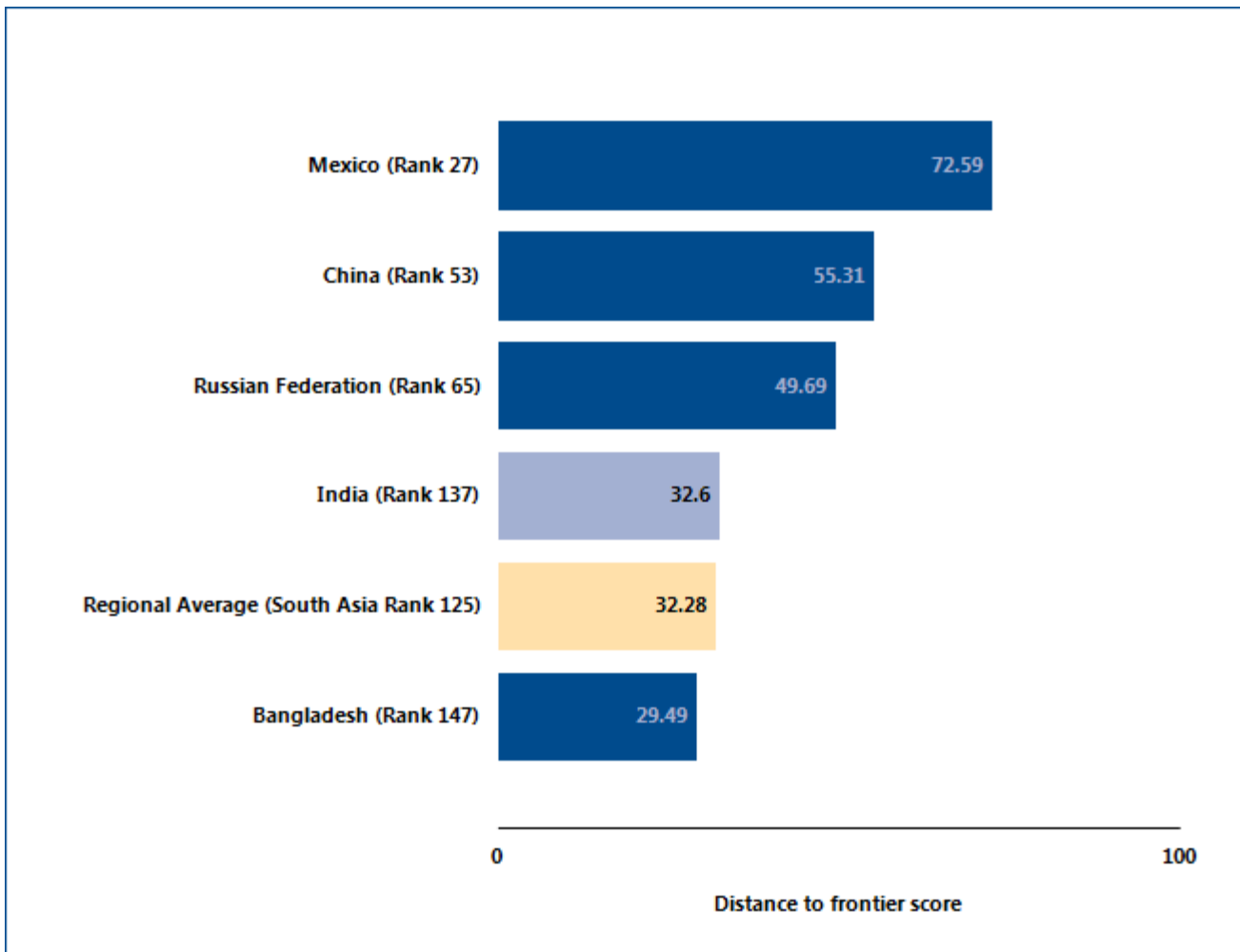
Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in India? According to data collected by *Doing Business*, resolving insolvency takes 4.3 years on average and costs 9.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 25.7 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, India scores 2.0 out of 3 points on the commencement of proceedings index, 3.0 out of 6 points on the management of debtor's assets index, 0.0 out of 3 points on the reorganization proceedings index, and 1.0 out of 4 points on the creditor participation index. India's total score on the strength of insolvency framework index is 6.0 out of 16.

