

## New ease of doing business measure recasts state ranks

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A broad measure of ease of doing business in Indian states was announced today here at the Lee Kuan Yew School of Public Policy, and it has given 21 major states entirely different ranks to the only other previous measure of this sort, the World Bank's Ease of Doing Business Index. The latest measure produced by the Asian Competitiveness Institute research centre of the School extends the definition of ease of doing business beyond the core measure of business friendliness that the Bank has focussed on for successive years.

The ACI report, which was shared with a select group of journalists on Friday, ranked Maharashtra, Gujarat, Delhi, Goa and Andhra Pradesh as the top five states respectively, whereas these states were ranked 8, 1, 15, 19 and 2 by the Bank.

The ACI's Ease of Doing Business Index on includes 81 indicators that cover, in addition to Business Friendliness (40 per cent weight), Attractiveness to Investors (40 per cent) and Competitive Policies (20 per cent). It also balances "hard data" from each state with the results of surveys undertaken amongst investors, government officials and academic experts in this area.

Professor Tan Khoo Giap of the Institute said that the measure also had a broader geographical spread than the Bank's index, which focused on several cities and used them as proxies for broader ease of doing business measures, said.

He noted however that the 2016 rankings, the first ever produced by ACI were a "prototype" and expressed hope that government officials in the states concerned would engage in consultations with the research team before the next round, in case they wished to highlight new policy achievements that could potentially improve their ranking.

In this vein ACI has also produced a "What-if" simulation for each state which shows the potential progress that could be made in that state if certain policy issues were addressed. Except Maharashtra and Gujarat ranked 1 and 2 respectively, the ranks of all other states in the study improved through this simulation.

The ACI Index also reflected variations in rankings depending on which criterion was used. While states had broadly similar ranks across the Attractiveness to Investors and Business Friendliness criteria, measures focusing on business entering and setting up operations in a state, states ranks varied considerably for the third criterion of Competitive Policies as this measured a different parameter, industrial regulations in place.

In recent years, the World Bank's index garnered significant attention from policymakers across Indian states and it appeared to tie in with Indian Prime Minister Narendra Modi's focus on competitive federalism and increased state autonomy.