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# Doing Business 2016

## Measuring Regulatory Quality and Efficiency

### Economy Profile 2016

### India

responsabilité juridique

bureau de crédit единое окно

прозрачность 一站式服务

balcão único 在线服务

collateral registry

single window liability

one stop shop

services en ligne transparência

reorganización

guichet unique 设置办理时限

responsabilidade jurídica مسؤولية

reorganization

registro de garantías

نافذة واحدة

transparency

сроки

征信中心

servicios en línea

سجل الضمانات

COMPARING BUSINESS REGULATION FOR DOMESTIC FIRMS IN 189 ECONOMIES



WORLD BANK GROUP

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## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. *Doing Business 2016* does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for India. To allow useful comparison, it also provides data for other selected economies (comparator

economies) for each indicator. The data in this report are current as of June 1, 2015 (except for the paying taxes indicators, which cover the period January–December 2014).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2016* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2016*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.



## CHANGES IN *DOING BUSINESS 2016*

As part of a two-year update in methodology, *Doing Business 2016* expands the focus of five indicator sets (dealing with construction permits, getting electricity, registering property, enforcing contracts and labor market regulation), substantially revises the methodology for one indicator set (trading across borders) and implements small updates to the methodology for another (protecting minority investors).

The indicators on dealing with construction permits now include an index of the quality of building regulation and its implementation. The getting electricity indicators now include a measure of the price of electricity consumption and an index of the reliability of electricity supply and transparency of tariffs. Starting this year, the registering property indicators include an index of the quality of the land administration system in each economy in addition to the indicators on the number of procedures and the time and cost to transfer property. And for enforcing contracts an index of the quality and efficiency of judicial processes has been added while the indicator on the number of procedures to enforce a contract has been dropped.

The scope of the labor market regulation indicator set has also been expanded, to include more areas capturing aspects of job quality. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

The case study underlying the trading across borders indicators has been changed to increase its relevance. For each economy the export product and partner are now determined on the basis of the economy's comparative advantage, the import product is auto parts, and the import partner is selected on the basis of which economy has the highest trade value in that product. The indicators continue to measure the time and cost to export and import.

Beyond these changes there is one other update in methodology, for the protecting minority investors indicators. A few points for the extent of shareholder governance index have been fine-tuned, and the index now also measures aspects of the regulations applicable to limited companies rather than privately held joint stock companies.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 27 of the *Doing Business 2016* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 119 of the *Doing Business 2016* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2016*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

### ECONOMY OVERVIEW

Region: South Asia

Income category: Lower middle income

Population: 1,267,401,849

GNI per capita (US\$): 1,610

DB2016 rank: 130

DB2015 rank: 134\*

Change in rank: 4

DB 2016 DTF: 54.68

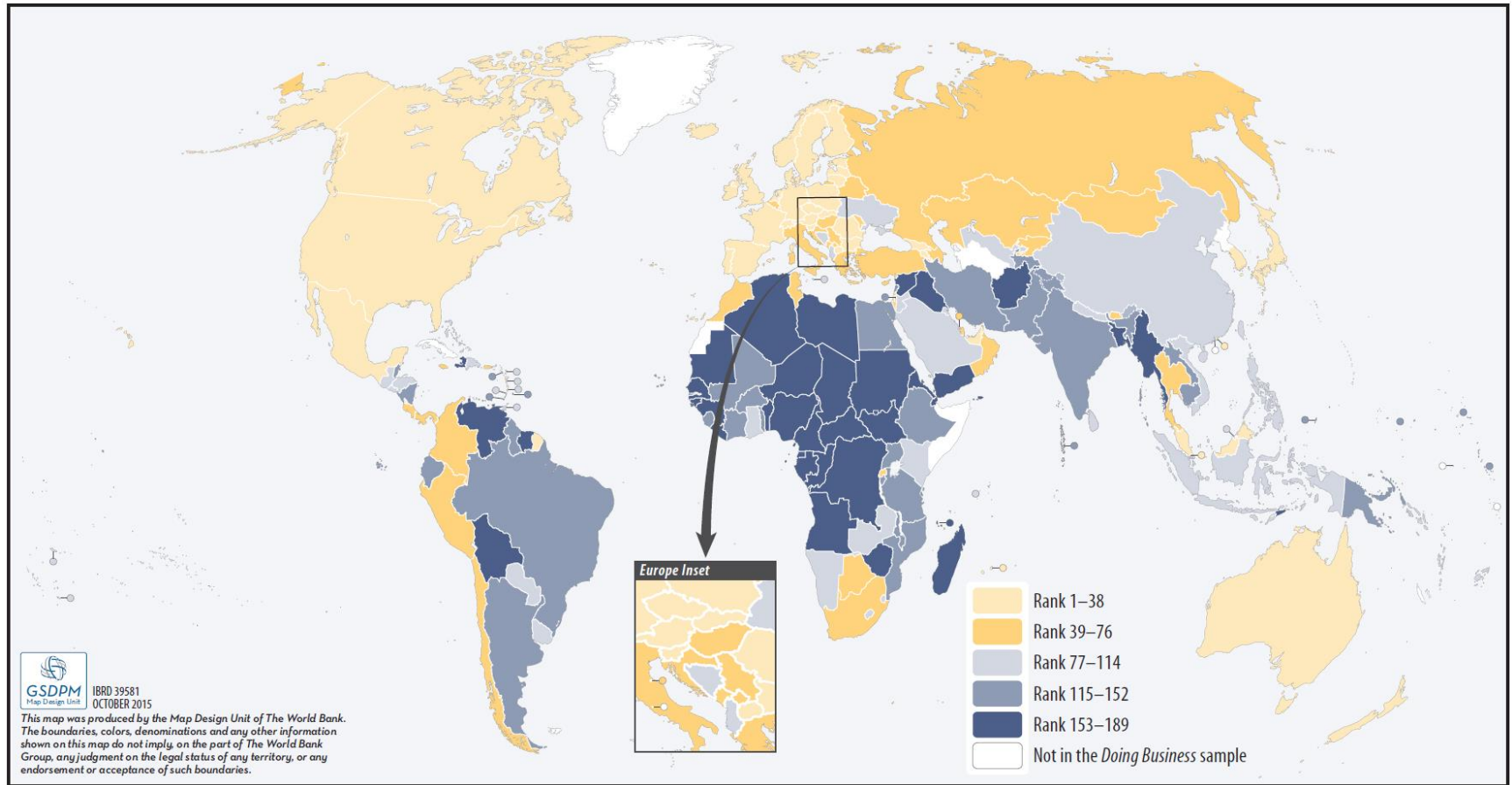
DB 2015 DTF: 52.67

Change in DTF: 2.01

\* DB2015 ranking shown is not last year's published ranking but a comparable ranking for DB2015 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 119 of the *Doing Business 2016* report for sources and definitions.

## THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



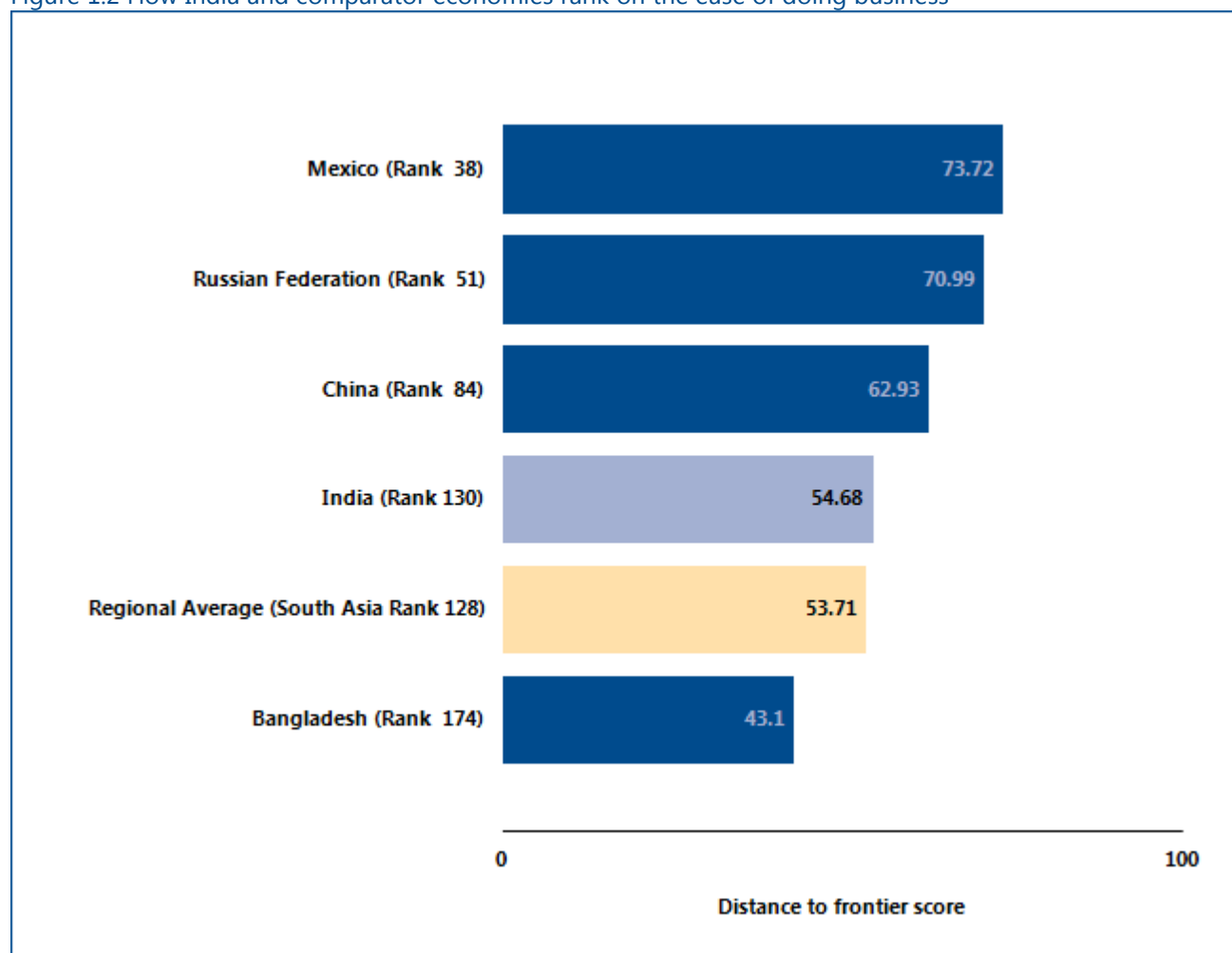
Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How India and comparator economies rank on the ease of doing business



*Note:* The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

*Source:* *Doing Business* database.



## THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - India

(Scale: Rank 189 center, Rank 1 outer edge)

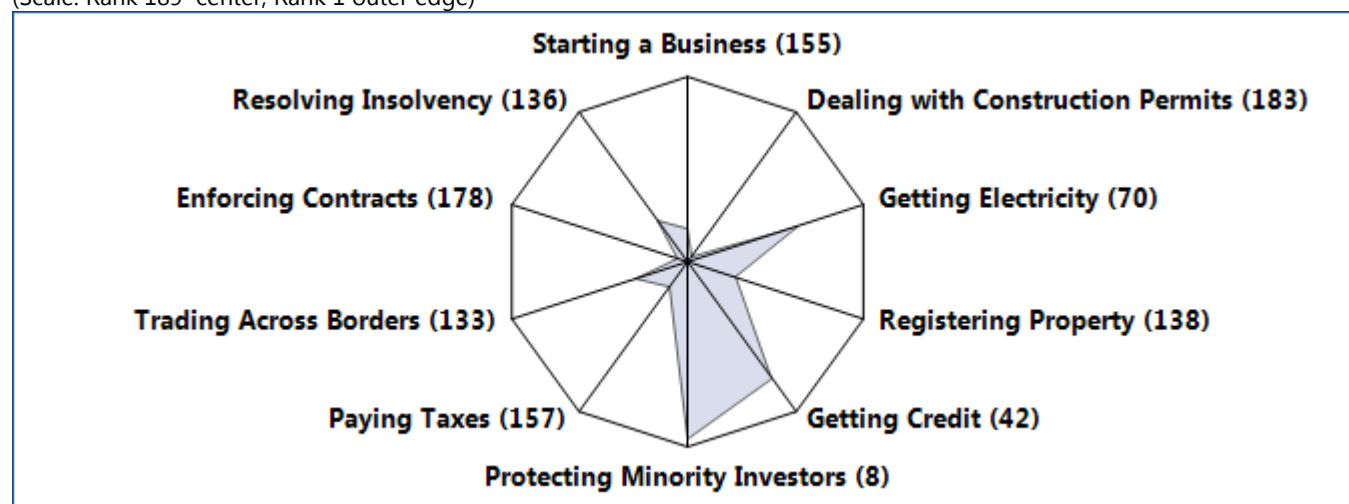
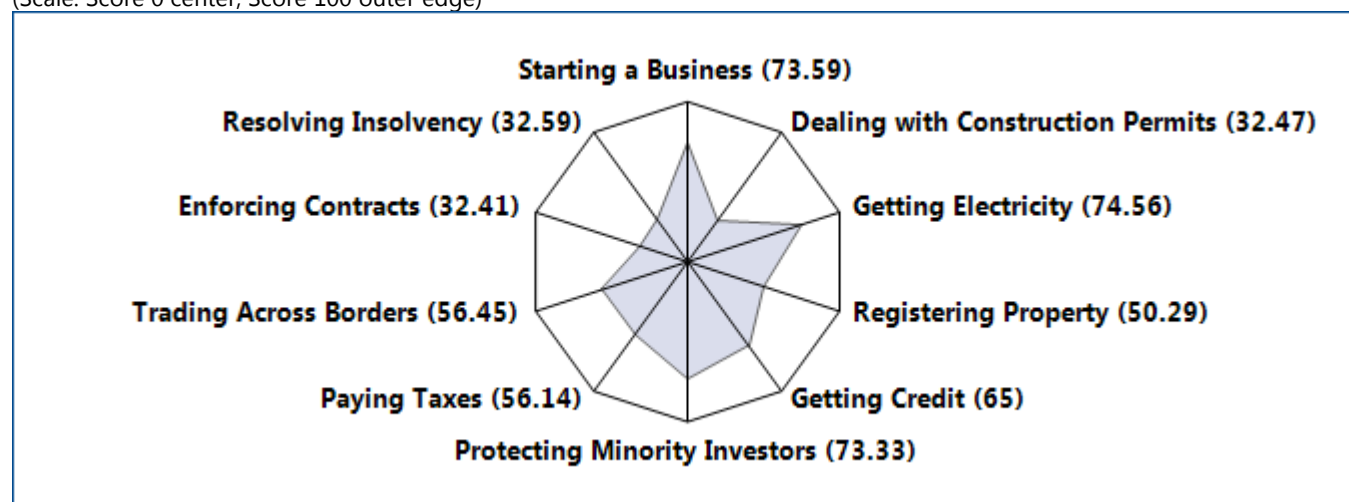


Figure 1.4 Distance to frontier scores on *Doing Business* topics - India

(Scale: Score 0 center, Score 100 outer edge)



Source: *Doing Business* database.

*Note:* The rankings are benchmarked to June 2015 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

## THE BUSINESS ENVIRONMENT

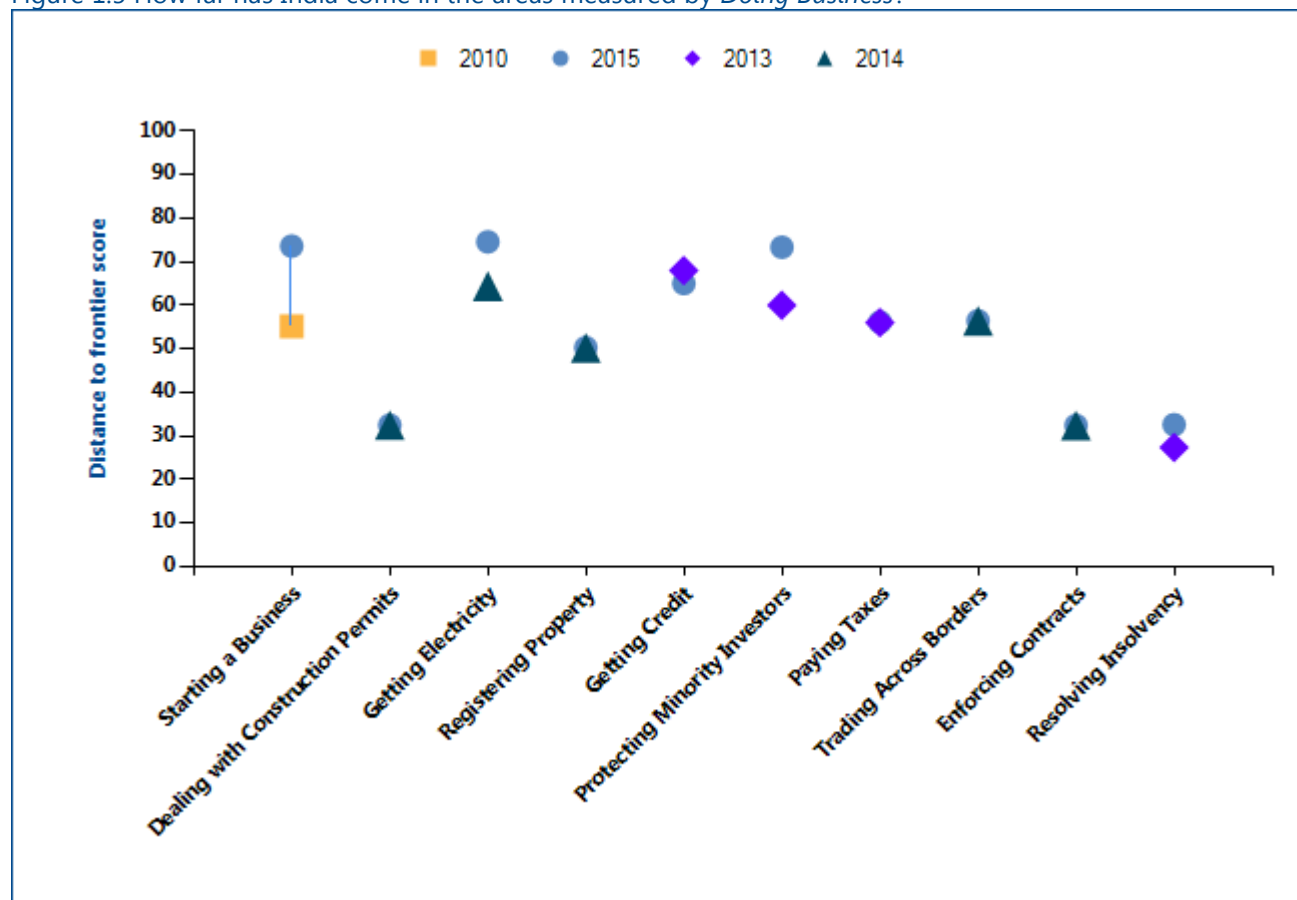
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

*Doing Business* introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has India come in the areas measured by *Doing Business*?



