



BRICS PERFORMANCE IN EASE OF DOING BUSINESS INDEX-A COMPARATIVE ANALYSIS**Ramita**

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Introduction**What Does Ease of Doing Business Index Mean ?**

Ease of doing business index (EODB Index) is defined as an index number ranges from 1-190 which compares how better different countries are providing facilities to a local firm in doing business. Higher rank explains a poor environment for a local firm to operate that business or firm in a particular country and a lower rank implies vice-versa. EODB Index is currently given to 190 economies by World Bank. It was created by Simeon Djankov at the World Bank Group. It has been released annually for the last 10 years. It uses ten indicators to give a rank to a country. Ten indicators includes:



- Starting a business
- Trading across borders
- Protecting minority investors
- Paying taxes
- Getting electricity
- Getting credit
- Dealing with construction permits
- Registering property
- Resolving insolvency
- Enforcing contracts

All these indicators try to explain the business environment for a local firm in a country. Starting a business indicator considers the cost, time, procedures and minimum capital to initiate the business. Trading across borders describes number of documents that are needed for importing or exporting of goods and it also considers cost and time to import and export. Protecting minority investors involves the extent of disclosure that company gives to its shareholders, extent of director's liability and how easily a shareholder can sue in cases of conflict of interest. Paying taxes indicator tells about number of taxes paid by a local firm or business, how much share of profit is payable as taxes and also time involved in preparing tax returns. Getting electricity indicator tries to show procedures, cost and time to obtain a permanent electricity connection for a newly constructed warehouse. Getting credit indicator expresses the strength of legal rights index and also the depth of credit information index. Dealing with construction permits indicator deals with time, procedures and cost to build a warehouse. Registering property indicator includes procedure, time and cost to register commercial real estate. Enforcing contracts indicator conveys procedures, time and cost to enforce a debt contract. Resolving insolvency indicator provide insights into time, cost and recovery rate in percentage under bankruptcy proceeding.

LITERATURE REVIEW

Ease of doing business has been a point of attraction since the last decade. Rosetta Morris in his paper "Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries in Cross Cultural Management : An International Journal 18(4), 400-411, 2011 has empirically supported that the inflow of FDI is related to some of the indicators of Ease of doing business Index. He showed that "registering property" and "trading across borders" found to relate to inflow of FDI over all the six years in 2000-2005.

Ricardo Pinheiro-Alves , Economics Letters 117(1), 66-70, 2012 in his paper "The Ease of Doing Business Index as a tool for investment location decisions" has described that EDBI has a limited consistency and also not very efficient in describing business environment. He used Factor analysis and chronbach's alpha to show it.

Dinuk Jayasuria , The World Bank, 2011 in his paper "Improvements in the World Bank's ease of doing business rankings: do they translate into greater foreign direct investment inflows ?" used official rankings from 2006 to 2009 and showed that EDBI and greater FDI relationship is significant for the average country but when it comes to developing countries the improved ranking has an insignificant influence on FDI inflows.

Recent studies focus on EDBI and FDI Inflows and considered emerging and developed economies but this study focus mainly on BRICS comparative performance as well as it includes a longer time span ie. 10 years.

SCOPE OF THE STUDY

This study only talks about the BRICS countries ranking's in Ease of Doing Business Index. And it doesn't include other economies. And time period considered for this study is the last ten years ie. 2008-2017. It covers all the ten indicators of EODB index to show the comparative performance of BRICS in 2017.

