International Journal of Enhanced Research in Management & Computer Applications
ISSN: 2319-7471, Vol. 8 Issue 12, December-2019, Impact Factor: 5.945

*Ea*se of Doing Business: A Review

D. Pavan Kumar[1], B.V. Manohar Babu[2], Ch. Ravindranath[3]

[1,2,3]K.B.N. College (Autonomous), Vijayawada-520001, Andhra Pradesh, India

ABSTRACT

This paper reviews previous studies' literature to find the factors that influence conducting business and the inflow of foreign direct investment and some other economic factors, although many studies have done on the ease of doing business in different countries. However, the results focused on direct foreign investment and economic growth. However, they are different and provoke wide controversy, which opens many questions to conduct further research on common factors, country-specific classification, finding the optimal level of business factors, regulation, and their impact on countries' economic growth..

Keywords: Ease Of Doing Business, developing, factors, Foreign Direct Investment

INTRODUCTION

Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters that define the Ease of doing business in a country. It is computed by aggregating thedistance to frontier scores of different economies. According to that parameter, the distance to frontierscore uses the ‘regulatory best practices for doing business as the parameter and benchmark economies. For each indicator, form a part of the statistic ‘Ease of doing business,’ a distance to frontier score is computed, and all the scores are aggregated. The aggregated score becomes the Ease of doing business index. Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism, etc. Countries are ranked as per the index. The Ease of doing business index is an index created by Simeon Djankov at the World Bank Group. Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

REVIEW OF LITERATURE

Jayasuriya (2011) conducted a study to test such a proposition empirically with Arellano-Bond dynamic panel estimators using the official rankings from 2006to 2009. This paper has proven the relationship is significant for the average country. However, while the sample is restricted to developing countries, the results advise a progressed ranking has, on average, an insignificant (albeit fine) influence on foreign direct investment inflows. Although strong, this result needs to be serious about the warning given that it refers tothe common growing united states using information across four years. Eventually, the paper shows that, on average, countries that undertake massive-scale reformsrelative to different international locations do now not always attract extra foreign direct investment inflows. This analysis might also have essential ramifications fordeveloping USA governments wanting to enhance their Doing enterprise ratings in the hope of attracting foreign direct investment inflow

Corcoran and Gillanders (2015) have studied foreign direct investment and the ease of doing business. This paper examines the effect that a country’s business regulatory environment has on the foreign directinvestment it attracts. They use the world bank’s Ease of Doing business rating to seize the expenses corporations face when operating in a country. Several thrilling results emerge. The Doing business rank is giant while protected in a fashionable empirical overseas direct investment (FDI) model anticipated on facts averaged over 2004–2009. Second, the overall Doing commercial enterprise's significance is pushed through the convenience of buying and selling across Borders component. Thirdly, the connection iswidespread for middle-earning nations, but now not for the world’s poorest region, Sub-Saharan Africa, or the OECD. Eventually, They discover no proof that the benefit of doing business close by countries impacts theFDI that a country gets in well known.

Morris and Aziz (2011) investigated the relationshipbetween ease of doing business and FDI inflow to Sub- Saharan Africa and Asian countries. The purpose of thispaper was to analyze the relationship between factors that influence conducting business and the inflow of foreign direct investment (FDI) to Sub-Saharan African (SSA) and Asian countries. The elements of business climate defined via the arena bank in 2006 as ease of doing business had been correlated with FDI flows to SSA and Asian countries. Two elements, registering assets and trading throughout borders, have been observed to be related to FDI over all six years of the study (2000-2005) for the combined sample. Additionally, several factors had been discovered to be associated with FDI obtained by way of SSA and Asian nations for numerous years.

Pinheiro-Alves and Zambujal-Oliveira (2012) using the ease of doing business index as a tool for investment location decisions. The study has shown the Ease of Doing Business Index, which multinationals widely use in their investment location decisions. Factor analysis and Chronbach's alpha shown its limited consistency and explanatory power of the business environment.The study highlighted that Factor analysis and Chronbach's alpha had exposed the low consistency of the EDBI; EDBI is not suitable for investment decisionsdue to its statistical weaknesses and substantial room for improvement in its statistical robustness.