*Note:* The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Starting a business is comparable to 2010. Getting credit, protecting minority investors, paying taxes and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, registering property, trading across borders, enforcing contracts and getting electricity had methodology changes in 2015 and thus are only comparable to 2014. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 119 of the *Doing Business 2016* report for more details on the distance to frontier score. *Source:* *Doing Business* database.

## THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for India

Indicator	India DB2016	India DB2015	Mumbai DB2016	Delhi DB2016	Bangladesh DB2016	China DB2016	Mexico DB2016	Russian Federation DB2016	Best performer globally DB2016
<b>Starting a Business (rank)</b>	155	164	--	--	117	136	65	41	New Zealand (1)
<b>Starting a Business (DTF Score)</b>	73.59	63.69	71.59	75.36	81.72	77.46	88.94	92.35	New Zealand (99.96)
<b>Procedures (number)</b>	12.9	13.9	14.0	12.0	9.0	11.0	6.0	4.4	New Zealand (1.00)*
<b>Time (days)</b>	29.0	34.0	29.0	29.0	19.5	31.4	6.3	10.5	New Zealand (0.50)
<b>Cost (% of income per capita)</b>	13.5	15.3	17.0	10.4	13.9	0.7	17.9	1.1	Slovenia (0.00)
<b>Paid-in min. capital (% of income per capita)</b>	0.0	111.2	0.0	0.0	0.0	0.0	0.0	0.0	105 Economies (0.00)*
<b>Dealing with Construction Permits (rank)</b>	183	184	--	--	118	176	67	119	Singapore (1)
<b>Dealing with Construction Permits (DTF Score)</b>	32.47	32.47	34.62	30.56	65.27	48.29	71.76	65.23	Singapore (92.97)
<b>Procedures (number)</b>	33.6	33.6	40.0	28.0	13.4	22.0	10.5	19.0	5 Economies (7.00)*

Indicator	India DB2016	India DB2015	Mumbai DB2016	Delhi DB2016	Bangladesh DB2016	China DB2016	Mexico DB2016	Russian Federation DB2016	Best performer globally DB2016
Time (days)	191.5	191.5	147.0	231.0	269.0	244.3	86.4	263.5	Singapore (26.00)
Cost (% of warehouse value)	26.0	28.5	25.3	26.6	1.7	7.2	10.2	1.6	Qatar (0.00)
Building quality control index (0-15)	11.0	11.0	11.0	11.0	11.0	9.0	11.7	14.0	New Zealand (15.00)
Getting Electricity (rank)	70	99	--	--	189	92	72	29	Korea, Rep. (1)
Getting Electricity (DTF Score)	74.56	64.39	81.38	68.51	15.31	68.66	73.27	84.22	Korea, Rep. (99.88)
Procedures (number)	5.0	7.0	5.0	5.0	9.0	5.5	6.8	3.0	14 Economies (3.00)*
Time (days)	90.1	105.7	53.0	123.0	428.9	143.2	78.9	160.5	Korea, Rep. (18.00)*
Cost (% of income per capita)	442.3	487.7	76.5	766.7	3,140.5	413.3	332.9	93.1	Japan (0.00)
Reliability of supply and transparency of tariff index (0-8)	5.5	5.5	6.0	5.0	0.0	6.0	7.0	8.0	18 Economies (8.00)*
Registering Property (rank)	138	138	--	--	185	43	106	8	New Zealand (1)
Registering Property (DTF Score)	50.29	50.22	51.62	49.11	27.48	75.02	58.74	90.51	New Zealand (94.46)
Procedures (number)	7.0	7.0	7.0	7.0	8.0	4.0	6.8	3.0	4 Economies (1.00)*
Time (days)	47.0	47.0	47.0	47.0	244.0	19.5	63.7	15.0	3 Economies (1.00)*
Cost (% of property value)	7.5	7.5	7.0	8.0	7.0	3.4	5.1	0.2	Saudi Arabia (0.00)
Quality of the land administration index (0-30)	7.0	7.0	7.5	6.5	4.5	17.0	14.3	26.0	3 Economies (28.50)*

Indicator	India DB2016	India DB2015	Mumbai DB2016	Delhi DB2016	Bangladesh DB2016	China DB2016	Mexico DB2016	Russian Federation DB2016	Best performer globally DB2016
Getting Credit (rank)	42	36	--	--	133	79	5	42	New Zealand (1)
Getting Credit (DTF Score)	65	65	65	65	30	50	90	65	New Zealand (100)
Strength of legal rights index (0-12)	6.0	6.0	6.0	6.0	6.0	4.0	10.0	6.0	3 Economies (12.00)*
Depth of credit information index (0-8)	7.0	7.0	7.0	7.0	0.0	6.0	8.0	7.0	26 Economies (8.00)*
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.9	89.5	0.0	0.0	Portugal (100.00)
Credit bureau coverage (% of adults)	22.0	22.4	22.0	22.0	0.0	0.0	100.0	70.2	22 Economies (100.00)*
Protecting Minority Investors (rank)	8	8	--	--	88	134	57	66	Singapore (1)*
Protecting Minority Investors (DTF Score)	73.33	73.33	73.33	73.33	53.33	43.33	58.33	56.67	Singapore (83.33)*
Strength of minority investor protection index (0-10)	7.3	7.3	7.3	7.3	5.3	4.3	5.8	5.7	3 Economies (8.30)*
Extent of conflict of interest regulation index (0-10)	6.7	6.7	6.7	6.7	6.3	5.0	6.0	5.0	Singapore (9.30)*
Extent of shareholder governance index (0-10)	8.0	8.0	8.0	8.0	4.3	3.7	5.7	6.3	4 Economies (8.00)*
Paying Taxes (rank)	157	156	--	--	86	132	92	47	United Arab Emirates (1)*
Paying Taxes (DTF Score)	56.14	56.14	56.14	56.14	74.42	64.46	73.67	81.6	United Arab Emirates (99.44)*
Payments (number per	33.0	33.0	33.0	33.0	21.0	9.0	6.0	7.0	Hong Kong SAR,



Indicator	India DB2016	India DB2015	Mumbai DB2016	Delhi DB2016	Bangladesh DB2016	China DB2016	Mexico DB2016	Russian Federation DB2016	Best performer globally DB2016
year)									China (3.00)*
Time (hours per year)	243.0	243.0	243.0	243.0	302.0	261.0	286.0	168.0	Luxembourg (55.00)
Total tax rate (% of profit)	60.6	60.6	60.6	60.6	31.6	67.8	51.7	47.0	Ireland (25.90)
Trading Across Borders (rank)	133	133	--	--	172	96	59	170	Denmark (1)*
Trading Across Borders (DTF Score)	56.45	56.45	56.9	56.05	34.86	69.13	82.09	37.39	Denmark (100)*
Time to export: Border compliance (hours)	109	109	88	128	100	26	20	96	15 Economies (0.00)*
Cost to export: Border compliance (USD)	413	413	368	453	408	522	400	1,125	18 Economies (0.00)*
Time to export: Documentary compliance (hours)	41	41	61	24	147	21	8	43	Jordan (0.00)
Cost to export: Documentary compliance (USD)	102	102	104	100	225	85	60	500	20 Economies (0.00)*
Time to import: Border compliance (hours)	287	287	311	266	183	92	44	96	19 Economies (0.00)*
Cost to import: Border compliance (USD)	574	574	556	590	1,294	777	450	1,125	28 Economies (0.00)*
Time to import: Documentary compliance (hours)	63	63	67	60	144	66	18	43	21 Economies (1.00)*
Cost to import: Documentary compliance (USD)	145	145	139	150	370	171	100	500	30 Economies (0.00)*
Enforcing Contracts	178	178	--	--	188	7	41	5	Singapore (1)

Indicator	India DB2016	India DB2015	Mumbai DB2016	Delhi DB2016	Bangladesh DB2016	China DB2016	Mexico DB2016	Russian Federation DB2016	Best performer globally DB2016
(rank)									
<b>Enforcing Contracts (DTF Score)</b>	32.41	32.41	32.41	32.41	22.21	77.56	67.39	78.56	Singapore (84.91)
<b>Time (days)</b>	1,420.0	1,420.0	1,420.0	1,420.0	1,442.0	452.8	389.0	307.0	Singapore (150.00)
<b>Cost (% of claim)</b>	39.6	39.6	39.6	39.6	66.8	16.2	30.9	16.5	Iceland (9.00)
<b>Quality of judicial processes index (0-18)</b>	7.5	7.5	7.5	7.5	7.5	14.1	10.6	12.5	3 Economies (15.50)*
<b>Resolving Insolvency (rank)</b>	136	136	--	--	155	55	28	51	Finland (1)
<b>Resolving Insolvency (DTF Score)</b>	32.59	32.6	32.59	32.59	26.36	55.43	73.03	58.39	Finland (93.81)
<b>Recovery rate (cents on the dollar)</b>	25.7	25.7	25.7	25.7	25.8	36.2	68.9	41.7	Japan (92.90)
<b>Time (years)</b>	4.3	4.3	4.3	4.3	4.0	1.7	1.8	2.0	Ireland (0.40)
<b>Cost (% of estate)</b>	9.0	9.0	9.0	9.0	8.0	22.0	18.0	9.0	Norway (1.00)
<b>Outcome (0 as piecemeal sale and 1 as going concern)</b>	0	0	0	0	0	0	1	0	
<b>Strength of insolvency framework index (0-16)</b>	6.0	6.0	6.0	6.0	4.0	11.5	11.5	11.5	4 Economies (15.00)*

Source: *Doing Business* database.

Note: DB2015 rankings shown are not last year's published rankings but comparable rankings for DB2015 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator. \* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent), located in the largest business city and is 100% domestically owned<sup>1</sup> with five owners, none of whom is a legal entity.
- Has at least 10 and up to 50 employees, all of them domestic nationals.
- Performs general commercial or industrial activities.

### WHAT THE STARTING A BUSINESS INDICATORS MEASURE

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city<sup>1</sup>
- Postregistration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice

#### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary before registration (or within 3 months)

- Has a start-up capital of 10 times income per capita and a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.
- Does not qualify for any special benefits.
- Leases the commercial plant or offices and is not a proprietor of real estate.

<sup>1</sup> For 11 economies the data are also collected for the second largest business city.

## STARTING A BUSINESS

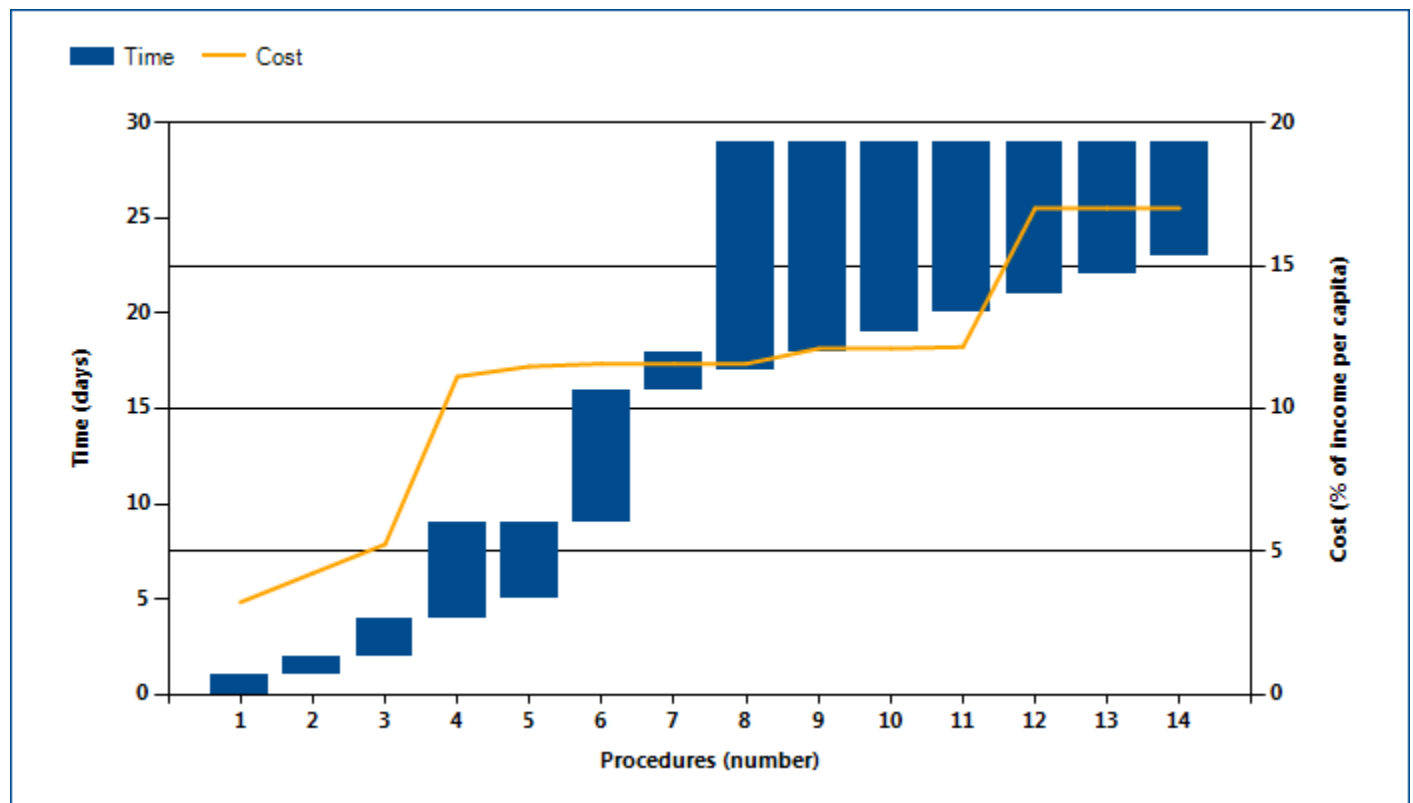
### Where does the economy stand today?

What does it take to start a business in India? According to data collected by *Doing Business*, starting a business there requires 12.90 procedures, takes 29.00 days, costs 13.50% of income per capita and requires paid-in minimum capital of 0.00% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

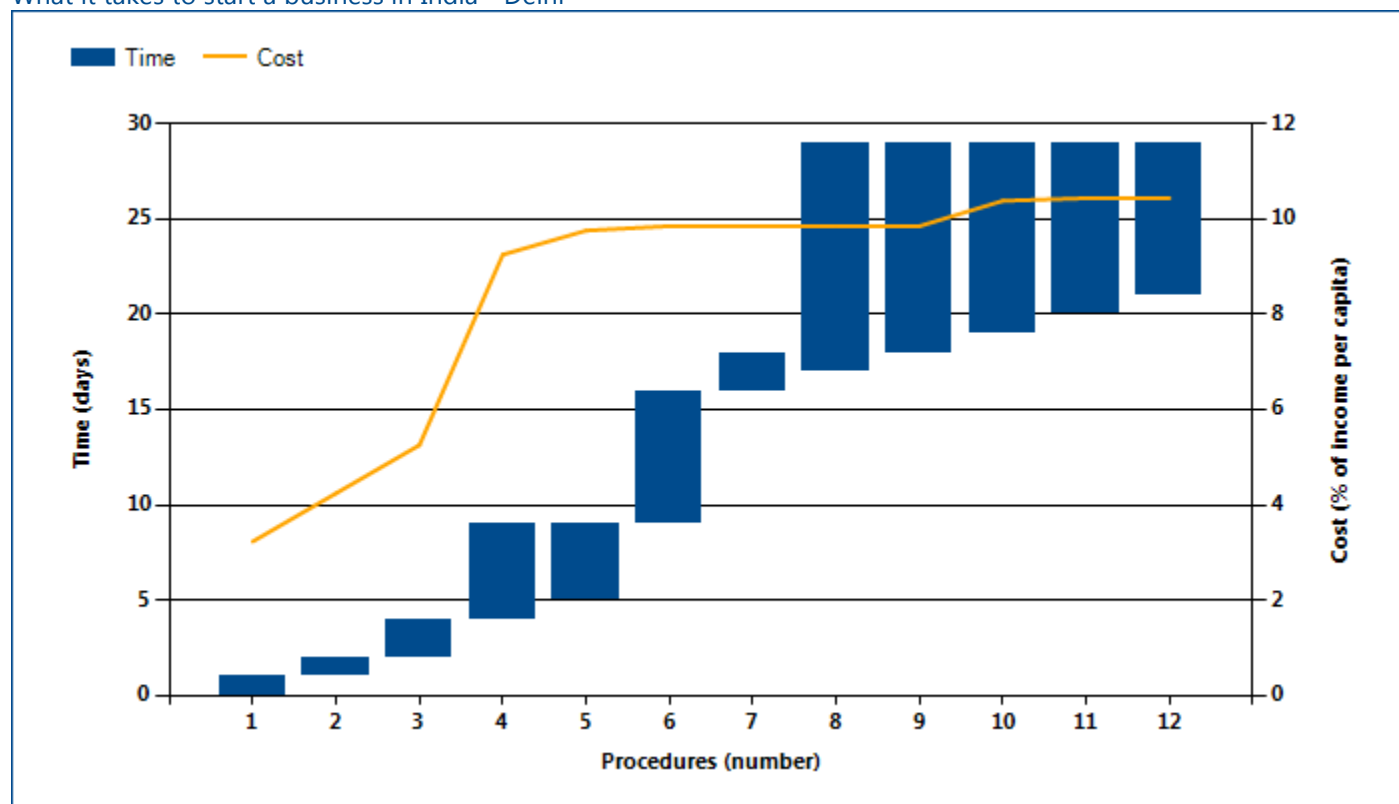
largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in India - Mumbai

Paid-in minimum capital (% of income per capita): 0.00



## What it takes to start a business in India - Delhi



Source: *Doing Business* database.

Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

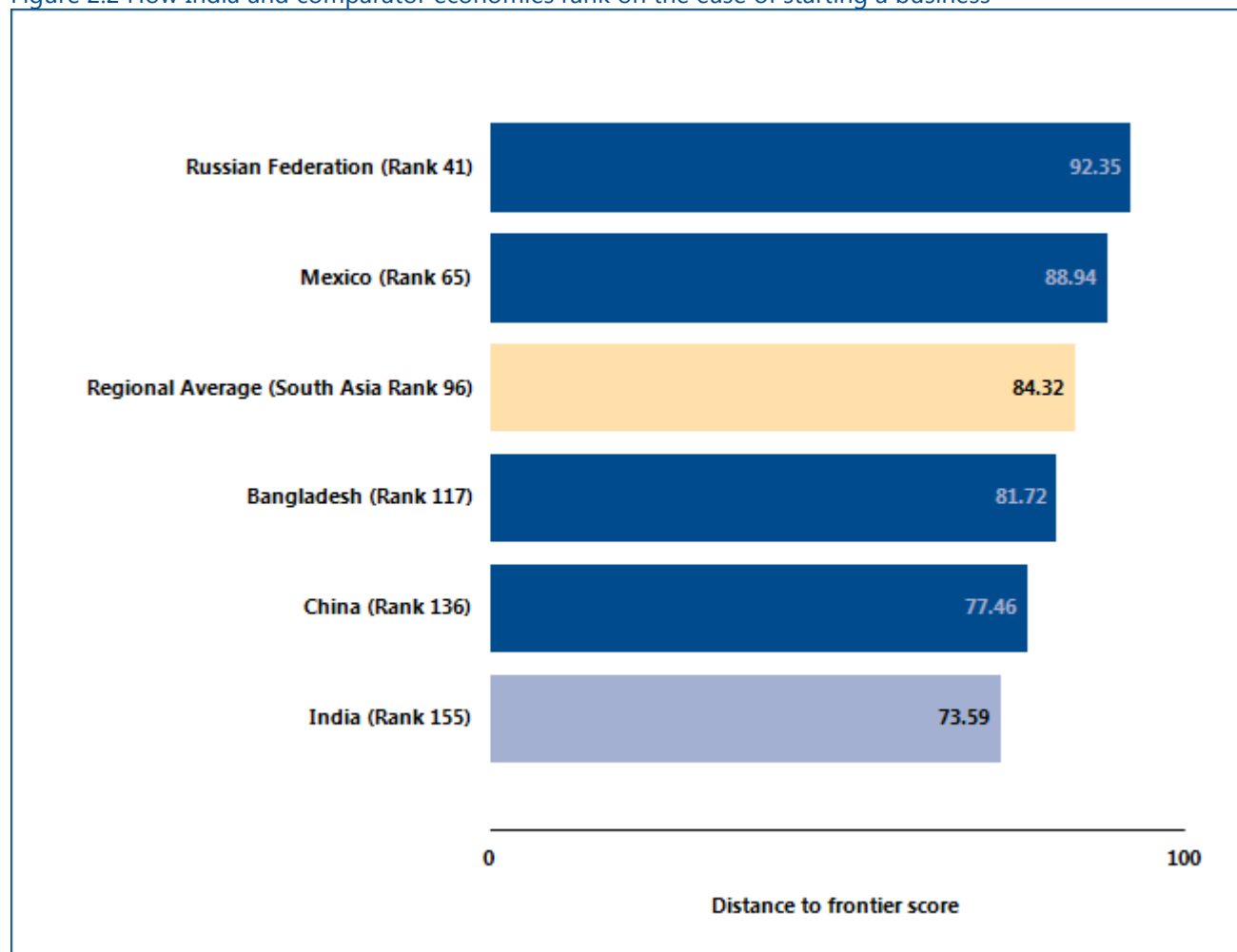


## STARTING A BUSINESS

Globally, India stands at 155 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to start a business.

Figure 2.2 How India and comparator economies rank on the ease of starting a business



Source: *Doing Business* database.

## STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in India (table 2.1)?

Table 2.1 How has India made starting a business easier—or not?  
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
<b>DB2011</b>	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version.
<b>DB2015</b>	India made starting a business easier by considerably reducing the registration fees, but also made it more difficult by introducing a requirement to file a declaration before the commencement of business operations. These changes apply to both Delhi and Mumbai.
<b>DB2016</b>	India made starting a business easier by eliminating the minimum capital requirement and the need to obtain a certificate to commence business operations. This reform applies to both Delhi and Mumbai.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

## STARTING A BUSINESS

### What are the details?

Underlying the indicators shown in this chapter for India is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

#### STANDARDIZED COMPANY

**Legal form:** Private Limited Company

**Paid-in minimum capital requirement:** INR 0

**City:** Mumbai, Delhi

**Start-up Capital:** 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in India - Mumbai

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain a digital signature certificate</b></p> <p>The applicant must obtain a Class-II Digital Signature Certificate from a certification agency authorized by the Controller of Certification Agencies. These include private agencies like NIC, E-Mudhra, MTNL Trust line, to which company directors submit the prescribed application form along with notarized proof of identity and address.</p> <p>A Class-II Digital Signature Certificate can be obtained for either a period of 1 year or a period of 2 years, and then needs to be renewed for another 1 or 2 years upon payment of renewal fees. Each agency has its own fee structure, ranging from INR 700 to INR 2500. The cost will vary in accordance with the duration of the Digital Signature Certificate. Once the Digital Signature Certificate is obtained, the authorized personnel (directors/manager/secretary) are required to register the same with MCA for statutory e-filing.</p> <p><i>Agency: Authorized private agency (Federal)</i></p>	1-3 days	INR 700 to INR 2,500 per Digital Signature Certificate
2	<p><b>Obtain director identification number (DIN) online</b></p> <p>As per Companies Act, 2013, the current procedure for obtaining DIN is as detailed below. Every private limited company must have at least 2 directors, each obtaining a DIN and DSC.</p> <p>1) Form DIR 3 has to be filed online with the Ministry of Corporate Affairs (MCA) along with a photograph and scanned copy of supporting documents i.e. proof of identity and proof of residence not older than 2</p>	1 day	INR 500 per DIN

No.	Procedure	Time to complete	Cost to complete
	<p>months.</p> <p>2) Form DIR 3 has to be signed and submitted electronically by the applicant using his or her own Digital Signature Certificate (DSC).</p> <p>3) Form DIR 3 has to be verified digitally by: (i) a chartered accountant in practice or a company secretary in practice or a cost accountant in practice (Practising Professional); or (ii) a company secretary in full time employment of the company or a director of the company in which the applicant is to be appointed as director.</p> <p>4) In case the Form DIR 3 is certified by a Practising Professional and is not identified by the system as a potential duplicate, the DIN will be approved and generated by the system immediately. In all other cases, a DIN application number is generated. The DIN application is then reviewed by MCA officials. In case the MCA officials are satisfied with the application based on the information provided, the DIN will be generated within a month of the date of application. If the eForm is not approved, then status of provisional DIN will appear as 'Lapsed'.</p> <p>Legal basis: Companies (Appointment and Qualifications of Directors) Rules, 2014 and FAQs published by Ministry of Corporate Affairs. The fee for obtaining a DIN number is specified in the Companies (Registration Offices and Fees) Rules, 2014.</p> <p>Agency: Ministry of Corporate Affairs (Federal)</p>		
3	<p><b>Reserve the company name with the Registrar of Companies (ROC) online</b></p> <p>In order to reserve a unique company name, a name search is conducted on the website of MCA and eForm INC-1 is required to be filed pursuant to Section 4(4) of the Companies Act, 2013 and Rule 8 &amp; 9 of Companies (Incorporation) Rules, 2014. The name reservation fee is provided under the Companies (Registration offices and fees) Rules, 2014.</p> <p>The process is as follows:</p> <ol style="list-style-type: none"> <li>1. Check availability of the proposed name by checking on the MCA21 portal for other companies or LLPs having similar names. Alternatively, engage a professional (practicing chartered accountant, company secretary or cost accountant) to perform the check on the MCA 21 portal and provide a search report which can be attached to the application.</li> <li>2. Prepare the application in eForm INC-1 with all relevant details and declarations. If a professional has been engaged to check availability of name, have the professional certify and digitally sign the eForm.</li> <li>3. Upload the eForm INC-1 to the MCA 21 portal and pay fees of INR 1,000 electronically (net banking or credit card).</li> <li>4. If the e-Form has been certified by a professional (as described above), the proposed name shall be approved by the Registrar of Companies on a priority basis via the Straight Through Process ("STP"),</li> </ol>	2-7 days	INR 1,000

No.	Procedure	Time to complete	Cost to complete
	<p>provided the name is not similar to any existing trademark, any of the words proposed in the company's name does not exactly match any existing company's name and the name does not consist of a single word (other than private limited).</p> <p>5. The name, if made available to the applicant, will be reserved for the applicant to use for 60 days from the date of application. If the proposed company is not incorporated during this 60-day period, the approval will lapse and the name will be available to other applicants.</p> <p><i>Agency: Registrar of Companies, Ministry of Corporate Affairs (Federal)</i></p>		
4	<p><b>Pay stamp duties online, file all incorporation forms and documents online and obtain the certificate of incorporation</b></p> <p>Pursuant to Section 7 (1) of the Companies Act, 2013 and pursuant to Rule 10, 12, 14 and 15 of Companies (Incorporation) Rules, 2014, the following forms are required to be electronically filed on the website of the Ministry of Corporate Affairs for incorporation purposes:</p> <p>a) Form-INC-7 (Application for Incorporation of Company). Scanned copies of the signed Memorandum and Articles of Association of the company, have to be attached to Form-INC-7.</p> <p>b) Form-INC-22 (Notice of situation or change of address of the registered office of the company). Proof of registered office address such as conveyance/ lease deed/ rent agreement etc. along with the rent receipts as well as copies of the utility bills (proof of evidence of any utility service like telephone, gas, electricity etc.) depicting the address of the premises not older than two months is required to be attached to Form INC 22.</p> <p>c) Form- DIR-12 (Particulars of appointment of directors and the key managerial personnel and the changes among them).</p> <p>Fee schedule for a small company of paid-up share capital between INR 500,000 and INR 1,000,000:</p> <ul style="list-style-type: none"> <li>- Filing of the Memorandum of Association: INR 2,000</li> <li>- Filing fee for filing the Articles of association: INR 400</li> <li>- Filing fee for Form INC-7: INR 400</li> <li>- Filing fee for Form INC-22: INR 400</li> <li>- Filing fee for Form DIR-12: INR 400</li> <li>- Stamp duty for Articles of Association: IINR 2,000 (INR 1,000 on every INR 5 Lakhs of authorized capital or part thereof subject to a maximum of 50 Lakhs of Stamp Duty)</li> <li>- Stamp duty for Memorandum of Association: INR 200</li> </ul> <p><i>Agency: Registrar of Companies, Ministry of Corporate Affairs (Federal)</i></p>	5 days on average	see comments



No.	Procedure	Time to complete	Cost to complete
5	<p><b>* Make a company seal and stamp</b></p> <p>As per the amendment to the Companies Act 2013, making a company seal is no longer a legal requirement. However, it is still commonly used in practice. In addition, the new company also makes a stamp. While the common seal is used as the signature of the company upon issuing share certificates or to execute other key documents, the stamp is normally required to be affixed by a director upon signing on behalf of the company in order to file several applications relevant to business startup. This includes but is not limited to applications for registration with the Employee State Insurance Corporation (ESIC) and application for a company Permanent Account Numbers (PAN).</p> <p><i>Agency: Authorized vendor (Private)</i></p>	<p>1 day (simultaneous with previous procedure)</p>	<p>INR 350-500</p>
6	<p><b>Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) or Unit Trust of India (UTI)</b></p> <p>Under the Income Tax Act 1961, each person must quote his or her permanent account number (PAN) for tax payment purposes and the tax deduction and collection account number (TAN) for depositing tax deducted at source. The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department. Since 2003/04, UTI and NSDL have become the authorized agencies that process PAN registration applications on behalf of the Income Tax department.</p> <p>The applicant completes Form 49A (statutory form for applying for PAN), pays the due fees of INR 93 (plus applicable taxes currently at 12.36%) either online or otherwise and submits the application form together with proof of identity, proof of address and 2 recent photographs to the authorized agent/designated service centers for verification. After being allotted a PAN number, UTI/NSDL will print the PAN card and deliver it to the applicant.</p> <p><i>Agency: Private agencies authorized by UTI or NSDL, as outsourced by the Income Tax Department (Federal)</i></p>	<p>7-10 days</p>	<p>INR 93</p>
7	<p><b>Open a bank account</b></p> <p>The company must open a bank account. The bank account details must be provided by the company in various post-registration applications, such as registrations for taxes.</p> <p><i>Agency: Bank</i></p>	<p>2-4 days</p>	<p>no charge</p>

No.	Procedure	Time to complete	Cost to complete
8	<p><b>* Register with Employees' Provident Fund Organization</b></p> <p>The Employees Provident Fund Organization (EPFO) is a statutory organization under the Ministry of Labor and Employment. The Employees Provident Funds &amp; Miscellaneous Provisions Act, 1952 applies to an establishment, employing 20 or more persons and engaged in any of the 183 Industries and Classes of business establishments, throughout India excluding the State of Jammu and Kashmir.</p> <p>For verification purposes, the employer shall send the copies of all the documents mentioned in the application form along with the copy of the application generated at the time of submission after the issuance of PF Code intimation letter to the EPFO office. Applications submitted for allotment of Provident Fund Code Number shall be verified by the EPFO official at the time of post coverage inspection. The employer shall keep all the original documents ready for verification by the EPFO authorities.</p> <p><i>Agency: Employees Provident Fund Organization (Federal)</i></p>	12 days, simultaneous with previous procedure	no charge
9	<p><b>* Register for VAT online</b></p> <p>VAT online registration is conducted via the website <a href="http://www.mahavat.gov.in">www.mahavat.gov.in</a>. After the completed application form is submitted online, an acknowledgment containing the date and time for attending before the registering authority along with code/designation and address of registering authority is generated. The company should print a copy of the completed e-application and submit it along with the acknowledgement to the registration authority for verification and photo attestation on a given date and time along with relevant documents. If the application is correct and complete in all respect along with relevant documents, then the registering authority will generate TIN after verification of the documents. Registration certificate will be printed and issued to the company on the appointed date. The appointment date is usually scheduled in the next 10 days.</p> <p>Other accompanying documentation includes:</p> <ul style="list-style-type: none"> <li>- Certified true copy of the memorandum and articles of association of the company.</li> <li>- Proof of permanent residential address.</li> <li>- Proof of place of business (lease agreement)</li> <li>- One recent passport size photograph of the applicant</li> <li>- Copy of Income Tax Assessment Order having PAN or copy of PAN card</li> <li>- Chalan in Form No. 210 (original) showing payment of registration fee at INR 5000/in case of voluntary RC and INR 500/in other cases</li> </ul> <p><i>Agency: Department of Sales Tax</i></p>	10 days, simultaneous with previous procedure	INR 500 (Registration Fee) + INR 25 (Stamp Duty) for compulsory VAT registration

No.	Procedure	Time to complete	Cost to complete
10	<p><b>* Register for medical insurance (ESIC)</b></p> <p>As per the Employees' State Insurance (General), Form 01 is the form required to be submitted by Employer for registration. The Employer Code Number issued will be included in the "intimation letter" which is sent by post to the employer. Employers can now submit application online for registration under ESI Act on the ESIC website (<a href="http://www.esic.in">www.esic.in</a>).</p> <p>The Employee's individual insurance is a separate process and occurs after Employer's registration. The Employer is responsible for submitting the required Declaration Form and employees are responsible for providing correct information to the employer. The employee temporary cards (ESI Cards) are issued on the spot by the local offices in many places. The temporary cards are valid for 13 weeks from the date of appointment of the employees. It takes a few weeks to get a permanent ESI card. Inspectors may visit the business premises to ensure compliance under the ESI Act.</p> <p><i>Agency: Employees' State Insurance Corporation (Federal)</i></p>	9 days, simultaneous with previous procedure	no charge
11	<p><b>* Obtain a tax account number for income taxes deducted at source from the Assessing Office in the Mumbai Income Tax Department</b></p> <p>The tax deduction and collection account number (TAN) is a 10-digit alphanumeric number required by all persons responsible for deducting or collecting tax, as per Section 203A of the Income Tax Act.</p> <p>Any authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) can accept and process the TAN application. TAN applications can be made either online through the NSDL website <a href="http://www.tin-nsdl.com">www.tin-nsdl.com</a> or offline. The application must be filed using Form 49B and submitted at any TIN Facilitation Center authorized to receive e-TDS returns. The processing fee is INR 55 (plus applicable taxes). After verification of the application, it is sent to Income Tax Department which issues the TAN to the applicant. The national government levies the income tax.</p> <p><i>Agency: Private agencies authorized by NSDL, as outsourced by the Income Tax Department (Federal)</i></p>	7 days, simultaneous with previous procedure	INR 55 application fee

No.	Procedure	Time to complete	Cost to complete
12	<p><b>* Register with Office of Inspector, Mumbai Shops and Establishment Act</b></p> <p>According to Section 7 of the Bombay Shops and Establishments Act, 1948, the establishment must be registered as follows:</p> <ul style="list-style-type: none"> <li>- Under Section 7(4), the employer must register the establishment in the prescribed manner within 30 days of the date on which the establishment commences its work.</li> <li>- Under Section 7(1), the establishment must submit to the local shop inspector Form A and the prescribed fees for registering the establishment. Supporting documents must be attached, including a certified true copy of the company's PAN Card, TAN Allotment Letter, Certificate of Incorporation, Memorandum and Articles of Association, a list of company directors, their particulars and copies of their PAN Cards.</li> <li>- Under Section 7(2), after the statement in Form A and the prescribed fees are received and the correctness of the statement is satisfactorily audited, the certificate for the registration of the establishment is issued in Form D, according to the provisions of Rule 6 of the Maharashtra Shops and Establishments Rules of 1961.</li> </ul> <p>Since the amendments in the Maharashtra Shops &amp; Establishment (Amendment) Rules, 2010, the Schedule for fees for registration &amp; renewal of registration (as per Rule 5) is as follows:</p> <p>0 employees: INR 120  1 to 5 employees: INR 360  6 to 10 employees: INR 720  11 to 20 employees: INR 1,200  21 to 50 employees: INR 2,400  51 to 100 employees: INR 4,200  101 or more: INR 5,400.</p> <p>In addition, an annual fee (three times the registration and renewal fees) is charged as trade refuse charges (TRC), under the Mumbai Municipal Corporation Act, 1888.</p> <p><i>Agency: Municipal Corporation of Greater Mumbai</i></p>	2 days, simultaneous with previous procedure	INR 1,200 (registration fee) + 3 times registration fee for Trade Refuse Charges (INR 3,600)
13	<p><b>* Receive inspection and obtain the Shops and Establishments registration certificate</b></p> <p>After applying for registration under the Shops and Establishments Act by visiting the nearest Citizen Facilitation Center (CFC) of the Municipal Corporation of Greater Mumbai to file the duly completed and signed Form A, along with the required documents and fees, the application is assigned to and processed by Department Head (Sr.Inspector) at the concerned Ward.</p> <p>After site inspection and approval of the application the Registration Certificate is issued to the applicant.</p> <p><i>Agency: Office of Inspector, Municipal Corporation of Greater Mumbai</i></p>	2-6 days, simultaneous with previous procedure	no charge