SIGNIFICANCE OF THE STUDY

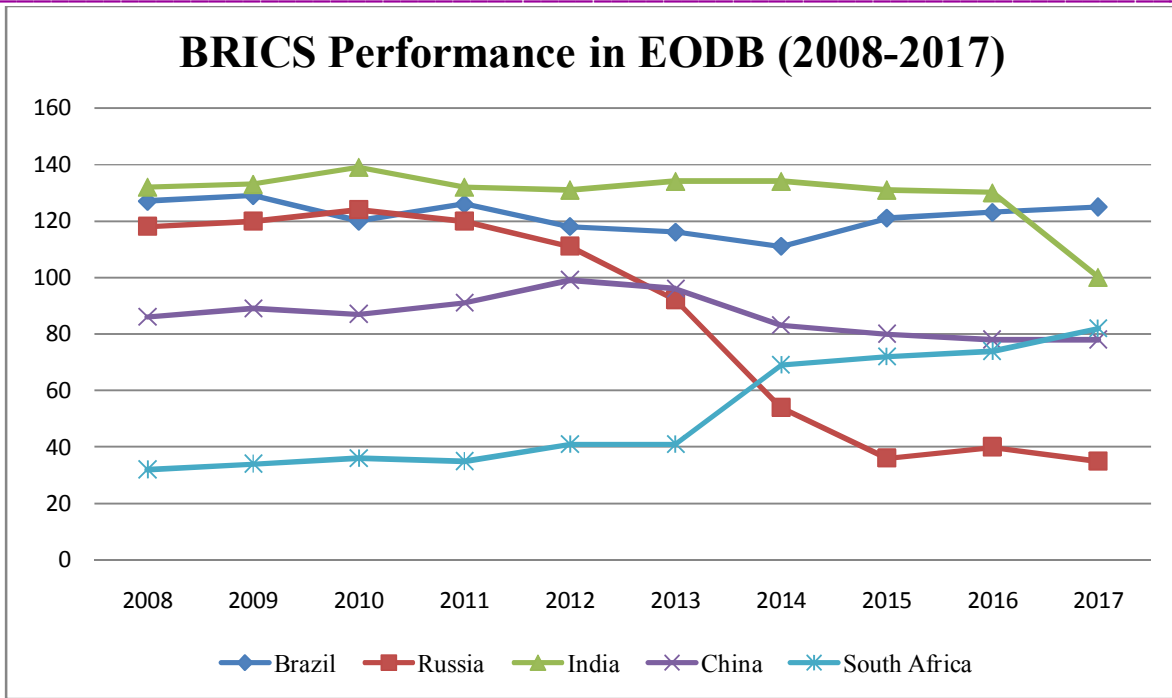
Ease of Doing Business can help an economy in various aspects. It can ensure growth of an economy by increasing its GDP. When a local firm or entrepreneur finds the conditions in the market favourable to his business, he can produce more and thereby can contribute more to GDP. And an economy can flourish.

Ease of Doing Business index can invite more FDI in a country as it states the real pictures of all 190 economies across the world ,so an international firm can easily analyse the situations in the market in different economies and can take decisions accordingly.

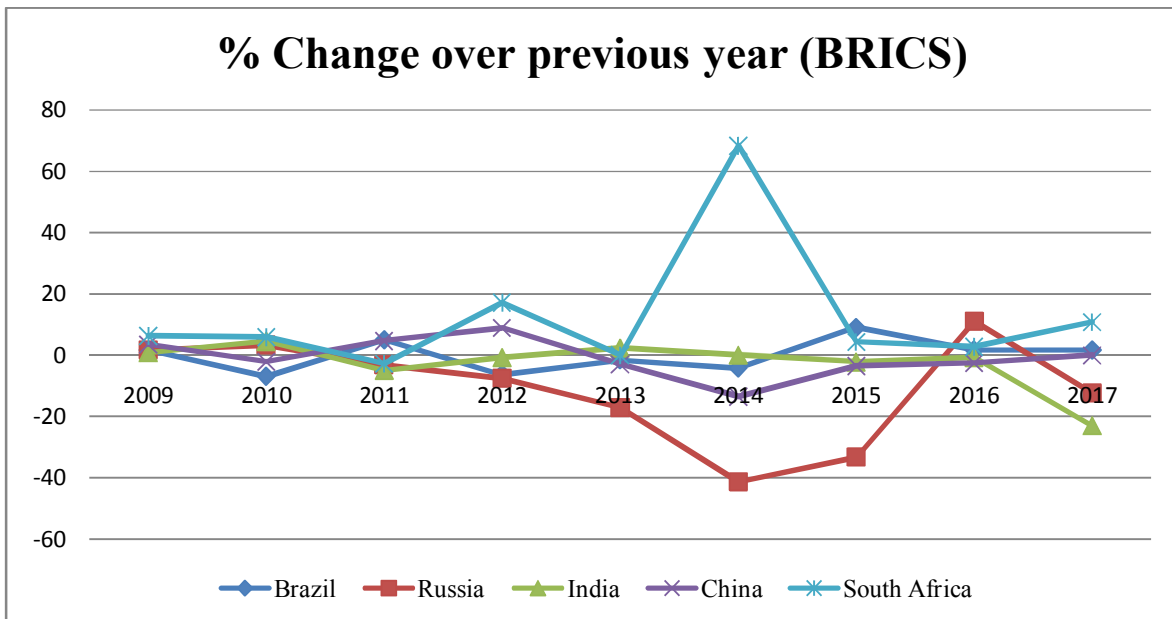
This study focuses on how BRICS (emerging countries) are growing and how these economies are making their markets more transparent and making doing business easy for local firms, Specially it focuses that where India stands in this group and where India lags behind . We can also analyse the improvement rate of these economies , so that we can get to know that despite being a lower rank country , how well a country is trying to perform better and facilitating its businessmen.