Stading and Altay (2007), In their study, delineating the Ease of doing business construct within the supplier–customer interface. The current research provides insight into the Ease of doing business" construct. Factor analysis of survey responses of supply managers in the electronics industry was used to test the proposed "ease of doing business" construct, which includes the three dimensions — information and material services, financial contract services and personal relations services. Results support a link between a customer's assessment of a supplier's "ease ofdoing business" and the amount of business conducted with that supplier. The attributes supported by this research provide the means for managers to improve and grow business with customers.

Roham et al. (2009) In the light of Ease of Doing Business (EDB), indicators are essential to understanding and evaluating the national business environment and strategy formulation for business policy and regulations. The World Bank does an annual study of these indicators for over 170 nations, but manycomplications and uncertainties are involved in the work. This paper proposes a new systematic approach that employs fuzzy set theory to generate composite EDB indicators for ranking and classification problems. They implemented this approach and illustrated its stepsand procedures. A case study example for Canada isalso presented in which EDB indicators are evaluated, linguistically identified, and ranked. This approach demonstrates the Ease of using this fuzzy application and its potential benefits for future research. They also compare ranking results obtained from our proposed approach with the World Bank's results.

Mongay and Filipescu (2012) answering the question Are Corruption and Ease of Doing Business Correlated? An Analysis of 172 Nations Corruption and its implications in international business trading and investments represent an increasing interest for academicians. It is imperative to understand how Corruption affects economic growth directly, by shifting the allocation of public funds, and, indirectly, by changing the incentives, prices, and opportunities faced by entrepreneurs (Jain, 2002). Corruption refersto behavior that violates the trust placed in public officials and destabilizes the basis on which generalized interpersonal trust relies and increases the entrepreneur's risks.

Klapper et al. (2011) Determined the Impact of the Business Environment on the Business Creation Process Following the G20 summit on 15 November 2008, the leaders of the world's largest economies issued a statement explaining how they intended to restructure the world's economic architecture. On the very first page of this statement, they articulate (quoted in The Canadian Press 2008: 15): their work guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism, innovation, and entrepreneurship that are essential for economic growth,employment, and poverty reduction.

Eifert (2009) Study directed the question Do RegulatoryReforms Stimulate Investment and Growth? Evidence from the Doing Business Data, 2003-07 The role of regulatory barriers in inhibiting entrepreneurship, investment, and employment creation is an old economics topic. This study utilizes a five-year panel of data on regulations and procedures from the World Bank's Doing Business project, along with Arellano- Bond dynamic panel estimators, looking for evidence that regulatory reforms lead to higher aggregate investment rates (roughly, factor demand) or GDP growth conditional on investment rates (roughly, factor productivity). It looks both at individual regulatory Indicators, Moreover, more aggregate measures of the incidence of reforms, finding some evidence of positive impacts of regulatory reforms in countries which are relatively poor (conditional on governance) and relatively well- governed (conditional on income). Relatively poor and relatively well-governed countries grow about 0.4 and 0.2 percentage points faster in the year immediatelyfollowing one or more reforms, respectively. In both subsets of countries, investment rates accelerate by about 0.6 percentage points in the subsequent year.

Hanusch (2012), The Doing Business indicators, economic growth and regulatory reform. Improving the investment climate is among the top priorities in development. The World Bank Group's Doing Business reports have become an important guide and benchmarkto inform regulatory reforms aimed at unleashing the private sector's potential. This paper discusses the potential role of the Doing Business Indicators in the reform process. Generally, the Doing Business studies are constrained in their prescriptive power for policymaking. However, governments that nonetheless choose to use the Doing Business reports for guidancein the reform process can aim to improve their Doing Business ranking to enhance the visibility of their general reform efforts; or aim to maximize the impact of reform on economic growth. In this case, the evidence suggests that focusing on indicators relating tocredit and the enforcement of contracts is the most important. Indicators related to cost have enormous potential for fostering growth.