No.	Procedure	Time to complete	Cost to complete
14	<p><b>* Register for profession tax</b></p> <p>According to section 5 of the Profession Tax Act, every employer (not being an officer of the government) is liable to pay tax and shall obtain a certificate of registration from the prescribed authority.</p> <p>The application form, duly completed can be submitted online. An acknowledgment containing the date and time for attending before the registration authority along with the code/ designation and address of the registration authority will be generated. The company should take a print of the copy of the completed e-application and the employee/ person applying on behalf of the company should affix his signature at relevant places and then submit the printed copy of the filled e-application form along with the acknowledgment to the registration authority for verification on the given date and time along with relevant documents. If the application is correct and complete in all respects, then the registration authority will generate TIN (registration/enrolment number under the Profession Tax Act) after the verification of the documents. Registration certificate will be printed and issued to the company on the appointed date.</p> <p>Documents required to be provided with the application form include:</p> <ul style="list-style-type: none"> <li>- copy of the memorandum and articles of association of the company;</li> <li>- proof of place of business: Proof of ownership of the premises namely, copy of the property card or ownership deed or agreement with the builder or any other relevant documents;</li> <li>- copy of the PAN and/ or TAN;</li> <li>- proof of residence of the signatory to the application;</li> <li>- bank account number, bank and branch name, and blank cancelled cheque leaf of the bank account.</li> </ul> <p><i>Agency: Commissioner of Profession Tax, Department of Sales Tax</i></p>	2 days, simultaneous with previous procedure	no charge

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

#### Summary of time, cost and procedures for starting a business in India - Delhi

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain digital signature certificate online from private agency authorized by the Ministry of Corporate Affairs (National)</b></p> <p>The applicant must obtain a Class-II Digital Signature Certificate from a certification agency authorized by the Controller of Certification</p>	1-3 days	INR 700 to INR 2,500 per Digital Signature Certificate



No.	Procedure	Time to complete	Cost to complete
	<p>Agencies. These include private agencies like NIC, E-Mudhra, MTNL Trust line, to which company directors submit the prescribed application form along with notarized proof of identity and address.</p> <p>A Class-II Digital Signature Certificate can be obtained for either a period of 1 year or a period of 2 years, and then needs to be renewed for another 1-2 years upon payment of renewal fees. Each agency has its own fee structure, starting from INR 700. The cost will vary in accordance with the duration of the Digital Signature Certificate. Once the Digital Signature Certificate is obtained, the authorized personnel (directors/manager/secretary) are required to register the same with MCA for statutory e-filing.</p> <p><i>Agency: Certified private agencies</i></p>		
2	<p><b>Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal</b></p> <p>As per Companies Act, 2013, the current procedure for obtaining DIN is as detailed below. Every private limited company must have at least 2 directors, each would obtain a DIN number.</p> <p>1) Form DIR 3 has to be filed online with the Ministry of Corporate Affairs (MCA) along with a photograph and scanned copy of supporting documents i.e. proof of identity and proof of residence not older than 2 months.</p> <p>2) Form DIR 3 has to be signed and submitted electronically by the applicant using his or her own Digital Signature Certificate (DSC).</p> <p>3) Form DIR 3 has to be verified digitally by: (i) a chartered accountant in practice or a company secretary in practice or a cost accountant in practice (Practising Professional); or (ii) a company secretary in full time employment of the company or a director of the company in which the applicant is to be appointed as director.</p> <p>4) In case the Form DIR 3 is certified by a Practising Professional and is not identified by the system as a potential duplicate, the DIN will be approved and generated by the system immediately. In all other cases, a DIN application number is generated. The DIN application is then reviewed by MCA officials. In case the MCA officials are satisfied with the application based on the information provided, the DIN will be generated within a month of the date of application. If the eForm is not approved, then status of provisional DIN will appear as 'Lapsed'.</p> <p>Legal basis: Companies (Appointment and Qualifications of Directors) Rules, 2014 and FAQs published by Ministry of Corporate Affairs. The fee for obtaining a DIN number is specified in the Companies (Registration Offices and Fees) Rules, 2014.</p> <p><i>Agency: Ministry of Corporate Affairs</i></p>	1 day	INR 500 per DIN

No.	Procedure	Time to complete	Cost to complete
3	<p><b>Reserve the company name online with the Registrar of Companies (ROC)</b></p> <p>In order to reserve a unique company name, a name search is conducted on the website of MCA and eForm INC-1 is required to be filed pursuant to Section 4(4) of the Companies Act, 2013 and Rule 8 &amp; 9 of Companies (Incorporation) Rules, 2014. The name reservation fee is provided under the Companies (Registration offices and fees) Rules, 2014.</p> <p>The process is as follows:</p> <ol style="list-style-type: none"> <li>1. Check availability of the proposed name by checking on the MCA21 portal for other companies or LLPs having similar names. Alternatively, engage a professional (practicing chartered accountant, company secretary or cost accountant) to perform the check on the MCA 21 portal and provide a search report which can be attached to the application.</li> <li>2. Prepare the application in eForm INC-1 with all relevant details and declarations. If a professional has been engaged to check availability of name, have the professional certify and digitally sign the eForm.</li> <li>3. Upload the eForm INC-1 to the MCA 21 portal and pay fees of INR 1,000 electronically (net banking or credit card).</li> <li>4. If the e-Form has been certified by a professional (as described above), the proposed name shall be approved by the Registrar of Companies on a priority basis via the Straight Through Process ("STP"), provided the name is not similar to any existing trademark, any of the words proposed in the company's name does not exactly match any existing company's name and the name does not consist of a single word (other than private limited).</li> <li>5. The name, if made available to the applicant, will be reserved for the applicant to use for 60 days from the date of application. If the proposed company is not incorporated during this 60-day period, the approval will lapse and the name will be available to other applicants.</li> </ol> <p><i>Agency: Registrar of Companies (ROC)</i></p>	2-7 days	INR 1,000
4	<p><b>Pay stamp duties online, file all incorporation forms and documents online and obtain the Certificate of Incorporation</b></p> <p>Pursuant to Section 7 (1) of the Companies Act, 2013 and pursuant to Rule 10, 12, 14 and 15 of Companies (Incorporation) Rules, 2014, the following forms are required to be electronically filed on the website of the Ministry of Corporate Affairs for incorporation purposes:</p> <p>a) Form-INC-7 (Application for Incorporation of Company). Scanned copies of the signed Memorandum and Articles of Association of the company, have to be attached to Form-INC-7.</p>	5 days on average	see comments

No.	Procedure	Time to complete	Cost to complete
	<p>b) Form-INC-22 (Notice of situation or change of address of the registered office of the company). Proof of registered office address such as conveyance/ lease deed/ rent agreement etc. along with the rent receipts as well as copies of the utility bills (proof of evidence of any utility service like telephone, gas, electricity etc.) depicting the address of the premises not older than two months is required to be attached to Form INC 22.</p> <p>c) Form- DIR-12 (Particulars of appointment of directors and the key managerial personnel and the changes among them).</p> <p>Fee schedule for a small company of paid-up share capital between INR 500,000 and INR 1,000,000: - Filing of the Memorandum of Association: INR 2,000 - Filing fee for filing the Articles of association: INR 400 - Filing fee for Form INC-7: INR 400 - Filing fee for Form INC-22: INR 400 - Filing fee for Form DIR-12: INR 400 - Stamp duty for Articles of Association: INR 150 - Stamp duty for Memorandum of Association: INR 200</p> <p><i>Agency: Registrar of Companies (ROC)</i></p>		
5	<p><b>* Make a company seal and stamp</b></p> <p>As per the amendment to the Companies Act 2013, making a company seal is no longer a legal requirement. However, it is still commonly used in practice. In addition, the new company also makes a stamp. While the common seal is used as the signature of the company upon issuing share certificates or to execute other key documents, the stamp is normally required to be affixed by a director upon signing on behalf of the company in order to file several applications relevant to business startup. This includes but is not limited to applications for registration with the Employee State Insurance Corporation (ESIC) and application for a company Permanent Account Numbers (PAN).</p> <p><i>Agency: Authorized vendor (Private)</i></p>	<p>1 day (simultaneous with previous procedure)</p>	<p>INR 500-1,000</p>
6	<p><b>Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL) or the Unit Trust of India (UTI) Investors Services Ltd., as outsourced by the Income Tax Department</b></p> <p>Under the Income Tax Act 1961, each person must quote his or her permanent account number (PAN) for tax payment purposes and the tax deduction and collection account number (TAN) for depositing tax deducted at source. The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department. Since 2003/04, UTI and NSDL have become the authorized agencies that process PAN registration applications on behalf of the Income Tax department.</p> <p>The applicant completes Form 49A (statutory form for applying for PAN), pays the due fees of INR 93 (plus applicable taxes currently at</p>	<p>7-10 days</p>	<p>INR 93</p>

No.	Procedure	Time to complete	Cost to complete
	<p>12.36%) either online or otherwise and submits the application form together with proof of identity, proof of address and 2 recent photographs to the authorized agent/designated service centers for verification. After being allotted a PAN number, UTIISL or NSDL will print the PAN card and deliver it to the applicant.</p> <p><i>Agency: Private agencies authorized by UTI or NSDL, as outsourced by the Income Tax Department (Federal)</i></p>		
7	<p><b>Open a bank account</b></p> <p>The company must open a bank account. The bank account details must be provided by the company in various post-registration applications, such as registrations with taxes.</p> <p><i>Agency: Bank</i></p>	2-4 days	no charge
8	<p><b>* Register with the Employees' Provident Fund Organization</b></p> <p>The Employees Provident Fund Organization (EPFO) is a statutory organization under the Ministry of Labor and Employment. The Employees Provident Funds &amp; Miscellaneous Provisions Act, 1952 applies to an establishment, employing 20 or more persons and engaged in any of the 183 Industries and Classes of business establishments, throughout India excluding the State of Jammu and Kashmir.</p> <p>For verification purposes, the employer shall send the copies of all the documents mentioned in the application form along with the copy of the application generated at the time of submission after the issuance of PF Code intimation letter to the EPFO office. Applications submitted for allotment of Provident Fund Code Number shall be verified by the EPFO official at the time of post coverage inspection. The employer shall keep all the original documents ready for verification by the EPFO authorities.</p> <p><i>Agency: Employees Provident Fund Organization (Federal)</i></p>	12 days on average (simultaneous with previous procedure)	no charge
9	<p><b>* Register for medical insurance at the regional office of the Employees' State Insurance Corporation</b></p> <p>As per the Employees' State Insurance (General), Form 01 is the form required to be submitted by Employer for registration. The Employer Code Number issued will be included in the "intimation letter" which is sent by post to the employer. Employers can now submit application online for registration under ESI Act on the ESIC website (<a href="http://www.esic.in">www.esic.in</a>).</p> <p>The Employee's individual insurance is a separate process and occurs after Employer's registration. The Employer is responsible for submitting the required Declaration Form and employees are</p>	10 days (simultaneous with previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>responsible for providing correct information to the employer. The employee temporary cards (ESI Cards) are issued on the spot by the local offices in many places. The temporary cards are valid for 13 weeks from the date of appointment of the employees. It takes a few weeks to get a permanent ESI card. Inspectors may visit the business premises to ensure compliance under the ESI Act.</p> <p><i>Agency: Employees' State Insurance Corporation, Ministry of Labor and Employment</i></p>		
10	<p><b>* Register for Value-Added Tax (VAT) at the Department of Trade and Taxes, Government of NCT of Delhi (State)</b></p> <p>Form DVAT 04: Application for Registration under Delhi Value Added Tax Act, 2004 must be filed with Department of Trade and Taxes, Government of NCT of Delhi. Online registration for VAT has been introduced on April 30, 2015.</p> <p>The following documents are required to be submitted along with the application:</p> <ul style="list-style-type: none"> <li>(i) Parts A, B, C &amp; D of the Form-DVAT-04 duly filled in</li> <li>(ii) Proof of incorporation of the applicant dealer i.e. in case of a private company, incorporation certificate and constitutional documents</li> <li>(iii) Proof of identity of authorised signatory signing the Registration Application Form</li> <li>(iv) Two self addressed envelopes (without stamps)</li> <li>(v) In case of a dealer applying for registration and simultaneously opting for payment of tax under composition scheme, an application in Form DVAT 01 is to be attached along with this application</li> </ul> <p><i>Agency: Department of Trade and Taxes, Government of NCT of Delhi</i></p>	9 days on average (simultaneous with previous procedure)	INR 500 registration fee + INR 25 stamp duty for compulsory VAT registration
11	<p><b>* Obtain a Tax Account Number (TAN) for income taxes deducted at the source from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL), as outsourced by the Income Tax Department</b></p> <p>The tax deduction and collection account number (TAN) is a 10-digit alphanumeric number required by all persons responsible for deducting or collecting tax, as per Section 203A of the Income Tax Act.</p> <p>Any authorized franchise or agent appointed by National Securities Depository Services Limited (NSDL) can accept and process the TAN application. TAN applications can be made either online through the NSDL website <a href="http://www.tin-nsdl.com">www.tin-nsdl.com</a> or offline. The application must be filed using Form 49B and submitted at any TIN Facilitation Center authorized to receive e-TDS returns. The processing fee is INR 55 (plus applicable taxes). After verification of the application, it is sent to Income Tax Department which issues the TAN to the applicant. The national government levies the income tax.</p>	7 days (simultaneous with previous procedure)	INR 55 application fee

No.	Procedure	Time to complete	Cost to complete
	Agency: Private agencies authorized by UTI or NSDL, as outsourced by the Income Tax Department (Federal)		
12	<p><b>* Register online under the Delhi Shops and Establishments Act</b></p> <p>Under the Delhi Shops and Establishments Act 1954, the company shall send to the Chief Inspector a statement in prescribed form A containing:</p> <p>(a) the name of the employer and the manager  (b) the postal address of the establishment  (c) the name of the establishment,  (d) the category of the establishment, i.e. whether it is a shop/commercial establishment  (e) the number of employees working in the establishment; and  (f) such other particulars as may be prescribed.</p> <p>Upon receipt of the statement, a registration certificate will be generated online instantly.</p> <p>Agency: Department of Labor - Government of NCT of Delhi</p>	Less than one day (online procedure, simultaneous with previous procedure)	no charge

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year *Doing Business* introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

### Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering and selling the warehouse after its completion

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

#### Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)



The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least one employee who is a licensed architect or engineer and registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

#### **Assumptions about the warehouse**

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.

- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

#### **Assumptions about the utility connections**

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

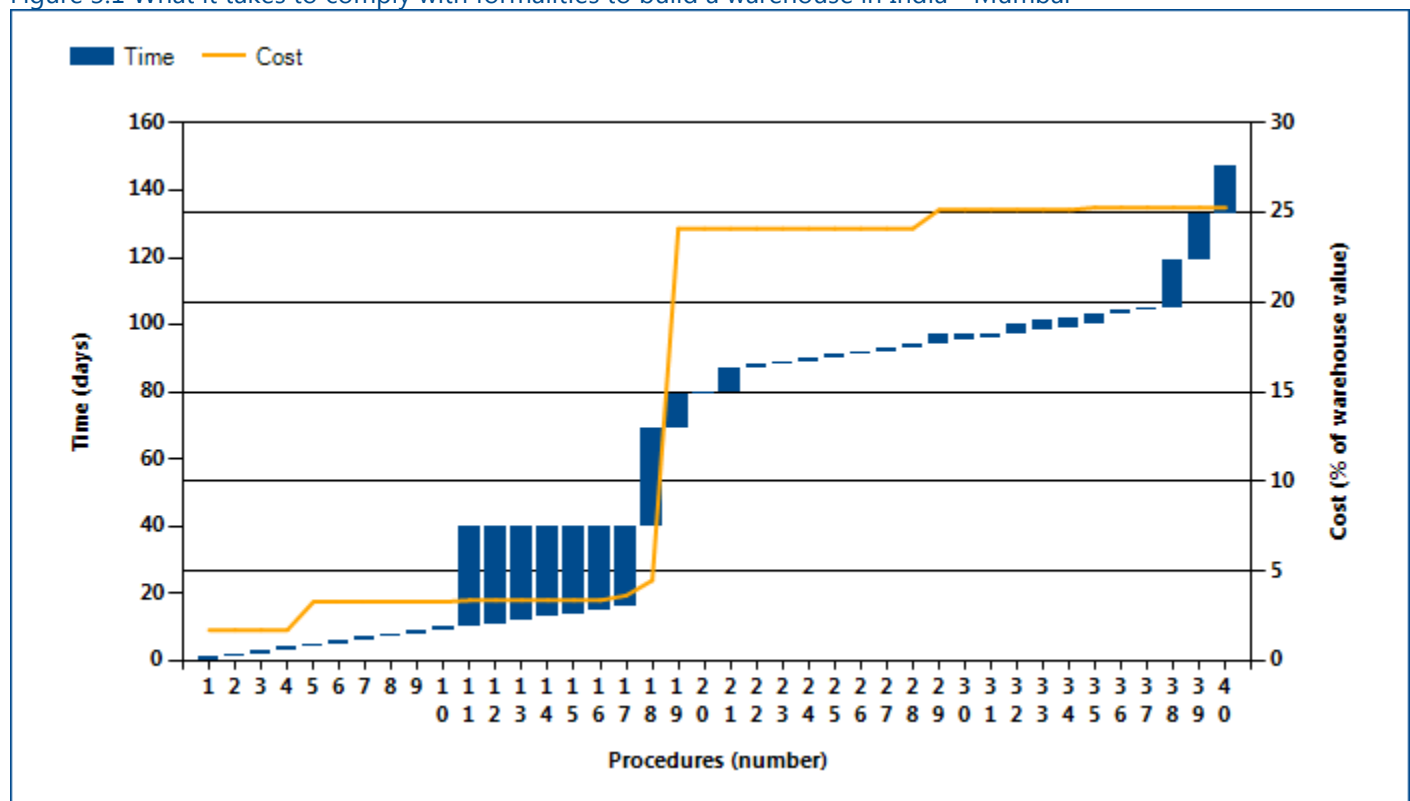
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

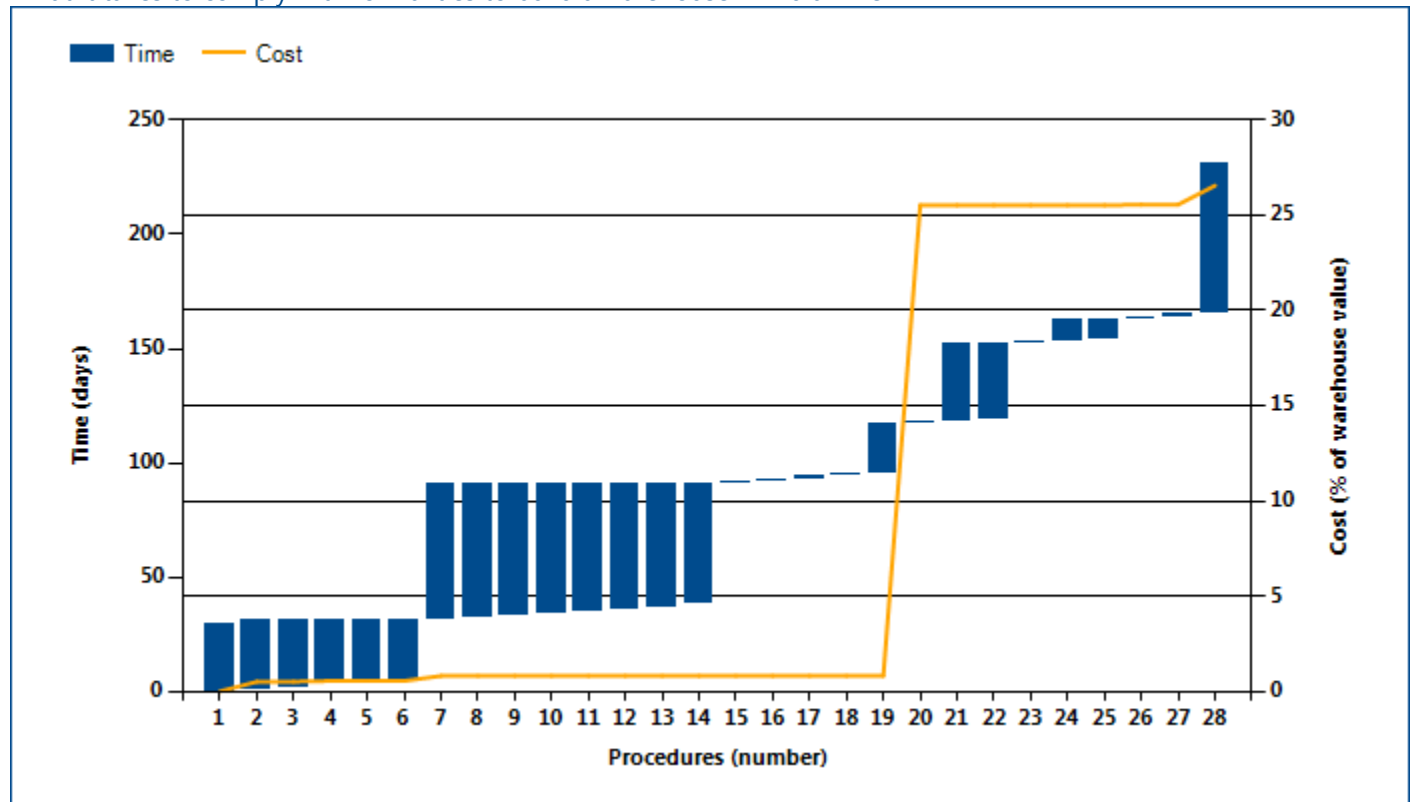
What does it take to comply with the formalities to build a warehouse in India? According to data collected by *Doing Business*, dealing with construction permits there requires 33.60 procedures, takes 191.50 days and costs 26.00% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in India - Mumbai



## What it takes to comply with formalities to build a warehouse in India - Delhi



Source: *Doing Business* database.