OBJECTIVES

- BRICS performance in EODB Index during the last 10 years.
- To determine the percentage change over the previous rank for each country in BRICS so that improvement rate can be analysed.
- To provide a comparative analysis for ten indicators which make EODB Index for the year 2017.
Data Analysis



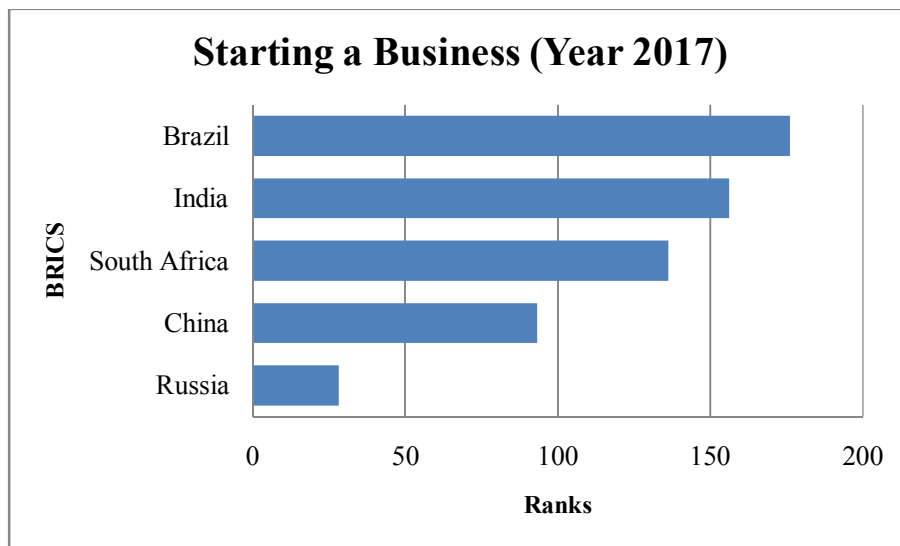
As shown in the above chart in the year 2008 **Russia's Rank** was 118 and it dropped to 35 in the year 2017. In the year 2008 **China's Rank** was 86 and it dropped to 78 in the year 2017. In the year 2008 **South Africa's Rank** was 32 and it raised to 82 in the year 2017. In the year 2008 **India's Rank** was 132 and it dropped to 100 in the year 2017. In the year 2008 **Brazil's Rank** was 127 and it dropped to 125 in the year 2017.



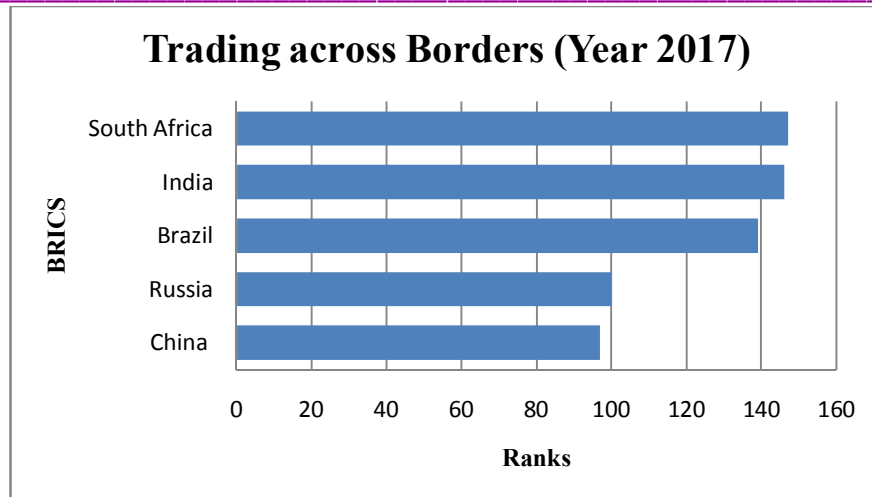
From the above chart it can be seen that Russia has been improving since 2010 and the rate of improvement has shown significant changes during 2011 to 2015, its rank dropped by 3.23%, 7.5%, 17.12%, 41.31% in 2011 to 2014 respectively. But during the last 3 years rate of improvement has hampered but still improvement in Russia's rank can be seen. Russia is making its doing business environment very friendly for its firms.

