

## **Enforcing Contracts Key to ‘Ease Of Business’**

### **What is the issue?**

Enforcement of contracts is seen as the potential area for rapidly boosting India’s global ranking in the World Bank’s Ease of Doing Business Index.

### **What is India’s progress in enforcing contracts?**

- India ascended to 63<sup>rd</sup> position in 2020 from 142<sup>nd</sup> position in 2014
- India’s progress has seen improvement in a few parameters, mainly in resolving insolvency
- But it has remained stagnant at 163 in enforcement of contracts

Enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court and evaluates whether each economy has promoted quality and efficiency in the court system

### **Why does enforcing contracts matter?**

- Rule of law and effective protection of rights promotes economic and social progress
- More developed credit markets and a higher level of development overall
- Rapid growth of small firms
- Improves the business climate, fosters innovation, attracts foreign direct investment and secures tax revenues

### **What steps have been taken to enforce contracts?**

- Justice Department has launched **Enforcing Contracts Portal** that aims to promote ease of doing business and improve Contract Enforcement Regime in the country
- Two high level task forces in NITI Aayog have been set up to give recommendations for a policy framework for enforcement of contracts and an effective conciliation mechanism
- The government has decided to scrap the ‘retrospective taxation amendment’ of 2012 strengthening the trust between government and industry

- Use of Alternate Dispute Resolution (ADR) to declog India's legal case pendency
- India is also a signatory to the **New York Convention** for recognition and enforcement of foreign arbitral awards
- Centre and State governments decided to review and systematically phase out over 6,000 tedious compliances
- While India has consistently improved its score in EoDB, there is still a long way to go

**Source: BusinessLine**