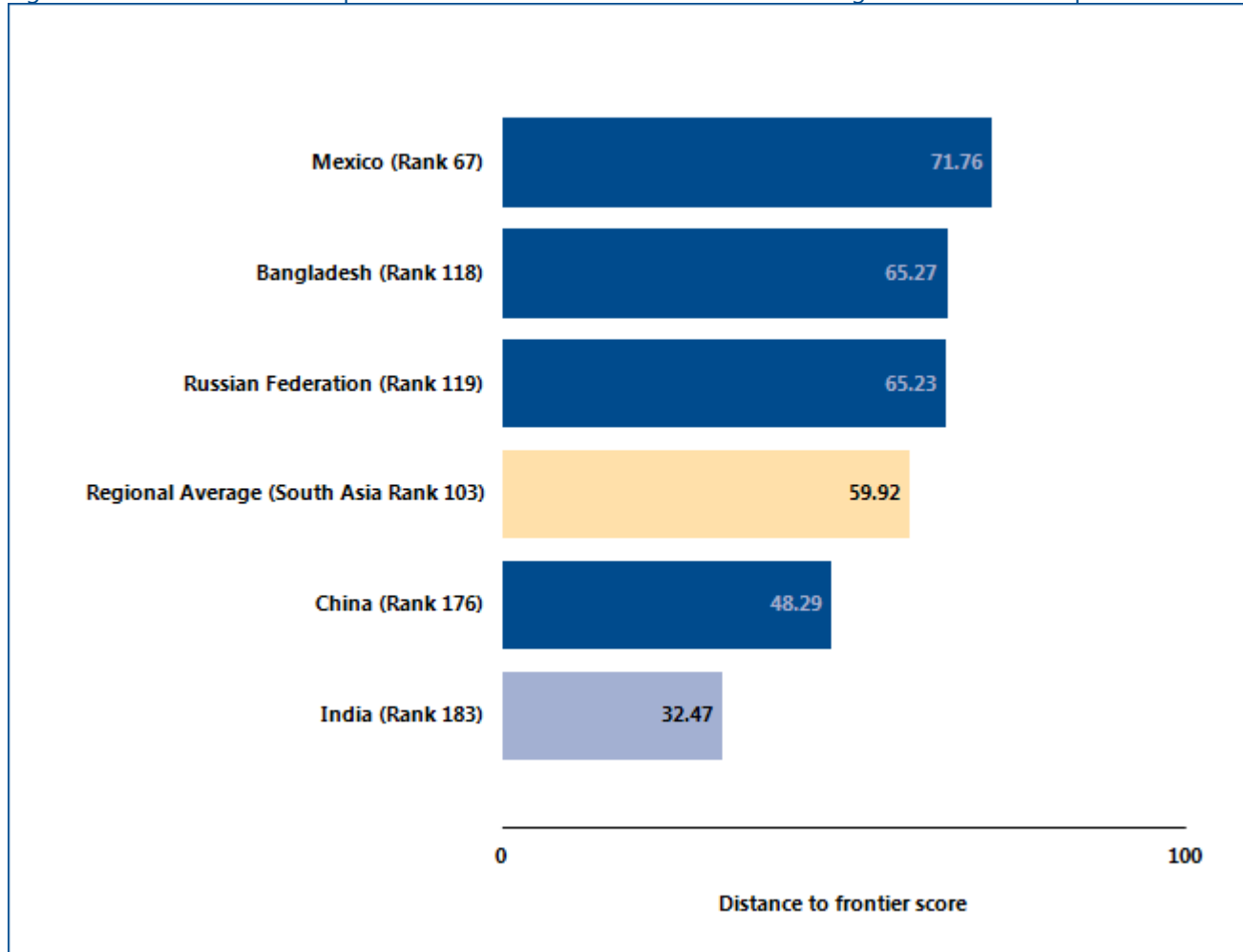
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

## DEALING WITH CONSTRUCTION PERMITS

Globally, India stands at 183 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to legally build a warehouse.

Figure 3.2 How India and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In

an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in India (table 3.1)?

Table 3.1 How has India made dealing with construction permits easier—or not?  
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
<b>DB2013</b>	India reduced the time required to obtain a building permit by establishing strict time limits for preconstruction approvals.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

## DEALING WITH CONSTRUCTION PERMITS

### What are the details?

The indicators reported here for India are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

#### BUILDING A WAREHOUSE

**Estimated value of warehouse :** **INR 4,942,035**

**City :** **Mumbai, Delhi**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in India - Mumbai

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit application and design plans and pay scrutiny fee</b></p> <p>BuildCo submits application form with plans and all required documents, as prescribed by Section 337 of the BMC Act, at the sub-engineer of the concerned locality within the Eastern suburbs of Mumbai. The sub-engineer reviews the plans and makes sure that the property card is mutated in the name of the owner of the land and signs on the plans. If all documents are in order and the file is complete, BuildCo can proceed to pay the scrutiny fees in the same building by cash or bank draft. Once the fees have been paid, the application file is forwarded to the concerned officer in the Building Proposal Office. Then the file is forwarded to the Survey Office, which will remark on the application file and check the remarks from the Development Plan Office (obtained during the design stage of the project). If the Survey Office is satisfied with their review, they will send back the application file to the Building Proposal Office within one week.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	1 day	INR 85,840
2	<p><b>Receive site inspection from Building Proposal Office</b></p> <p>A sub-engineer from the Building Proposal Office will conduct a site inspection within 3 -- 4 days of receiving the file from the survey office. The date and time of the site inspection are arranged by BuildCo's architect. BuildCo must be on-site when the inspection takes place.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
3	<p><b>* Apply for no-objection certificate (NOC) from Tree Authority</b></p> <p>Due to stringent environmental regulations, BuildCo must receive clearance from the Tree Authority (set up under the Maharashtra (urban areas) Preservation of Trees Act, 1975). The Tree Authority commission only meets once a month. The Tree Authority must ascertain what trees (if any) will be cut down as a result of construction. If trees are to be cut down, BuildCo will have to plant trees to replace them.</p> <p><i>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
4	<p><b>* Apply for no-objection certificate (NOC) from Storm Water and Drain Department</b></p> <p><i>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
5	<p><b>* Apply for no-objection certificate (NOC) from Sewerage Department</b></p> <p><i>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</i></p>	1 day	INR 77,306
6	<p><b>* Apply for no-objection certificate (NOC) from the Hydraulic Engineer Department (water supply)</b></p> <p><i>Agency: Hydraulic Engineer Department, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
7	<p><b>* Receive inspection from Tree Authority</b></p> <p>Inspectors from the Tree Authority visit the site to check if there are any trees located on the premises.</p> <p><i>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</i></p>	1 day	no charge
8	<p><b>* Receive inspection from Storm Water and Drain Department</b></p> <p><i>Agency: Storm Water and Drain Department, Municipal</i></p>	1 day	no charge



No.	Procedure	Time to complete	Cost to complete
	<i>Corporation of Greater Mumbai</i>		
9	<p><b>* Receive inspection from Sewerage Department</b></p> <p>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
10	<p><b>* Receive inspection from the Hydraulic Engineer Department (water supply)</b></p> <p>Agency: Hydraulic Engineer Department, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
11	<p><b>* Obtain NOC from Tree Authority</b></p> <p>Upon receipt of application for NOC, the Tree Authority will send a Tree Officer to personally inspect the trees on the premise. The Tree Officer then submits a report to the Tree Authority within a period of 30 days from the receipt of the application.</p> <p>Agency: Tree Authority, Municipal Corporation of Greater Mumbai</p>	30 days	INR 4,500
12	<p><b>* Obtain NOC from the Storm Water and Drain Department</b></p> <p>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</p>	7 days	no charge
13	<p><b>* Obtain NOC from Sewerage Department</b></p> <p>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</p>	7 days	no charge
14	<p><b>* Obtain NOC from Hydraulic Engineer Department (water supply)</b></p> <p>Agency: Hydraulic Engineer Department, Municipal Corporation of</p>	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Greater Mumbai</i>		
15	<p><b>* Request and obtain NOC from Electric Department</b></p> <p>BuildCo has to inform Brihanmumbai Electric Supply and Transport (BEST) of the project's power requirements along with a copy of the application submitted for building plan approval. BEST will assess whether an electrical substation upgrade is required at this stage.</p> <p><i>Agency: Brihanmumbai Electric Supply and Transport (BEST)</i></p>	7 days	no charge
16	<p><b>* Request and obtain NOC from Traffic &amp; Coordination Department</b></p> <p><i>Agency: Traffic &amp; Coordination Department, Municipal Corporation of Greater Mumbai</i></p>	7 days	no charge
17	<p><b>* Request and obtain NOC from Chief Fire Office</b></p> <p>All commercial structures require a fire safety clearance.</p> <p><i>Agency: Chief Fire Office, Municipal Corporation of Greater Mumbai</i></p>	7 days	INR 13,006
18	<p><b>Obtain Intimation of Disapproval and pay fees</b></p> <p>After the site inspection, the application file returns to the Building Proposal Office to receive an intimation of disapproval (authorization). The concerned Sub Engineer reviews the proposal and forwards the report to the Assistant Engineer and Executive Engineer. The proposal is approved at the Executive Engineer's level if no concessions are involved. There are 3 executive engineers in the main Municipal Corporation of Greater Mumbai (MCGM) office and 2 in the Andhuri office (the latter is the office considered for the purposes of this study).</p> <p>Complete applications that do not require concessions (i.e. claiming of areas free of FSI as per provision in DCR 1991, deficiency in open spaces etc.) can be approved within a week. However, the majority of applications require some concessions and further scrutiny so they must be forwarded to the competent authorities. This latter process may take 30 -- 90 days to complete.</p> <p>The intimation of disapproval is issued with a list of NOC's which</p>	29 days	INR 42,000

No.	Procedure	Time to complete	Cost to complete
	<p>the applicant must obtain separately from various departments and government authorities. Final clearance to build will only be given once BuildCo obtains all NOC's. The NOC's assigned to the intimation of disapproval are case specific. For the purpose of this study, Doing Business has determined 7 basic NOC's that are required of almost all projects:</p> <ul style="list-style-type: none"> <li>• Tree Authority</li> <li>• Storm Water and Drain Department</li> <li>• Sewerage Department</li> <li>• Hydraulic Department</li> <li>• Environmental Department (concerned with debris management)</li> <li>• Traffic and Coordination Department</li> <li>• CFO (fire clearance)</li> </ul> <p>BuildCo's architect must take the Intimation of Disapproval and the design plans to each clearance office separately. NOCs can be applied for simultaneously, but NOC offices are spread out so the submission for these 7 NOC's is likely to take some time.</p> <p>The cost for this procedure is INR 66 per square meter for commercial buildings + development charges of INR 700 per square meter for commercial buildings.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>		
19	<p><b>Obtain plinth commencement certificate from sub-engineer and pay development charges</b></p> <p>Upon submission of all required NOCs mentioned in the IOD and on compliance of the IOD conditions, the applicant may submit a request for the commencement certificate. The documents and NOC submitted by the applicants are verified by the staff and the necessary commencement certificate is approved. After payment of development charges and other applicable premium the commencement certificate is issued within 7 to 15 days.</p> <p>The commencement certificate is valid for four years in the aggregate, but must be renewed before the expiry of one year from the date it was issued if the work has not yet commenced. Such renewal shall be for three consecutive terms of one year each, after which the proposal would need to re-obtain development permission.</p> <p>The cost for the commencement certificate is INR 200.00 per sq. m. of land + INR 500.00 per sq. m. of building area.</p> <p><i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i></p>	10 days	INR 969,249

No.	Procedure	Time to complete	Cost to complete
20	<b>Request and receive inspection of plinth</b>  <i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i>	1 day	no charge
21	<b>Request and obtain further commencement certificate</b>  <p>The building permit is done in 2 steps. First, BuildCo must obtain the permit up to the plinth level. Once the plinth level has been completed, there is an inspection to verify that is in compliance with approved plans. It is only after this inspection has been done and approval obtained that the BuildCo can move on with the construction and start the superstructure of the warehouse. But in order to do so, it is necessary to obtain a permit to start building the superstructure.</p> <i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i>	7 days	no charge
22	<b>Request completion NOC from the Storm Water and Drain Department</b>  <i>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</i>	1 day	no charge
23	<b>* Request completion NOC from the Sewerage Department</b>  <i>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</i>	1 day	no charge
24	<b>* Apply for provisional water connection from Hydraulic Engineer</b>  <p>BuildCo must visit the ward office and submit a written request for a water and sewerage connection. The connection request must be submitted along with a copy of the building plans.</p> <i>Agency: Hydraulic Engineer Department, Municipal Corporation of Greater Mumbai</i>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
25	<p><b>* Request completion NOC from Traffic &amp; Coordination Department</b></p> <p>Agency: Traffic &amp; Coordination Department, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
26	<p><b>* Request completion NOC from Chief Fire Office</b></p> <p>Agency: Chief Fire Office, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
27	<p><b>* Receive inspection from Storm Water and Drain Department</b></p> <p>The Assistant Engineer of the Municipal Corporation makes the inspection. There are two inspections: one before the connections are completed and another after completion. The inspection would not take more than a day. An officer of the Municipal Corporation inspects the premises and prepares a report on the connection.</p> <p>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
28	<p><b>* Receive inspection from Sewerage Department</b></p> <p>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
29	<p><b>* Obtain water connection from Hydraulic Engineer</b></p> <p>Fees for water connection include:</p> <ul style="list-style-type: none"> <li>• Water connection charges: INR 1,060.00</li> <li>• Water meter: INR 150.00</li> <li>• Refundable security deposit towards water charges bills at INR 25.00 per 1,000 liter + 60% of sewerage charges for the requirement of the building</li> </ul> <p>Sewer fees are INR 50,000</p> <p>Agency: Hydraulic Engineer Department, Municipal Corporation of Greater Mumbai</p>	3 days	INR 51,210

No.	Procedure	Time to complete	Cost to complete
30	<p><b>* Receive inspection from Traffic &amp; Coordination Department</b></p> <p>Agency: Traffic &amp; Coordination Department, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
31	<p><b>* Receive inspection from Chief Fire Office</b></p> <p>Agency: Chief Fire Office, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
32	<p><b>* Obtain completion NOC from Storm Water and Drain Department</b></p> <p>Agency: Storm Water and Drain Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
33	<p><b>* Obtain completion NOC from Sewerage Department</b></p> <p>Agency: Sewerage Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
34	<p><b>* Obtain the completion NOC from Traffic &amp; Coordination Department</b></p> <p>Agency: Traffic &amp; Coordination Department, Municipal Corporation of Greater Mumbai</p>	3 days	no charge
35	<p><b>* Obtain the completion NOC from Chief Fire Office</b></p> <p>All commercial structures require fire safety clearance according to fire and safety rules and regulations stipulated in Development Control Rules 1991 and the National Building Code. The fee for low-rise commercial buildings is INR 5.00 per sq. m.</p> <p>This NOC may be requested and obtained online, but it still takes several days to receive.</p>	3 days	INR 6,503

No.	Procedure	Time to complete	Cost to complete
	Agency: Chief Fire Office, Municipal Corporation of Greater Mumbai		
36	<p><b>Submit letter stating completion of building works to obtain an occupancy certificate and certificate of completion</b></p> <p>The owner, through a licensed plumber, shall furnish a drainage completion certificate to the Commissioner to certify that the works were completed according to approved drainage plans. The licensed surveyor, engineer, or architect who has supervised the construction shall furnish a building completion certificate to the Commissioner works to certify that the building has not deviated from the approval plans. This shall be accompanied by three sets of plans of the completed development. Following the reception of both certificates of completion the Commissioner shall inspect the work, and after satisfying himself that there is no deviation from the approved plans, issue a certificate of acceptance of the completion of the work.</p> <p>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
37	<p><b>Receive final inspection from Building Proposal Office</b></p> <p>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</p>	1 day	no charge
38	<p><b>Obtain occupancy certificate from Building Proposal Office (sub-engineer)</b></p> <p>Once the occupancy certificate has been issued, the final plans are stamped by the Building Proposal Office, the final plans are stamped by the Building Proposal Office and one copy is forwarded to the Hydraulic Engineer (Water) Department.</p> <p>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</p>	14 days	no charge
39	<p><b>Obtain final NOC from Hydraulic Engineer (Water) Department</b></p> <p>Agency: Hydraulic Engineer Department, Municipal Corporation of Greater Mumbai</p>	14 days	no charge



No.	Procedure	Time to complete	Cost to complete
40	<b>Obtain completion certificate</b>  <i>Agency: Building Proposal Office, Municipal Corporation of Greater Mumbai</i>	14 days	no charge

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

Note: Online procedures account for 0.5 days in the total time calculation.