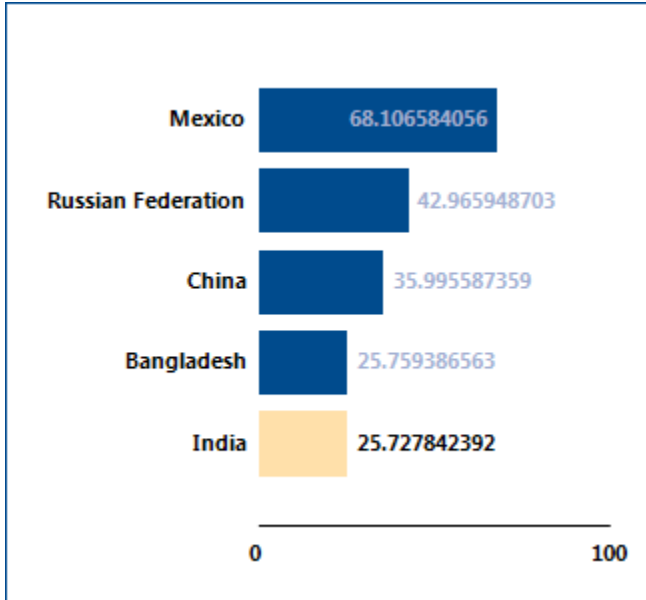
Globally, India stands at 137 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in India.

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



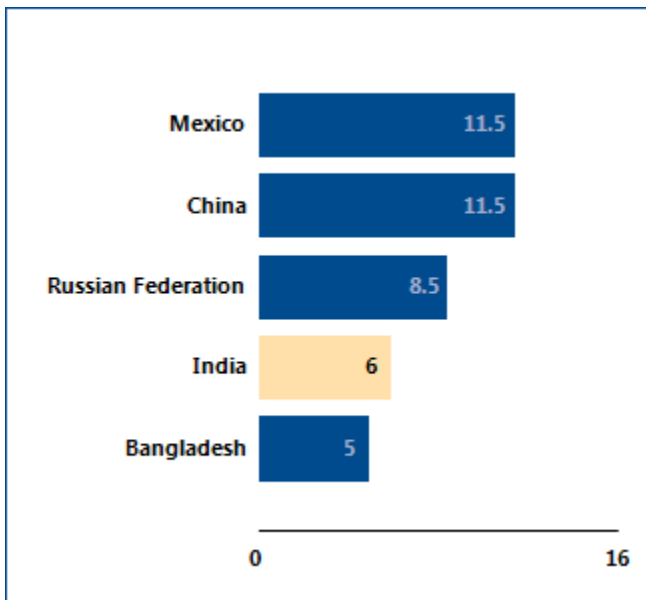
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - India



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - India



Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in India (table 11.1)?

Table 11.1 How has India made resolving insolvency easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	India made resolving insolvency easier by increasing the effectiveness of processes and thereby reducing the time required.

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.

LABOR MARKET REGULATION

Doing Business measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that *Doing Business* collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The *Doing Business* methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group is available at:
<http://www.doingbusiness.org/methodology/employing-workers>.

Doing Business 2015 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulations are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for India are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials. Employment laws and

regulations as well as secondary sources are reviewed to ensure accuracy.

Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Mumbai Data	Delhi Data
Fixed-term contracts prohibited for permanent tasks?	No	No
Maximum length of a single fixed-term contract (months)	No limit	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	125.37	134.82
Ratio of minimum wage to value added per worker	0.63	0.68

Source: *Doing Business* database.

LABOR MARKET REGULATION

Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years of tenure.

Rigidity of hours index	Mumbai Data	Delhi Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes	Yes
Maximum working days per week	6.0	6.0
Premium for night work (% of hourly pay)	0%	0%
Premium for work on weekly rest day (% of hourly pay)	0%	0%
Major restrictions on night work?	Yes	Yes
Major restrictions on weekly holiday?	Yes	No
Paid annual leave for a worker with 1 year of tenure (in working days)	21.0	15.0
Paid annual leave for a worker with 5 years of tenure (in working days)	21.0	15.0
Paid annual leave for a worker with 10 years of tenure (in working days)	21.0	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	21.0	15.0

Source: Doing Business database.

LABOR MARKET REGULATION

Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Mumbai Data	Delhi Data
Maximum length of probationary period (months)	3.0	3.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if 1 worker is dismissed?	Yes	Yes
Third-party approval if 1 worker is dismissed?	No	No
Third-party notification if 9 workers are dismissed?	Yes	Yes
Third-party approval if 9 workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	No	No
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	Yes	Yes

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of notice

requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

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

Source: *Doing Business* database.

Social protection schemes and benefits & Labor disputes

Doing Business collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

Doing Business also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Mumbai Data	Delhi Data
Availability of unemployment protection scheme?	No	No
Health insurance existing for permanent employees?	Yes	Yes
Availability of courts or court sections specializing in labor disputes?	Yes	Yes

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is

defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 15.1 in the *Doing Business 2015* report).

Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*⁶. Thus *Doing Business* uses the simplest

⁶ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁷.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 of the *Doing Business 2015* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2 of the *Doing Business 2015* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

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.

⁷ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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