India has not shown any significant improvement except in the year 2011 in which drop of 5.04% in India's rank has been noticed and in the year 2016 in which drop of 23.08% has been recorded.

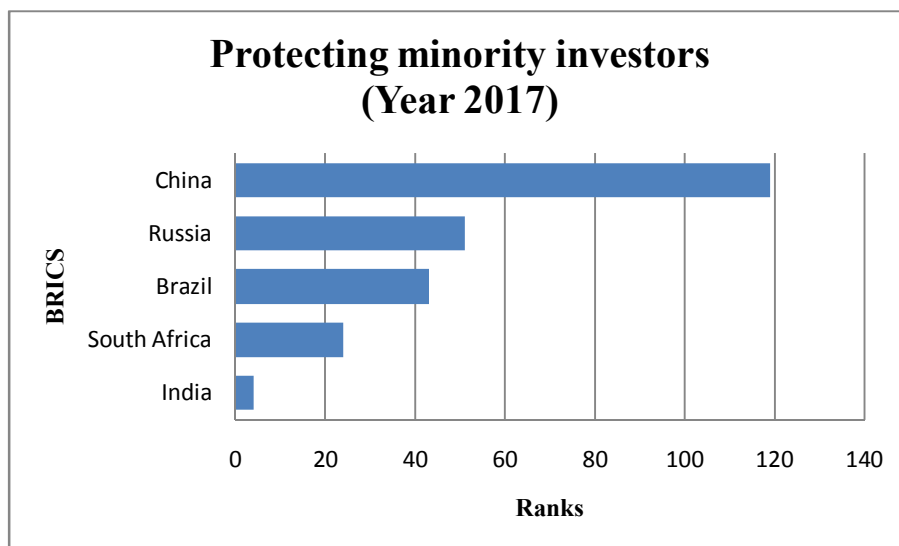
South Africa's rate of improvement over the years has shown increasing rates. It is the only country among BRICS which has continuously showing poor performances. All the rates except in 2011 were positive. Brazil and China EODB Index rank improvement rate over the ten years is stable. But still China has improved its rank over the last ten years.



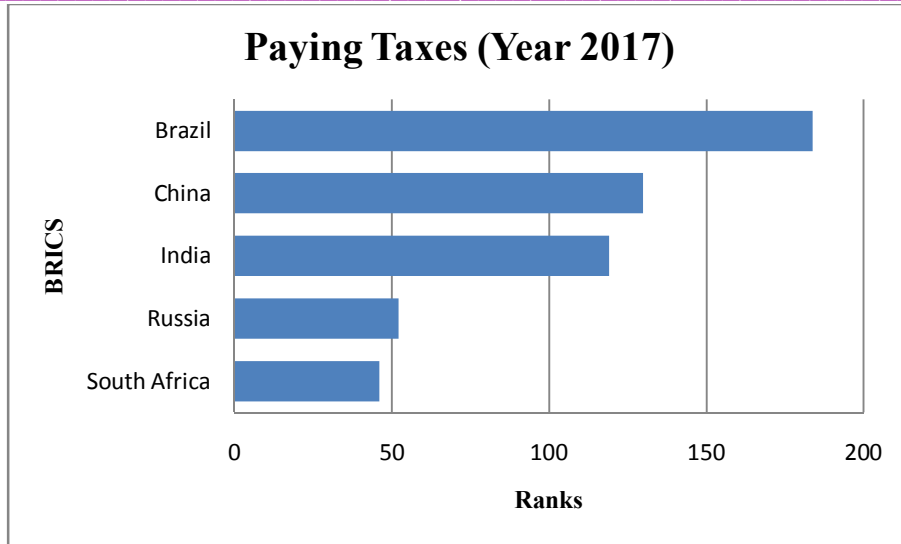
Russia's Rank in starting a business indicator is 28 in 2017 while Brazil's Rank is 176. The number of procedures required to start a business in Russia is only 4 which is 11 in Brazil. It takes only 10 days to start a business in Russia whereas it takes around 80 days to start a business in Brazil. India like Brazil is also not doing much well in this indicator there are maximum number of procedures among BRICS required to meet in starting a business in India i.e. 11.5 and it is very costly also i.e. 14.8% of income per capita which is really very high.