#### Summary of time, cost and procedures for dealing with construction permits in India - Delhi

No.	Procedure	Time to complete	Cost to complete
1	<b>Request and obtain consent to establish from Delhi Pollution Control Committee</b>  Delhi Pollution Control Committee, delegated by Central Pollution Control Board of statutory powers and functions, regulates water and air pollution. By regulation, the Delhi Pollution Control Committee has 3 months to approve an application but in practice, a committee meets monthly to discuss application received and the Consent to Establish is generally issued within 1 month.  <i>Agency: Delhi Pollution Control Committee</i>	30 days	INR 1,000
2	<b>* Obtain no objection certificate regarding land use per the zoning plan</b>  <i>Agency: Town Planning Department of Municipal Corporation of Delhi</i>	30 days	INR 25,000
3	<b>* Request and obtain approval of the water and sewer connection plans</b>  A complete water and sewer supply schemes must be submitted, including: <ul style="list-style-type: none"> <li>• Six sets of layout plans, one should be cloth mounted</li> <li>• Hydraulic calculations</li> <li>• Key plan</li> <li>• Proposed water lines showing position of UGR/slucice valves</li> <li>• Calculation of water demand</li> <li>• Capacity of UGR</li> </ul> This is submitted to DJB in the Executive Engineering and Planning office through the developing agency (Department of Development or Municipal Corporation of Delhi). A feasibility report is developed. If the water can be spared for the project then a connection and ferrule size is designed by the planning office as per the feasibility report. If there is not enough water, then plans will be approved through other sources of water such as through a tube well. The plans are then approved by the DJB. Once the fees for the Infrastructure Fund are paid, the DDA	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>may begin construction on the water and sewer lines.</p> <p>The fees for the Infrastructure Fund are only paid by large agencies, group housing, hospitals, schools, and commercial complexes and institutions.</p> <p><i>Agency: Delhi Jal Board</i></p>		
4	<p><b>* Obtain proof of ownership</b></p> <p>BuildCo must identify the Authenticity of the Land Ownership by going to the local Revenue Department (state government) and checking land records. In some cases, a survey of the land is done by a private Land Surveyor to verify that the property exists, as it can be the case that the records are different from reality (neighbors encroach on others' lands, etc.).</p> <p><i>Agency: Local Revenue Department</i></p>	21 days	INR 2,000
5	<p><b>* Obtain certificate of no tax due</b></p> <p>Starting July 2012, property tax can be paid online at <a href="http://www.mcdonline.gov.in">www.mcdonline.gov.in</a>. With the property tax receipt, the building company must obtain an up-to-date Certificate of No Tax Due from the Property Tax Department of Municipal Corporation of Delhi and submit it when applying for the Building Permit.</p> <p><i>Agency: Property Tax Department of Municipal Corporation of Delhi</i></p>	2 days	no charge
6	<p><b>* Notarize the affidavit/undertaking</b></p> <p>The building company must submit an Affidavit/Undertaking on non judicial paper of INR 10, duly attested by the Oath Commissioner when applying for the Building Permit. In the affidavit, the building company acknowledges that during the course of construction, no building material will be stacked on public land.</p> <p><i>Agency: Notary Public</i></p>	1 day	INR 100
7	<p><b>Request building permit</b></p> <p>BuildCo applies for the building permit by giving a notice in writing in the prescribed Form No. I along with the following documents:</p> <ol style="list-style-type: none"> <li>1. Six copies of building plans and statements</li> <li>2. Proof of ownership</li> <li>3. Specifications of the proposed construction</li> <li>4. Supervision certificate signed by the licensed architect/engineer, supervisor and plumber;</li> <li>5. Structural-stability Certificate signed by the licensed architect/engineer along with a copy of registration certificate (annexure A)</li> </ol>	60 days	INR 13,006

No.	Procedure	Time to complete	Cost to complete
	<p>6. Rain Water-Harvesting Certificate in case of plot size more than 100 square meters signed by the licensed architect and owner (annexure B)</p> <p>7. No Nuisance/Construction Debris Certificate signed by the owner (annexure C)</p> <p>8. Declarations in the Form of Affidavits (annexure E-I)</p> <p>9. Certificate of No Tax Due from the Property Tax Department</p> <p>All the plans must be signed by the licensed architect/engineer and owner registered with the Council of Architects/Institution of Engineers and shall indicate their names, addresses, license and enrollment numbers.</p> <p>Upon receiving the application of industrial, institutional, and multi-storey buildings, the Municipal Corporation of Delhi will forwards 2 copies of the building plans and 2 copies of the layout plans to the Fire Service Department of Government NCT of Delhi. The Fire Service Department reviews the drawings and checks the fire and safety arrangement on the plans against the National Building Code of India 2005. It takes 3 weeks to issue a Provisional No Objection Certificate (no site inspection at the time of sanctioning the building plans). The drawings can only be approved by Municipal Corporation of Delhi and Building Permit issued after receiving the Provisional No Objection Certificate.</p> <p>As of December 2013, the cost for building permits are INR 5 per square meter for buildings less than 50 square meters, and INR 10 per square meter for buildings greater than 50 square meters. BuildCo must also pay cess charges of 1% of the cost of construction. Cess charges are paid to the Municipal Corporation of Delhi, who will transfer the charges to the Labor Welfare Department of Government of NCT Delhi.</p> <p>The Municipal Corporation of Delhi sanctions building plans without site inspection but randomly selects about 20% of the buildings and inspects them after the issuance of Building Permits.</p> <p>A single window concept has been introduced for approval of building-plan applications. Online approval is available for residential plots and sanction is generally given within 1 week if all documents are complete. The Engineering Department of the Municipal Corporation of Delhi has also issued a detailed guide, "Build Your House With a Valid Building Permit" which is available online (MCD website at no charge) or in print (INR 200).</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>		
8	<p><b>* Request no objection certificate from Electricity Department</b></p> <p><i>Agency: Electric Department, Municipal Corporation of Delhi</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
9	<p><b>* Obtain no objection certificate from Planning Department within the Municipal Corporation of Delhi</b></p> <p>Agency: Municipal Corporation of Delhi</p>	14 days	no charge
10	<p><b>* Receive inspection from the Electricity Department</b></p> <p>Agency: Electric Department, Municipal Corporation of Delhi</p>	1 day	no charge
11	<p><b>* Request and obtain building plans approval from the Director of Factories of Labor Department</b></p> <p>As per statutory provisions of rule 3A of the Delhi Factories Rules, 1950, no site shall be used for location of a factory or no building in a factory shall be constructed, re-constructed, extended or taken into use as a factory or part of a factory, unless previous permission in writing is obtained from the Director of Factories.</p> <p>The builder must complete Form No.1 as prescribed under the Delhi Factories Rules (1950) and send it to the Director of Factories with the following documents:</p> <ul style="list-style-type: none"> <li>- 3 Plans in duplicate drawn to scale showing:               <ul style="list-style-type: none"> <li>(a) The site of the factory and immediate surroundings including adjacent buildings and other structure, roads, drains etc.</li> <li>(b) The plan and elevations and necessary cross-sections of the various buildings indicating all relevant details relating to natural lighting, ventilation and means of escape in case of fire. The plans shall also clearly indicate the plants and machinery, aisles and passage ways; and,</li> <li>(c) Such other particulars, as Chief Inspector of Factories, may require</li> </ul> </li> <li>- Proof for ownership, of plot/premises such as copy of the Lease-deed etc.</li> <li>- In case of permission for construction on a vacant plot, an Affidavit is required to be given by the owner of the plot that the plot is vacant. The affidavit should also state as to whether any previous Approval of the Director of Factories for construction/extension have been obtained or not.</li> </ul> <p>Agency: Labor Department</p>	14 days	no charge
12	<p><b>* Obtain no objection certificate from Electricity Department</b></p> <p>When the building company applies for the Building Permit, the building plans and Land Ownership Permit are sent to the District Forest Office from Forest Department of Government NCT of Delhi. Permission to fell trees is regulated under provisions of Delhi Tree Preservation Act 1994, which stipulates that 10 trees must be replanted</p>	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
	for every 1 tree cut. The Act gives the District Forest Office 60 days to issue the No Objection Certificate but it is generally cleared in 1 week. Assuming the building company does not have to cut trees, it will not require the No Objection Certificate from District Forest Office after construction.  <i>Agency: Electric Department, Municipal Corporation of Delhi</i>		
13	<b>* Request and obtain no objection certificate from Fire Department</b>  <i>Agency: Fire Department</i>	14 days	no charge
14	<b>* Receive inspection by building section</b>  <i>Agency: Municipal Corporation of Delhi</i>	1 day	no charge
15	<b>Obtain sanctioned plans</b>  <i>Agency: Municipal Corporation of Delhi</i>	1 day	no charge
16	<b>Submit commencement notice</b>  BuildCo must notify the MCD 7 days before beginning construction.  <i>Agency: Municipal Corporation of Delhi</i>	1 day	no charge
17	<b>Submit notice of completion up to the plinth level</b>  BuildCo must notify the MCD of the completion of the plinth level, including a copy of a valid certificate of the building plans. MCD inspects the construction and submits any objections, if necessary. Mandatory inspections are carried out at two stages: at plinth level and at completion. Routine inspections may be carried in between and the Municipal Corporation of Delhi reserves the right to inspect the premises before, during and after the construction.  <i>Agency: Municipal Corporation of Delhi</i>	1 day	no charge
18	<b>Request and receive inspection at the plinth level</b>  BuildCo must notify the MCD of the completion of the plinth level, including a copy of a valid certificate of the building plans. MCD inspects the construction and submits any objections, if necessary.	1 day	INR 15

No.	Procedure	Time to complete	Cost to complete
	<p>Mandatory inspections are carried out at two stages: at plinth level and at completion. Routine inspections may be carried in between and the Municipal Corporation of Delhi reserves the right to inspect the premises before, during and after the construction.</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>		
19	<p><b>Obtain C-form approval of the plinth completion</b></p> <p>This certificate certifies that the construction has reached the plinth level and that it has been inspected and the construction can continue with the superstructure.</p> <p><i>Agency: Municipal Corporation of Delhi</i></p>	22 days	no charge
20	<p><b>Request water and sewer connection approval</b></p> <p>The building company must submit water and sewer connection application forms. Documents to be attached:</p> <p>(1) Proof of identity document: photocopy of voter ID card, ration card, PAN card, driving license or post card</p> <p>(2) Property ownership document: photocopy of GPA, allotment letter, government allotment letter, sale deed or NOC from landlord</p> <p>(3) Proof of residence: photocopy of driving license, passport, election I card</p> <p>(4) Sanction of Water Supply Scheme</p> <p>It is compulsory to provide the document number of the attached documents.</p> <p>Delhi Jal Board has integrated the process of obtaining an Excavation Permit from Municipal Corporation of Delhi by charging a road restoration charges for water and sewer connections on behalf of MCD.</p> <p><i>Agency: Delhi Jal Board</i></p>	1 day	INR 1,220,680
21	<p><b>Receive on-site inspection for water and sewer connection and receive approval</b></p> <p>An inspection of the site will be performed by a Survey Officer.</p> <p><i>Agency: Delhi Jal Board</i></p>	34 days	no charge
22	<p><b>* Request final no objection certificate from the Fire Department</b></p> <p>The Municipal Corporation of Delhi will forward 2 copies of the completion plans to the Fire Service Department of Government NCT of Delhi for the Final No Objection Certificate, or the owners will visit the Fire Service Department in person to with the notice/guideline that it provided at the time of issuance of the Provisional No Objection Certificate and request the Fire Service Department to verify the compliance with the guidelines.</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Fire Department</i>		
<b>23</b>	<b>Receive site inspection from the Fire Department</b> In practice this can take up to 15 days. <i>Agency: Fire Department</i>	1 day	no charge
<b>24</b>	<b>Receive final no objection certificate from the Fire Department</b> <i>Agency: Fire Department</i>	10 days	no charge
<b>25</b>	<b>* Notarize the affidavit/undertaking to request the occupancy permit</b> <i>Agency: Notary Public</i>	1 day	INR 100
<b>26</b>	<b>Submit notice of completion</b> The building company must submit a notice of completion in the pro forma given in the Building Bylaws (1983) along with a completion application and fee of INR 1 per square meter of built-up area. It has to submit the notice of completion through the licensed architect/engineer or supervisor who has supervised the construction accompanied by the following documents: 1. Copy of lease-deed/sale deed 2. Three copies of the completion plan 3. Three copies of photographs taken from different angles so as to show the overall view of the building 4. Original sanctioned building plan (to be returned to the building company along with the Occupancy Certificate) 5. Copy of Water Connection Sanction and Sewerage Connection Sanction from Delhi Jal Board 6. Structural-stability Certificate signed by the licensed architect/engineer along with the structural drawings 7. Certificate of licensed architect/engineer or supervisor 8. Extension of time from the lessor if required 9. Rain Water-Harvesting Certificate in case of plot size more than 100 square meters signed by the licensed architect and owner 10. Affidavit/Undertaking of licensed architect/engineer or supervisor (as the case may be) 11. Affidavit of owner 12. A statement indicating deviations that are carried out and compounding fee payable	1 day	INR 1,301

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Municipal Corporation of Delhi</i>		
<b>27</b>	<b>Receive final inspection of the construction</b> In practice this can take up to one week. <i>Agency: Municipal Corporation of Delhi</i>	1 day	no charge
<b>28</b>	<b>Obtain completion/occupancy permit</b> By regulation, Municipal Council of Delhi must grant or refuse the Occupancy Permit within 7 days. However, since there is a waiting period of 2 months from the time the Notice of completion is submitted and the inspection is carried out, therefore this waiting period is added to the time needed to obtain the Occupancy Permit. <i>Agency: Municipal Corporation of Delhi</i>	66 days	INR 49,420

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.



## DEALING WITH CONSTRUCTION PERMITS

### Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Source: Doing Business database.

Table 3.3 Summary of time quality control and safety mechanisms in India

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Building quality control index (0-15)		11.00		11.00
Quality of building regulations index (0-2)		0.50		2.00
In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0-1)	Free of charge.	0.5	Available online.	1.0
Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0-1)	List of required documents.	0.0	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.00		1.00
Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0-1)	Licensed architect; Licensed engineer.	1.0	Licensed architect; Licensed engineer.	1.0
Quality control during construction index (0-3)		2.00		2.00
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections at various phases.	1.0	Inspections by in-house engineer; Inspections at various phases.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0	Mandatory inspections are always done in practice.	1.0
Quality control after construction index (0-3)		3.00		3.00

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2.0	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0	Final inspection always occurs in practice.	1.0
Liability and insurance regimes index (0-2)		0.50		0.00
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0-1)	Architect or engineer.	0.5	No party is held liable under the law.	0.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0-1)	No party is required by law to obtain insurance .	0.0	No party is required by law to obtain insurance .	0.0
Professional certifications index (0-4)		4.00		3.00
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering ; Being a registered architect or engineer.	2.0	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering ,	2.0	Minimum number of years of experience; University degree in engineering, construction	1.0

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
	constructio n or constructio n manageme nt; Being a registered architect or engineer.		or construction management.	

Source: Doing Business database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

### What do the indicators cover?

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, this year *Doing Business* adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

### Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

### WHAT THE GETTING ELECTRICITY

#### INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

#### The reliability of supply and transparency of tariffs index

- Sum of the scores of six component indices:
  - Duration and frequency of outages
  - Tools to monitor power outages
  - Tools to restore power supply
  - Regulatory monitoring of utilities' performance
  - Financial deterrents aimed at limiting outages
  - Transparency and accessibility of tariffs

#### Price of electricity (cents per kilowatt-hour)\*

- Price based on monthly bill for commercial warehouse in case study

*\*Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking*

The warehouse (*continued*):

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

#### **Assumptions about the electricity connection**

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection (where the voltage is 120/208 V, the current would be 400 amperes; where it is 230/400 B, the current would be nearly 200 amperes).
- Is 150 meters long. The connection is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Will supply monthly electricity consumption of 26,880 kilowatt-hours (kWh).
- Does not involve work to install the internal electrical wiring. This has already been completed, up to and including the customer's service panel or switchboard and installation of the meter base.

#### **Assumptions about the monthly consumption**

- It is assumed that the warehouse operates 8 hours a day for 30 days a month, with equipment utilized at 80% of capacity on average, and that there are no electricity cuts (assumed for simplicity). The subscribed capacity of the warehouse is 140 kVA, with a power factor of 1 (1 kVA = 1 kW). The monthly energy consumption is therefore 26,880 kWh, and the hourly consumption 112 kWh (26,880 kWh/30 days/8 hours).
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse.

## GETTING ELECTRICITY

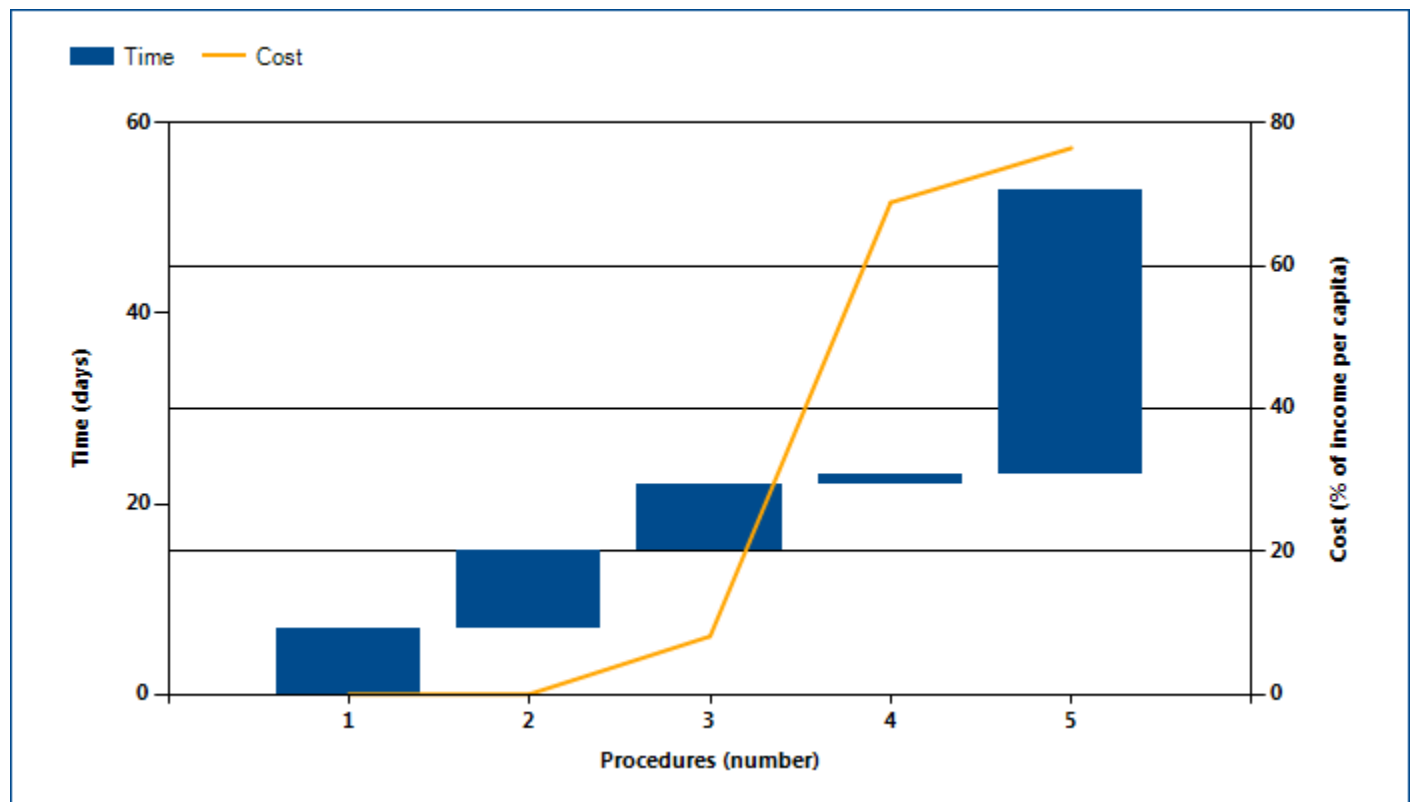
### Where does the economy stand today?

