

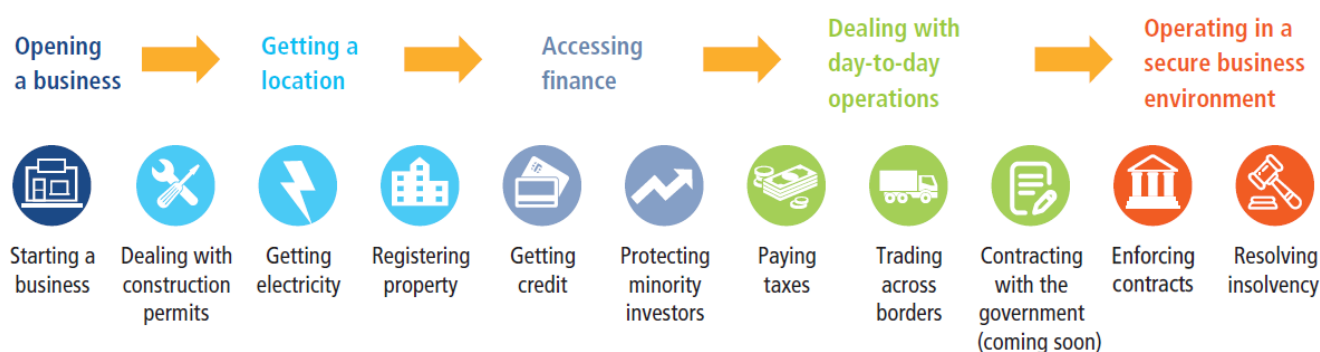
End of Ease of Doing Business Index

Why in news?

After data irregularities and possible ethical matters involving bank staff on Doing Business were reported, World Bank said that it would discontinue the report.

What is the index about?

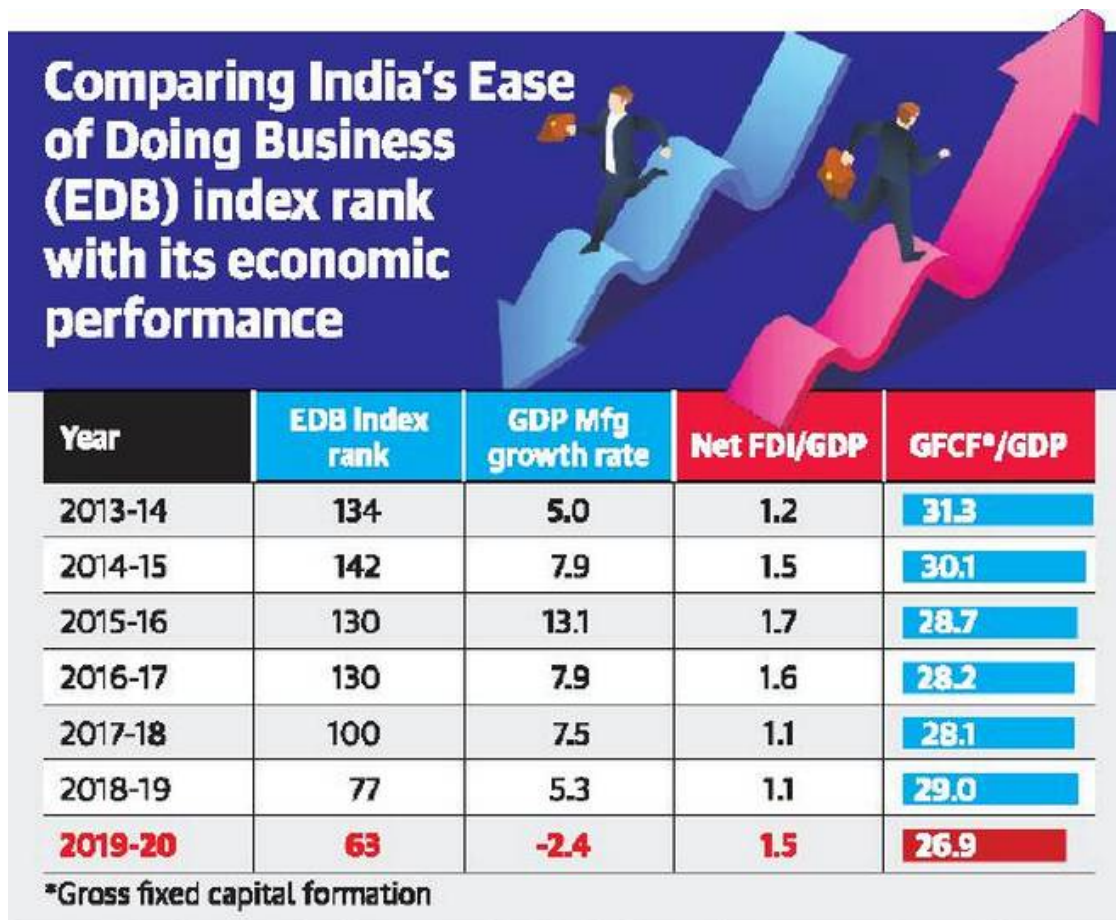
- Ease of doing business is an index published by the **World Bank**.
- It is an aggregate figure that includes different parameters which define the ease of doing business in a country.
- The study covers 11 indicator sets and 190 economies.



What is India's rank in the report?

- India ranked low, around 130-140, till 2014.
- However, it zoomed to **63rd position** in 2019-20.
- The government's goal was to be among the top 50 economies by 2020.
- India along with other top improvers had implemented 59 regulatory reforms in 2018-19, accounting for a fifth of all reforms recorded worldwide.
- Showcasing the accomplishment, India has claimed success of '**Make in India**' campaign that sought to raise the manufacturing sector's share in GDP to 25% by 2022 (later revised to 2025).
- But there is a disconnect between the rise in EDB index rank and economic outcomes raising suspicion on data manipulation.
 - The annual growth rate in GDP manufacturing (at constant prices) fell to (-) 2.4% in 2019-20.

- Net FDI inflow to GDP ratio has fluctuated around 1.5%.
- The fixed investment to GDP ratio (at current prices) fell to 26.9% in 2019-20.



Source: National Accounts Statistics, RBI Handbook Statistics on Indian Economy, and DPIIT, GOI

Why was the ranking so significant?

- Many countries showcase improved ranking to signal market-friendly policies to attract foreign investments.
- The Indian government weaponised the index to weaken labour regulations by dismantling official labour inspection systems and allowing employers to file self-regulation reports.

Why was the report flagged?

- Improper data changes were made and the involvement of bank staffers is reported to be the core cause for discontinuation of the report.
- The China's ranking was changed from 85th to 78th after intervention from the bank's top executives and their staffers.
- The parameter was altered to push Saudi Arabia's score in the list of top improvers for 2019.

- This also impacted the UAE's score because they followed a similar system.
- Chile's rank on the EDB index sharply rose when the conservative government was in power and went down when the socialists were ruling despite no changes in policies and procedures.
- For Azerbaijan, involvement from World Bank staffers is believed to have resulted in the country's score falling compared to previous years.

Source: The Hindu, The Indian Express