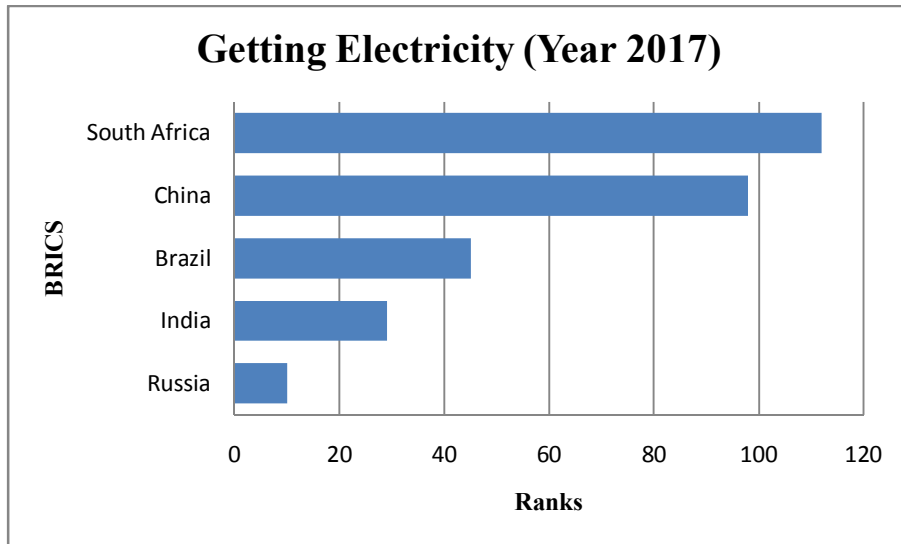
China and Russia has performed well in this indicator. Cost of documentary compliance while exporting of goods is relatively less in China and Russia than Brazil and South Africa. It takes Russia only 38.6 hours and 42.5 hours in border compliance during importing of goods.



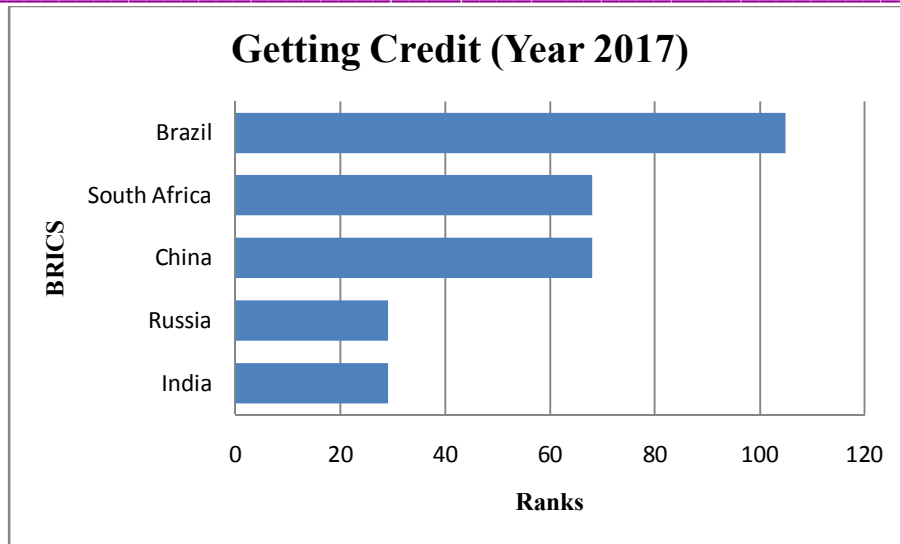
India performed very well in this indicator not among BRICS only rather among all economies. India's Rank is 4. India's rank in extent of conflict resolving index is 7.3 and 8.7 in extent of shareholder rights in corporate governance index on 0-10 scale. Whereas China being the worst performer has ranked 5 and 4.7 respectively.