Busse and Groizard (2006) Foreign direct investment, regulations, and growth This paper explores the linkage between income growth rates and foreign direct investment (FDI) inflows. So far, the evidence is somewhat mixed, as no robust relationship between FDI and income growth has been established. The authors argue that countries need a sound business environment in the form of fair government regulations to benefit from FDI. Using a comprehensive data set for regulations, they test this hypothesis and find evidence that excessive regulations restrict growth through FDI only in the most regulated economies. This result holds true for different specifications of the econometric model, including instrumental variable regressions.

Kelley et al. (2016) The power of ranking: the ease of doing business indicator as a form of social pressure The proliferation of Global Performance Assessments (GPAs), especially those that rate and rank states against one another, now consequentially shape decisions by states, investors, bureaucrats, and voters. This power has not been lost on the World Bank, which has marshaled the Ease of Doing Business (EDB) indexto amass surprising influence over global regulatorypolicies – a domain over which it has no explicit mandate and for which there is ideological contestation. This paper demonstrates the World Bank's EDB ranking system's intentionality and how it affects policythrough bureaucratic, transnational, and domestic- political channels. It uses observational andexperimental data to show that states respond to being publicly ranked as well as work with the Bank and reform strategically to improve their ranking. Two experiments demonstrate that the competition engendered by the ranking shapes public policy preferences and investor propensity to deploy capital. Qualitative evidence from India's interagency EDB effort shows how these mechanisms shape domestic politics and policy in the world's second-largest emerging economy.

Singh (2015) Relationship between Doing Business Index and Foreign Direct Investment. The importance of Doing Business Index indicators as a determinant of FDI has glimmered attention in determining their relationships. The present study intended to explore the relationships between Doing Business indexes and FDI. The study investigates the relationship between the foreign direct investment and six variables of doing business index of World Bank by using Johansen's co- integration test and Granger causality test. The Johansen's co-integration test suggests that all the seriesunder the study are co-integrated of order one, indicating a stable long-run equilibrium relationship in these series, suggesting that the FDI has been co- integrated with the six variables under the study. The Granger causality test findings suggest that all the six variables under the study of doing business index of World Bank do not Granger cause foreign direct investment in the short run. However, from the Johansen test of co-integration, it can be concluded that there is a long-run relationship between the FDI and variables under the study.

Piwonski (2010) Answers the question Does the 'Ease of Doing Business' In a Country Influence its Foreign Direct Investment Inflows?. Foreign direct investment has been studied for years. It is generally accepted as a positive influence on the domestic market, and governments have begun actively seeking it out. This study is meant to possibly connect government actions, for which the World Bank'sDoing Business Index' was used as a proxy to increase foreign direct investment inflows. This study aims to help governments make more informed decisions about if and how to attract foreign direct investment. The research was done by running a regression model to find a connection between changes in foreign direct investment inflows and each country's Doing Business rank. The regressionresults show that by increasing their country's Doing Business rank one level, a government can bring in over USD 44 million. Thus, the model has proven a connection between government actions and foreign direct investment; countries can successfully pursue foreign investment dollars. The Doing Business Index points to functional areas which are essential tomultinational companies, such as the time it takes to compute and pay taxes, which the government can control. Therefore, this study proves that it is worthwhile for governments to change to attract foreign investment but gives the beginning a blueprint for what government actions bring in the most investments.

Oliveira and Alves (2010) The Ease of Doing Business Index as a tool for Investment location decisions (uses 41 variables to compare different countries' business environment. Policymakers widely use it, researchers, and multinational companies. This paper aimed to assess EDBI's consistency and validity in representing the business environment using factor analysis. It isfound that the EDBI presents a limited consistency and explanatory power of a country's business environment. The consequence of these findings is that multinational firms should handle the EDBI carefully in theirinvestment decisions.

CONCLUSION

From the review, we found that Jayasuriya (2011) has shown the relationship is significant for the averagecountry, Corcoran and Gillanders (2015) found the relationship is significant for middle-income countries, Morris and Aziz

(2011) found just two factors, "registering property" and "trading across borders," influencing conducting Business. moreover, Pinheiro- Alves and Zambujal-Oliveira (2012) revealed that the ease of doing business index is not suitable for investment decisions due to its statistical weaknesses, Stading and Altay (2007) study saying that results support a link between a customer's assessment of a supplier's "ease of doing business." Roham et al. (2009)found a new approach that demonstrates the ease of using this fuzzy application and its potential benefits for future research. We also compare ranking results obtained from our proposed approach with the World Bank's results. Eifert (2009) finding some evidence of positive impacts of regulatory reforms in countries that are relatively poor (conditional on governance) and relatively well-governed (conditional on income). Relatively poor and relatively well-governed countries grow about 0.4 and 0.2 percentage points faster in the year immediately following one or more reforms; respectively**,** Busse and Groizard (2006) found that excessive regulations restrict growth through FDI only in the most regulated economies. This result holds for different specifications of the econometric model, including instrumental variable regressions. Finally, Oliveira and Alves (2010) found that the ease of doing business index presents a limited consistency and explanatory power of a country's business environment.

REFERENCES

[1]. Bayraktar, N. (2013). Foreign direct investment andinvestment climate. Procedia Economics and
[2]. Finance, 5, 83-92.
[3]. Busse, M., & Groizard, J. L. (2006). Foreign direct investment, regulations, and growth. The World Bank. Corcoran, A., & Gillanders, R. (2015). Foreign direct investment and the ease of doing business. Review of World Economics, 151(1), 103-126.
[4]. Economic time https://economictimes.indiatimes.com/definition/ease- of-doing-business
[5]. Eifert, B. (2009). Do regulatory reforms stimulate investment and growth? Evidence from the Doing Business data, 2003-07. Center for Global DevelopmentWorking Paper, (159).
[6]. Hanusch, M. (2012). The Doing Business indicators, economic growth and regulatory reform. The World Bank.
[7]. Jayasuriya, D. (2011). Improvements in the worldbank's ease of doing business rankings: Do they translate into greater foreign direct investment inflows?.The World Bank.
[8]. Kelley, J. G., Simmons, B. A., & Doshi, R. (2016, September). The power of ranking: the ease of doing business indicator as a form of social pressure.
[9]. In Annual Meeting of the American Political Science Association Mini-Conference on Assessment Power in World Politics, Philadelphia, PA (Vol. 2).
[10]. Klapper, L., Lewin, A., & Delgado, J. M. Q. (2011).The impact of the business environment on the business creation process. In Entrepreneurship and Economic Development (pp. 108-123). Palgrave Macmillan, London.
[11]. Mongay, J., & Filipescu, D. A. (2012). Are corruption and ease of doing business correlated? An analysis of 172 nations. In International Business (pp.13-26). Palgrave Macmillan, London.
[12]. Morris, R., & Aziz, A. (2011). Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries. Cross Cultural Management: An International Journal, 18(4), 400-411.
[13]. Oliveira, J. Z., & Alves, R. P. (2010). The Ease of Doing Business Index as a tool for Investment location decisions (No. 0030). Gabinete de Estratégia e Estudos,Ministério da Economia.
[14]. Pinheiro-Alves, R., & Zambujal-Oliveira, J. (2012). The Ease of Doing Business Index as a tool for investment location decisions. Economics
[15]. Letters, 117(1), 66-70.
[16]. Piwonski, K. (2010). Does the 'Ease of DoingBusiness' In a Country Influence its Foreign DirectInvestment Inflows?.
[17]. Roham, M., Gabrielyan, A. R., & Archer, N. P.(2009). Fuzzy linguistic modeling of ease of doing business indicators. International Journal of Uncertainty, Fuzziness and Knowledge-Based Systems, 17(04), 531-557.
[18]. Singh, G. (2015). Relationship between doingbusiness index and foreign direct investment.
[19]. In International Conference on Ease of Doing Business:Contemporary Issues, Challenges and Future Scope (pp.13-21).
[20]. Stading, G., & Altay, N. (2007). Delineating the "Ease of Doing Business" Construct within the Supplier–Customer Interface. Journal of Supply ChainManagement, 43(2), 29-38.