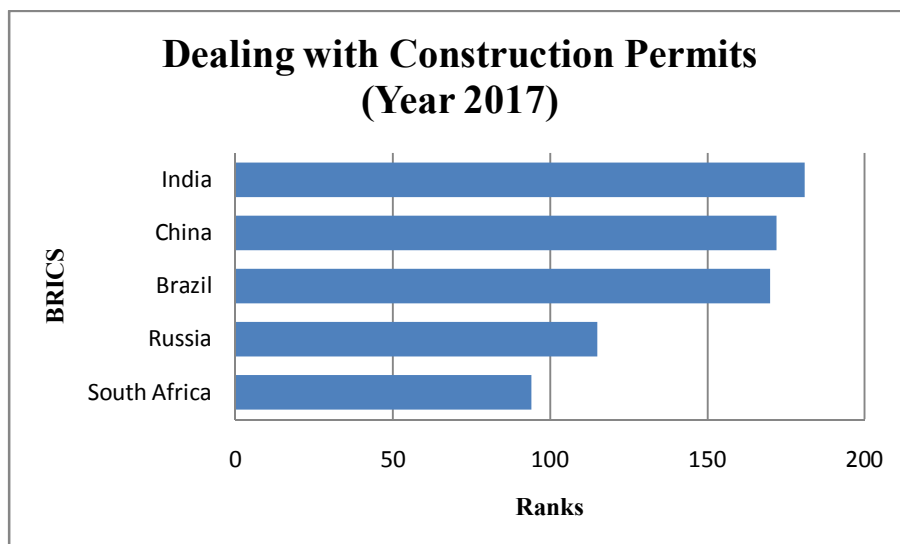
South Africa has performed very well in paying taxes indicator. A local manufacturing company in South Africa has 7 number of tax payments per year but an Indian local manufacturing company has 13 number of tax payments per year. Only 28.9% of profit is total tax and contribution rate in South Africa which is 68.4% in Brazil. A company in Brazil takes 1958 hours per year to prepare, file returns and pay taxes which is really covering a large portion of an year’s time.



Russia’s Rank in this indicator is 10 whereas South Africa’s rank is 112. The number of procedures to get an electrical connection in a newly constructed warehouse in Russia is only 3 and it is very cheap to get an electrical connection in Russia ie.44.1 % of income per capita. In India the cost is 108.7% of income per capita which is very high in comparision to Russia.



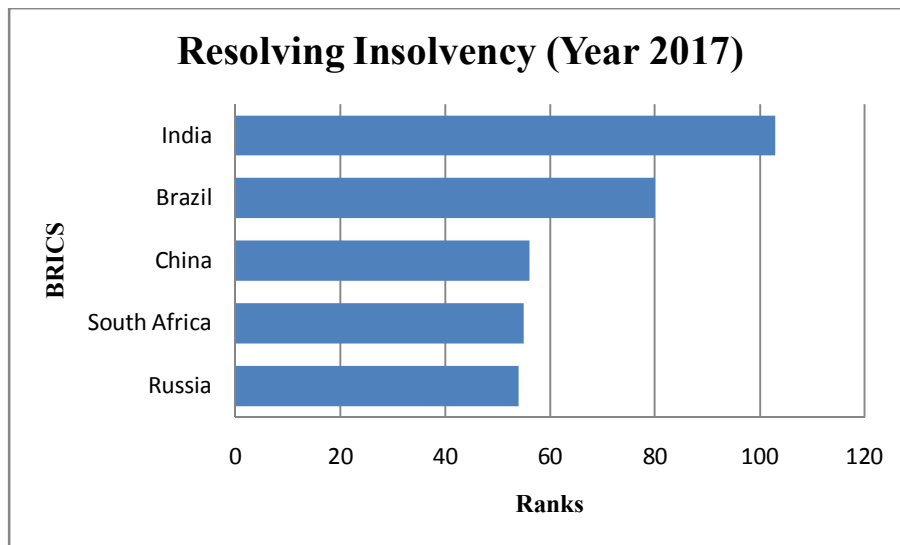
India and Russia both secured 29th Rank in getting credit indicator. And Brazil being the worst performer in this indicator secured 105th Rank. On a 0-12 scale of strength of legal rights index India and Russia are at 8 while Brazil is at 2. Strength of legal rights index indicate the legal rights of borrowers and lenders in related laws and how well these laws facilitate lending. Getting credit indicator also measures depth of credit information index on a 0-8 scale in which India, Russia, Brazil and South Africa scored 7 while China is at 8.



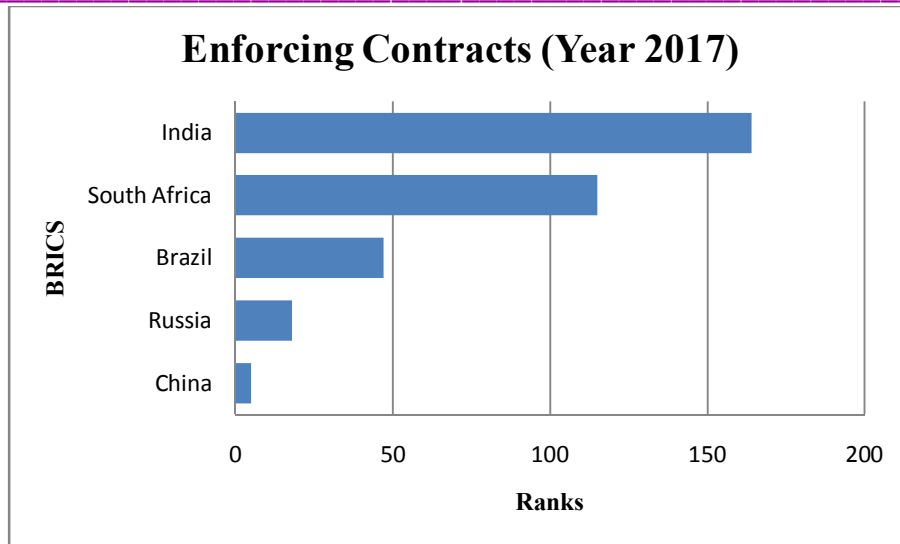
A warehouse cost is 1.6% of the value of warehouse in South Africa that is, it is really very economical to make a warehouse in South Africa than to make one in India because it costs about 23.2% of the value of warehouse in India.



Russia got 12th Rank in registering property indicator. This indicator examines the steps that an entrepreneur has to go through for registering a property (a land and a building). Russia's entrepreneur has 4 number of procedures to get his property registered whereas conditions are very stringent in India, the number of procedures are 8. And it is very costly to get the property registered in India i.e. 8.4% of property value which is just 0.2% of property value in Russia. Quality of the land administration index is 26 in Russia on 0-30 scale. Hence reliability of infrastructure, transparency of information land dispute resolution, geographic coverage and equal access to property rights is there in Russia.



Resolving insolvency indicator deals with recovery rate and strength of insolvency framework on a scale of 0-16. It also states about time and cost involved in resolving insolvency. Russia's rank in 2017 at this indicator is 54 and India's rank is 103.



Enforcing contracts indicator calculates time and cost of a commercial dispute through a local court. It also measures the quality of judicial processes by an index on a 0-18 scale. China stood at 5th position in enforcing contract indicator. India being the worst performer in this indicator takes 1445 days whereas China takes 496.3 days to resolve a case. Cost is 31.0% of claim value in India and it is only 16.2% of the claim value in China.

FINDINGS AND CONCLUSION

1. Russia has performed very well in EODB Index among BRICS countries and Russia is the Top performer among BRICS .
2. India has not done any significant improvement except from 2016-2017 year in EODB Index.
3. South Africa's Rank in EODB Index was always better than India and Brazil during the last 10 years but it is showing an upward trend over the last ten years.
4. Brazil is the worst performer among BRICS.

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