What does it take to obtain a new electricity connection in India? According to data collected by *Doing Business*, getting electricity there requires 5.00 procedures, takes 90.10 days and costs 442.30% of income per capita (figure 4.1).

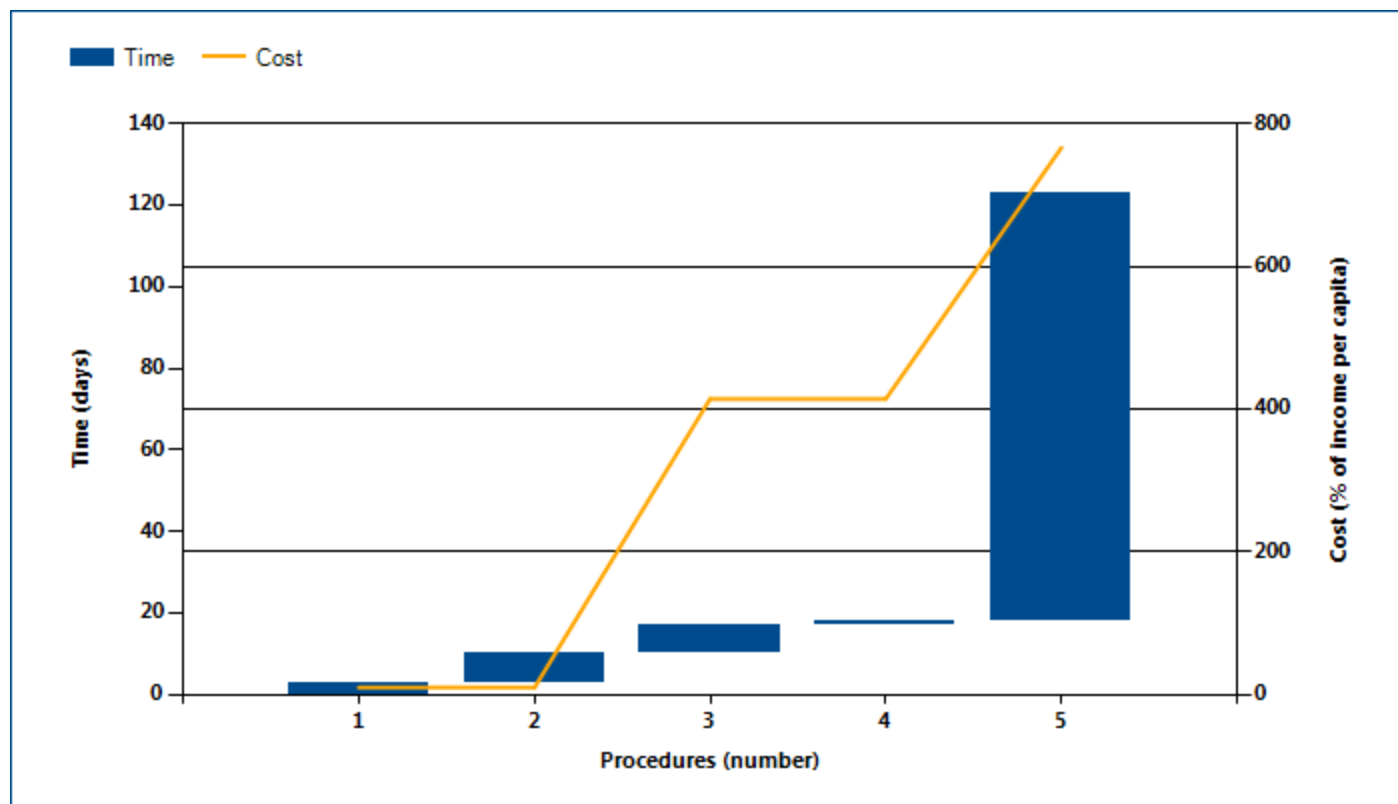
Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in India - Mumbai



What it takes to obtain an electricity connection in India - Delhi



Source: *Doing Business* database.

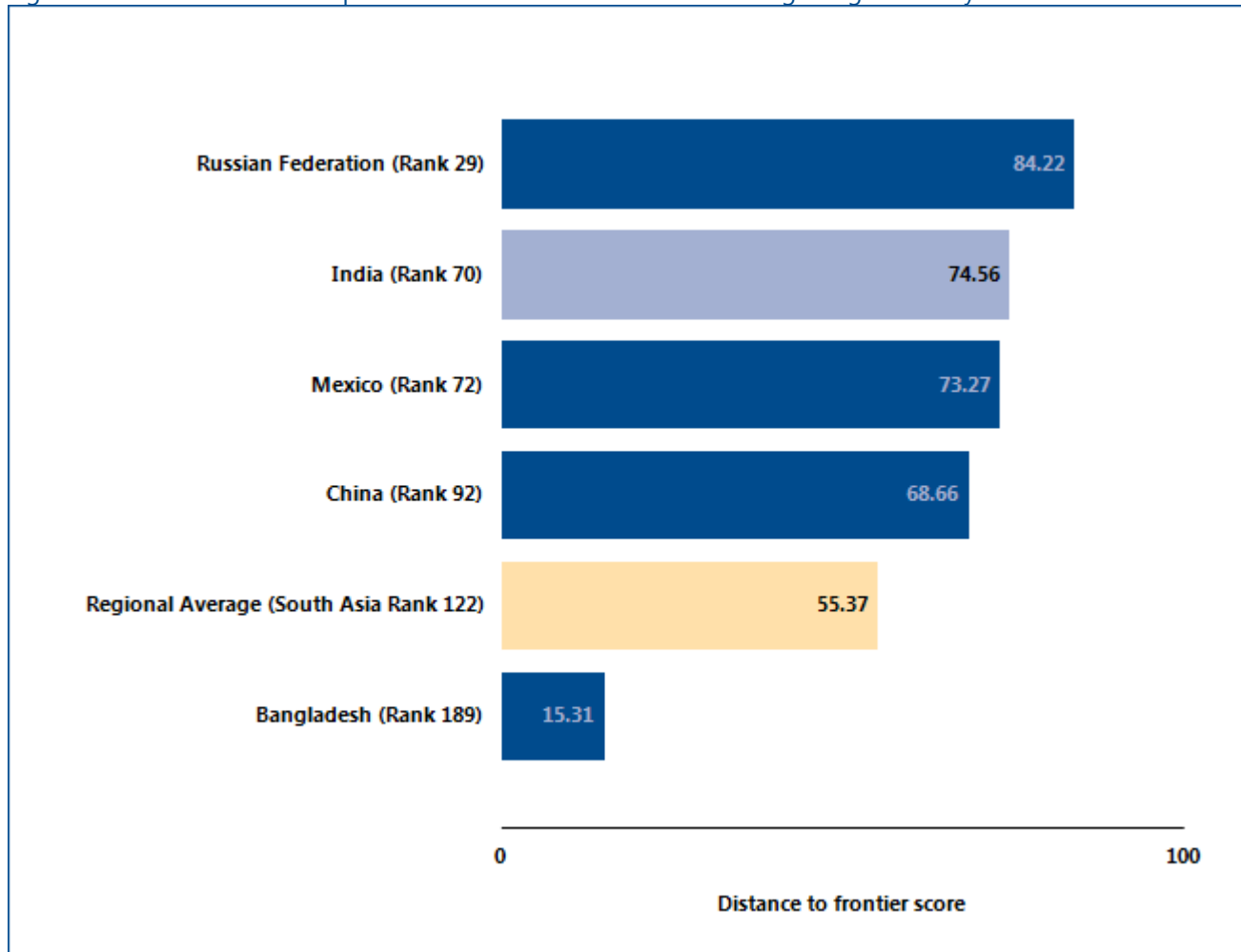
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

## GETTING ELECTRICITY

Globally, India stands at 70 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in India to connect a warehouse to electricity.

Figure 4.2 How India and comparator economies rank on the ease of getting electricity



Source: Doing Business database.



## GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to

ensure safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in India (table 4.1)?

Table 4.1 How has India made getting electricity easier—or not?  
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
<b>DB2015</b>	In India the utility in Mumbai made getting electricity less costly by reducing the security deposit for a new connection.
<b>DB2016</b>	The utility in Delhi made the process for getting an electricity connection simpler and faster by eliminating the internal wiring inspection by the Electrical Inspectorate. The utility in Mumbai reduced the procedures and time required to connect to electricity by improving internal work processes and coordination.

Source: *Doing Business* database.

## GETTING ELECTRICITY

### What are the details?

The indicators reported here for India are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

#### OBTAINING AN ELECTRICITY CONNECTION\*

<b>Name of utility - Delhi:</b>	<b>TATA Power Delhi Distribution Limited</b>
<b>Name of utility - Mumbai:</b>	<b>Bhrihan Mumbai Electricity &amp; Transport Undertaking</b>
<b>Price of electricity (US cents per kWh) - Delhi:</b>	<b>20</b>
<b>Price of electricity (US cents per kWh) - Mumbai:</b>	<b>25</b>
<b>City:</b>	<b>Mumbai, Delhi</b>

\*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the Getting Electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in India

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit application to utility (BEST) and await site inspection</b></p> <p>An application for supply, addition or reduction in supply of electrical energy, shifting of service, extension of service, change of name or restoration of supply shall be made to BEST, copies of which are obtainable from the relevant ward offices or relevant consumer center of the Undertaking as well as downloadable from BEST's website. The application duly filled in and signed by the owner or occupier of the premises in respect of which the supply or additional supply is required shall be accepted after preliminary scrutiny at the relevant Ward Office on payment of processing fee in accordance with Annex 1 of Schedule of Charges approved by the Commission. Documents needed to be submitted – completed application form; proof of occupancy; details of load requirement; purpose for which electric connection is required. Site inspection includes confirmation of premises, identification of location of</p>	7 calendar days	INR 75

No.	Procedure	Time to complete	Cost to complete
	<p>terminating service cable, and position of meter cabin.</p> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>		
2	<p><b>Receive external site inspection by BEST and await estimate</b></p> <p>Appointment can be made over the phone giving reference of application no; electrical contractor should be licensed, registration with BEST of electrician not necessary. The Authorized Representative of the Undertaking on receipt of the application, with prior intimation, shall inspect the premises to confirm its eligibility and study the technical requirements of giving supply to the consumer and fix the position of main cut outs or circuit breakers and meters and sanction the load for the premises in consultation with the consumer and/or his Licensed Electrical contractor. Subsequently, BEST shall intimate the applicant of the details of any works that are required to be undertaken, the charges to be borne by the applicant thereon in accordance with Annex 2 of Schedule of Charges approved by the Maharashtra Electricity Regulatory Commission.</p> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>	8 calendar days	INR 0
3	<p><b>Await completion of external works by electrical contractor</b></p> <p>Consumers supplied with low and medium voltage electrical energy shall provide and maintain an enclosure with a dry masonry wall not less than 250 millimeters thick or such other structure as may be approved by the Utility on which the utility's meter boards and service cutouts shall be supported and shall provide and maintain adequate protection for the meter board from ingress of water, tampering and mechanical damage. The consumer's mains shall in all cases, be brought to the Utility's point of supply.</p> <p><i>Agency: Customer</i></p>	7 calendar days	INR 8,000
4	<p><b>Submit electrical contractor's wiring and test report and make payment of connection cost estimate to BEST</b></p> <p>The connection cost is standard for connections between 100 KW - 150 KW. As required by Rule 45 of the Indian Electricity Rules, 1956, no electrical installation work (including additions, alterations, repairs and adjustment to existing installation) except such replacements of lamps, fans, fuses, switches and other component parts of the installation, as in no way alters the capacity and character of the installation, shall be carried out upon the premises on behalf of any consumer or owner for the purposes of supply of energy to such consumer or owner, except by</p>	1 calendar day	INR 60,000

No.	Procedure	Time to complete	Cost to complete
	<p>an Electrical Contractor Licensed by Government in this behalf and under the direct supervision of a person holding a certificate of competency, issued by Government. As soon as the consumer's installation is completed in all respects and tested by the consumer's contractor, the consumer must submit to BEST a wiring contractor's work Terms &amp; Conditions of Supply completion and test report.</p> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>		
5	<p><b>Pay security deposit and receive external connection and electricity flow</b></p> <p>Security deposit - A consumer with a consumption of electricity of not less than one lac (1,00,000) kilo-watt hours per month and with no undisputed sums payable to the Undertaking may, at the option of such consumer, deposit security, by way of cash (including cheque and demand draft), irrevocable letter of credit or unconditional bank guarantee issued by a scheduled commercial bank. In case a consumer who has deposited security subsequently opts to receive supply through a prepaid meter, the amount of such security deposit shall, after deduction of all monies owing from such consumer, be either refunded to such consumer or treated as a part of the value of the prepaid credit to the account of such consumer, from which the value of his future consumption is to be deducted. The Undertaking shall apply any security so deposited, towards satisfaction of any amount which is due or owing from the consumer.</p> <p><i>Agency: Brihan Mumbai Electricity Supply and Transport Undertaking (BEST)</i></p>	30 calendar days	INR 7,523.04

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

#### Summary of time, cost and procedures for getting electricity in India - Delhi

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit application to Tata Power and await site inspection</b></p> <p>To apply for a new connection, customer must fill in the basic details in the Form at <a href="http://www.ndpl.com">http://www.ndpl.com</a> to generate a New Connection Request Notification Number. After customer fills the form and submits it, customer will receive a call from Sampark Kendra within 48 hour, who will provide customer the details of the documents to be submitted and information regarding nearest location for submission of documents.</p> <p>The list of documents is as follows:            (1) Inland Revenue: Permanent Account No. of Income Tax;            (2) Registrar of Companies: Certificate of Incorporation;</p>	3 calendar days	INR 10,000

No.	Procedure	Time to complete	Cost to complete
	<p>(3) Municipal Authority: Trade License;            (4) Electrical Inspector from Office of Electrical Inspectorate of Delhi: Firefighting/Lift Safety Certificate, where applicable;            (5) Produced by customer themselves: a Certificate by the Electrical Contractor for Internal Wiring            (6) Proof of Ownership or Occupancy.</p> <p>Customer can also call TPDDL on the 24 hour Sampark Kendra 66404040, for initiating the new connection process. However, customers are mandated to visit one Document Submission Centers along with the necessary documents to initiate the new connection process. New Connection Request Notification will be cancelled if the documents are not submitted within 3 working days.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>		
2	<p><b>Receive external site inspection by Tata Power and await estimate</b></p> <p>Customer makes appointment over the phone by providing application number as reference. TPDDL contacts the customer through e-mail, SMS or phone to make an inspection appointment at customer's convenience. Representative of TPDDL will inspect the premises to confirm its eligibility and study the technical requirements of giving supply to the consumer and fix the position of main cut outs or circuit breakers and meters and sanction the load for the premises in consultation with the consumer and/or his Licensed Electrical Contractor. Customer and/or his Licensed Electrical Contractor must be present during external site inspection.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	7 calendar days	INR 0
3	<p><b>Await completion of external works by electrical contractor</b></p> <p>Consumers supplied with low and medium voltage electrical energy shall provide and maintain an enclosure with a dry masonry wall not less than 250 millimeters thick or such other structure as may be approved by TPDDL on which TPDDL's meter boards and service cutouts shall be supported and shall provide and maintain adequate protection for the meter board from ingress of water, tampering and mechanical damage. The consumer's mains shall in all cases, be brought to TPDDL's point of supply.</p> <p><i>Agency: Customer's contractor</i></p>	7 calendar days	INR 400,000

No.	Procedure	Time to complete	Cost to complete
4	<p><b>Receive internal wiring inspection by utility</b></p> <p>As required by Rule 45 of the Indian Electricity Rules, 1956, no electrical installation work (including additions, alterations, repairs and adjustment to existing installation) except such replacements of lamps, fans, fuses, switches and other component parts of the installation, as in no way alters the capacity and character of the installation, shall be carried out upon the premises on behalf of any consumer or owner for the purposes of supply of energy to such consumer or owner, except by an Electrical Contractor Licensed by Government on this behalf and under the direct supervision of a person holding a certificate of competency, issued by Government.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	1 calendar day	INR 0
5	<p><b>Receive external connection, meter installation and electricity flow</b></p> <p>TPDDL will conduct external connection works, including the fixing of meters and coupling them with the customer's installation preparatory to the inspection and testing of the installation and connection of supply.</p> <p><i>Agency: Tata Power Delhi Distribution Ltd.</i></p>	105 calendar days	INR 347,790.07

\* Takes place simultaneously with another procedure.

Source: Doing Business database.

## GETTING ELECTRICITY

### Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

*Doing Business* uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in India

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Reliability of supply and transparency of tariff index (0-8)		6.00		5.00
Total duration and frequency of outages per customer a year (0-3)		2.00		0.00
System average interruption duration index (SAIDI)	2.2		34.8	
System average interruption frequency index (SAIFI)	4.0		9.0	
Mechanisms for monitoring outages (0-1)		0.0		1.0
Does the distribution utility use automated tools to monitor outages?	No		Yes	
Mechanisms for restoring service (0-1)		1.0		1.0
Does the distribution utility use automated tools to restore service?	Yes		Yes	
Regulatory monitoring (0-1)		1.00		1.00
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes		Yes	

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Financial deterrents aimed at limiting outages (0-1)		1.00		1.00
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes		Yes	
Communication of tariffs and tariff changes (0-1)		1.00		1.00
Are effective tariffs available online?	Yes		Yes	
Link to the website, if available online	www.bestundertaking.com -electric supply- regulatory matters- electricity tariff schedule		www.tatapower- ddl.com ; www.derc.gov.in	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes		Yes	

Source: *Doing Business* database.

Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March (for 11 economies the data are also collected for the second largest business city). As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.



## REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities and are located in the economy's largest business city<sup>2</sup>.
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.

### WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

#### Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city<sup>2</sup>

Postregistration (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

#### Quality of land administration index (0-30)

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

<sup>2</sup> For the 11 economies with a population of more than 100 million, data for a second city have been added.

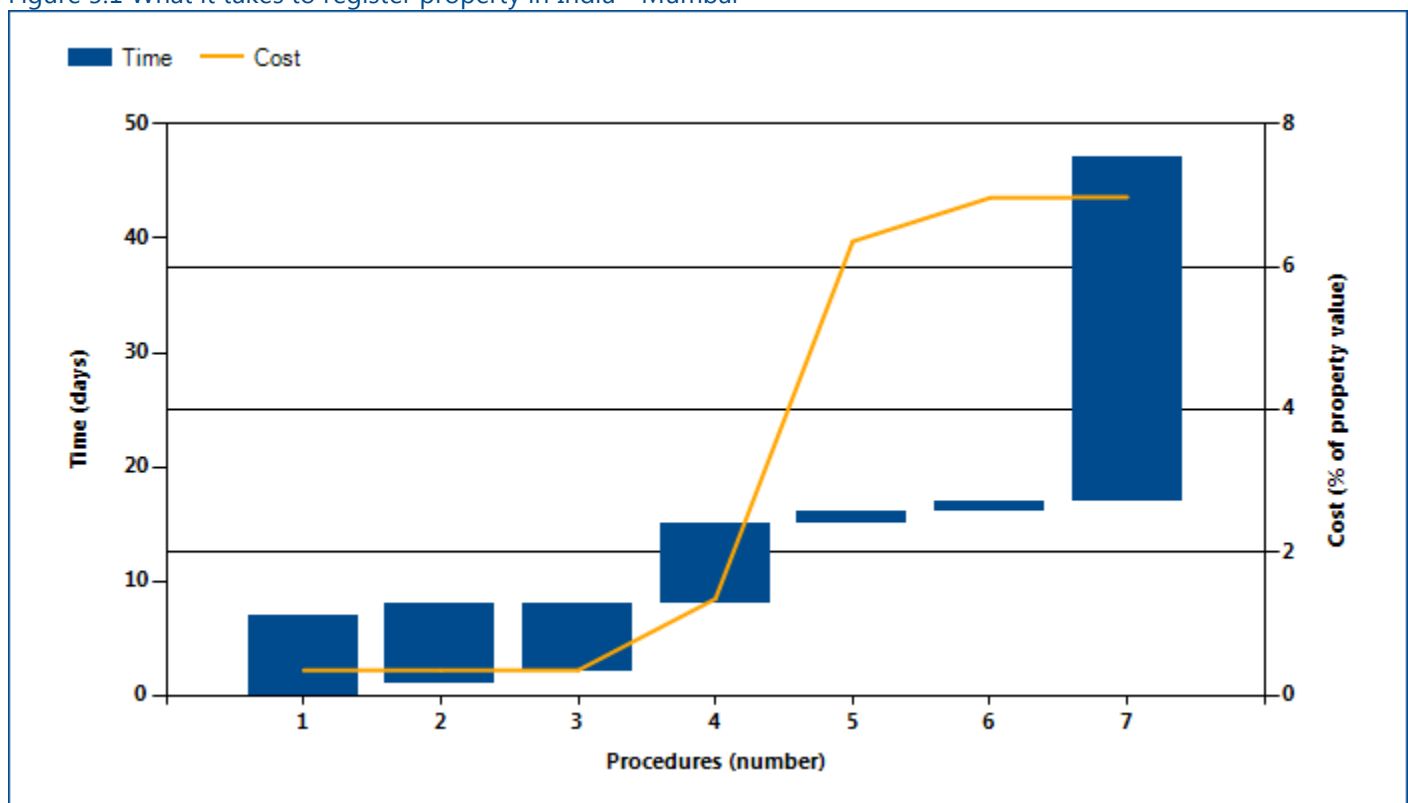
## REGISTERING PROPERTY

### Where does the economy stand today?

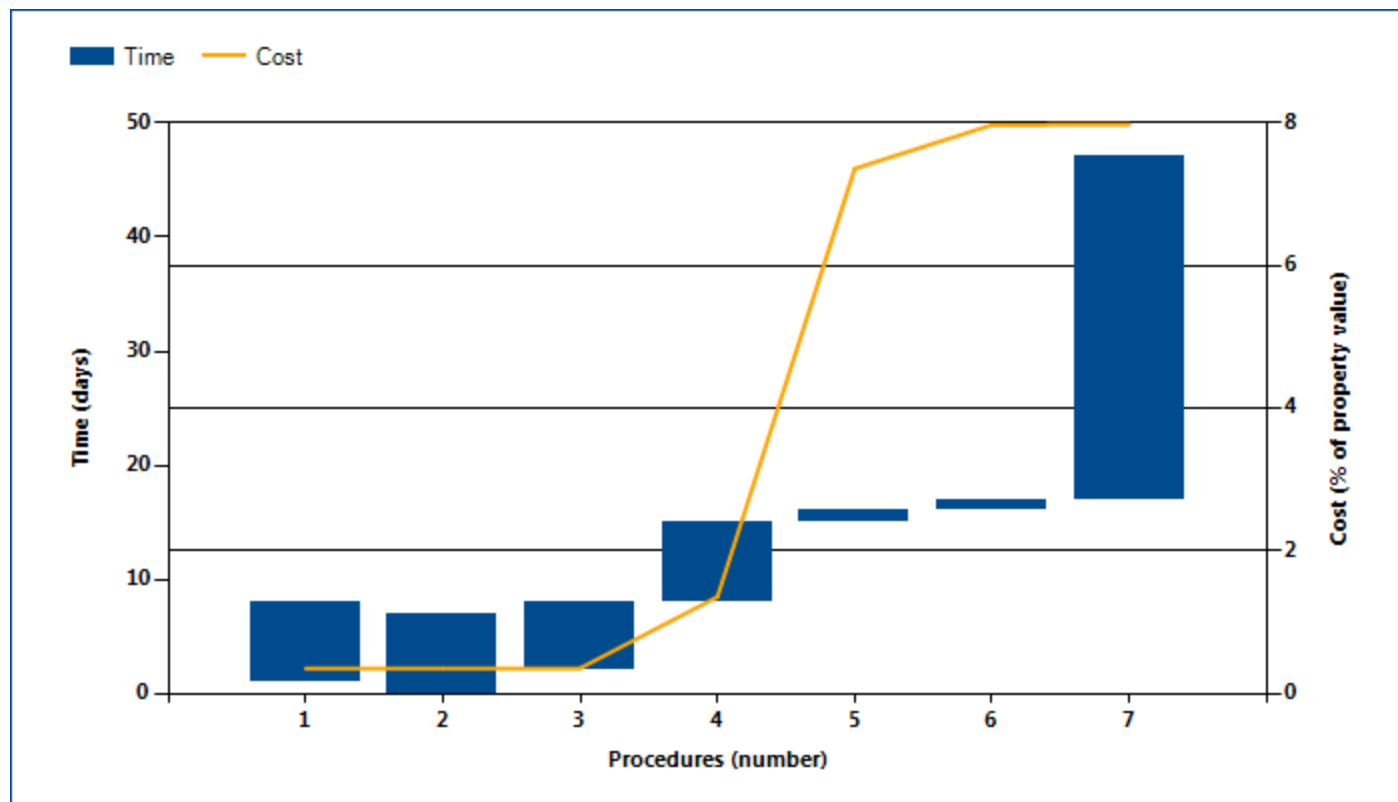
What does it take to complete a property transfer in India? According to data collected by *Doing Business*, registering property there requires 7.00 procedures, takes 47.00 days and costs 7.50% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in India - Mumbai



What it takes to register property in India - Delhi



Source: *Doing Business* database.

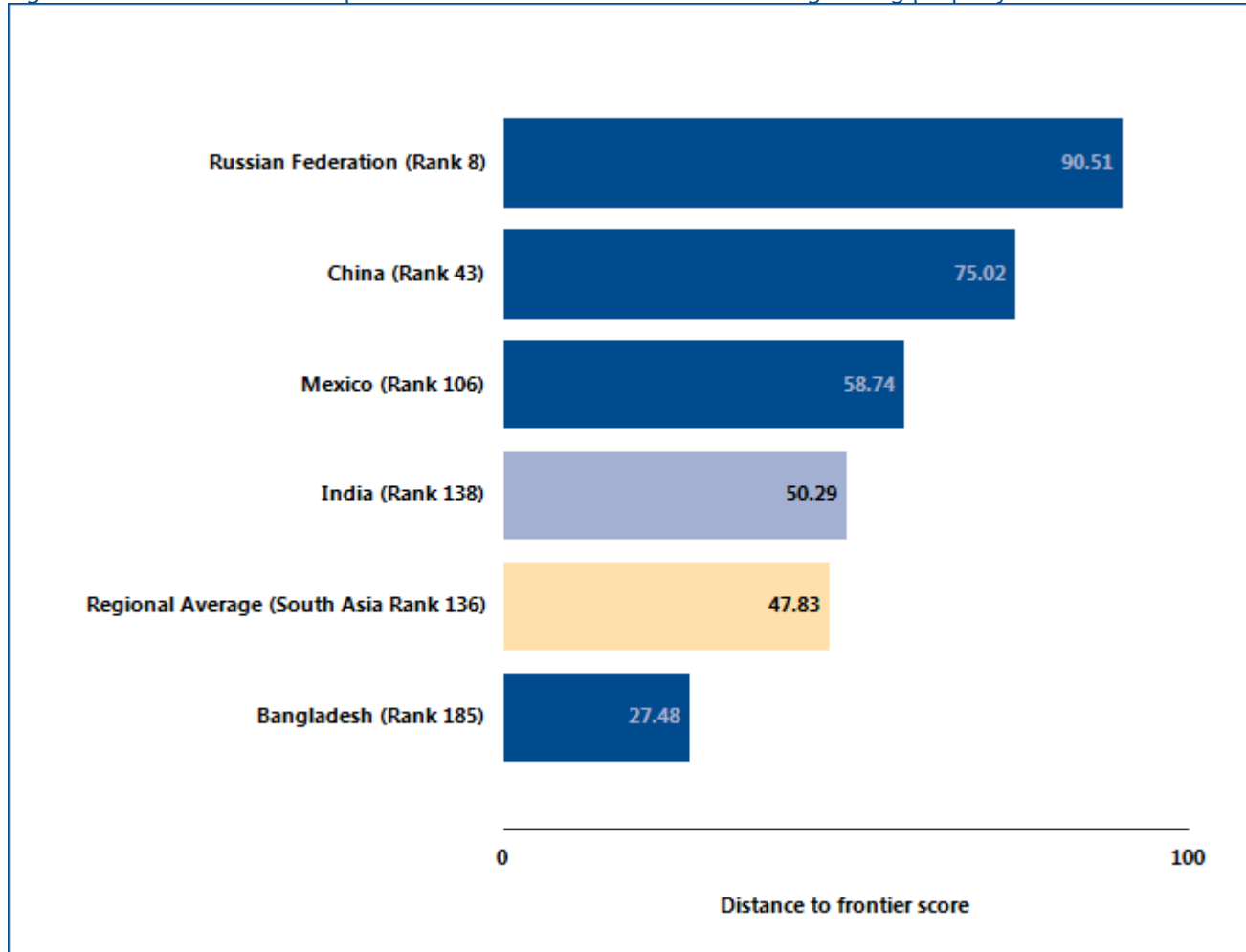
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

## REGISTERING PROPERTY

Globally, India stands at 138 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in India to transfer property.

Figure 5.2 How India and comparator economies rank on the ease of registering property



Source: *Doing Business* database.

## REGISTERING PROPERTY

### What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

#### STANDARD PROPERTY TRANSFER

**Property value:** INR 4,942,035

**City:** Mumbai, Delhi

Table 5.2 Summary of time, cost and procedures for registering property in India Mumbai

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Conduct a title search at the office of Sub-Registrar of Assurance</b></p> <p>The purchaser should conduct a search of the property in the Registry and the Revenue Office, noting the location details of the property and the time period to be checked. While investigating the title it should be verified</p> <ul style="list-style-type: none"> <li>(1) that the legal ownership document is in the name of the owner, issued by the Revenue Record Department under the seal of the Tahsildar,</li> <li>(2) that on the date of purchase the title of the owner for the preceding 30 years (preferably) shows no mortgage or other encumbrance as still existing on the date of purchase,</li> <li>(3) the property is transferable and heritable,</li> <li>(4) the transferor is competent and/or authorized to transfer the property,</li> <li>(5) the transferee is qualified to be a transferee,</li> <li>(6) the object or consideration for the transfer is lawful,</li> <li>(7) the transfer has been made and completed in the manner prescribed by law.</li> </ul> <p>Also, all papers with regard to payment of taxes, the electricity bills and water bills need to be checked.</p> <p>If the seller is a Company incorporated under the provisions of the Companies Act, 1956 then it is prudent to take search in the office of the Registrar of Companies to verify whether there is any charge on the property registered under the provisions of Section 125 of the Companies Act, 1956.</p> <p><i>Agency: Sub-Registrar of Assurance</i></p>	7 days (simultaneous with procedures 2 and 3)	INR 15,000-20,000

No.	Procedure	Time to complete	Cost to complete
2	<p><b>* Ensure that property is clear of all local tax dues</b></p> <p>Non-payment of local property tax can result in the property being attached and sold by the local body. The last local tax bill will show the previous dues if any and the receipt of payment will indicate the date on which the payment was made. The receipt is issued by the local body upon receipt of payment.</p> <p><i>Agency: Local authorities</i></p>	7 days (simultaneous with procedures 1 and 3)	No charge
3	<p><b>* Conduct charges search at the Registrar of Companies</b></p> <p>This enables the buyer to know if any charge has been created against the property.</p> <p><i>Agency: Registrar of Companies</i></p>	1-2 days (simultaneous with procedures 1 and 2)	INR 100
4	<p><b>Prepare the final sale deed with the purchaser's lawyer</b></p> <p>The lawyer prepares the final sale deed and then engrosses the document on green paper leaving the date and place blank. This document is then submitted for stamping. The fee for the lawyer varies from transaction to transaction.</p> <p><i>Agency: Lawyer</i></p>	7 days	About 1% of the property value (About INR 45,000)
5	<p><b>Pay Stamp Duty on the final Sale Deed through franking at the designated bank.</b></p> <p>Deposits the said fees in the designated bank or authorised collection center of the Stock Holding Corporation of India for stamping of the Sale Deed. The designated bank issues a receipt and marks the first page of the printed sale deed with the stamp duty received. This printed sale deed with stamp duty details will then be executed. The True Market Value is computed on the basis of rates of property published in the Ready Reckoner issued by the Government every year.</p> <p><i>Agency: Bank</i></p>	1 day	5% of property value
6	<p><b>Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances</b></p> <p>The execution of the sale deed in front of the 2 witnesses is commonly done at the same time and place where the buyer submits documents to the Sub-Registrar.</p> <p>The documents are submitted to the office of the Sub Registrar of</p>	1 day	1% of market value of the property (Maximum INR 30,000) + INR 20 per page of final sale deed for

No.	Procedure	Time to complete	Cost to complete
	<p>Assurances within whose jurisdiction the property is located. The authorized signatories of the seller and purchaser are required to be present along with two witnesses. Once the document is registered, a distinct document number is assigned to that document. The record of registration is kept in the office of sub registrar of assurance.</p> <p>The documents are submitted to the Reader of the Sub-Registrar of Assurances for scrutiny. After scrutiny, the Reader indicates the registration fee required, which is 1% of the transaction value or Rs. 30,000/- whichever is less on the document itself. The due registration fee is to be deposited with the cashier against a receipt. After depositing the fees, the documents are presented before the Sub-Registrar in accordance with Section 32 of the Registration Act, 1908. Normally, the Seller hands over the peaceful vacant and physical possession of the property to the buyer simultaneous to the deed being presented for registration. Upon payment of the required registration fees and computer service charges in cash, as per the receipt, the document is returned within 30 minutes of getting the receipt.</p> <p>The documentation shall include:</p> <ol style="list-style-type: none"> <li>(1) Document required to be registered (in duplicate)</li> <li>(2) Two passport-size photographs of the authorized signatories of both parties.</li> <li>(3) Photo identification of each party and witnesses i.e. voters' identity card, passport, identity card issued by Govt. of India, Semi Govt. and Autonomous bodies or identification by a Gazette Officer.</li> <li>(4) Certified true copies of certificate of incorporation of both seller and purchaser.</li> <li>(5) Copy of the latest property register card (to be obtained from the City Survey Department) to indicate that the property does not belong to the government</li> <li>(6) Copy of the Municipal Tax bill to indicate the year in which the building was constructed</li> <li>(7) Copy of PAN Card of Income Tax of the Seller and the Buyer annexed along with the Sale Deed.</li> </ol> <p><i>Agency: Sub Registrar of Assurances</i></p>		scanning charges (paid in cash)
7	<p><b>Apply to the Land &amp; Survey Office for mutation of the tile of the property</b></p> <p>An application for mutation of the title of the property will have to be made to the City Survey and Land Records office for seeking mutation of the title of the property in the name of the purchaser. The authorised signatory has to submit the duly signed application along with the affidavit, indemnity bond and a notarised copy of the registered Sale Deed. After the assessment of the request for mutation, the City Survey and Land Records office decides the value of the tax on the property and issues a letter of mutation in favour of the purchaser. Cost included application fee of INR 100; stamp duty on the Indemnity Bond of INR</p>	30 days	INR 450 (Application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of

No.	Procedure	Time to complete	Cost to complete
	200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50.  <i>Agency: Land &amp; Survey Office</i>		INR 50)

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

#### Summary of time, cost and procedures for registering property in India Delhi

No.	Procedure	Time to complete	Cost to complete
1	<b>Conduct title search at the sub-registrar office</b>  The purchaser should conduct a search of the property in the Registry office, noting the location details of the property and the time period to be checked. While investigating the title it should be verified (1) that the legal ownership document is in the name of the owner, issued by the Revenue Record Department under the seal of the Tahsildar, (2) that on the date of purchase the title of the owner for the preceding 40 years (preferably) shows no mortgage or other encumbrance as still existing on the date of purchase, (3) the property is transferable and heritable, (4) the transferor is competent and/or authorized to transfer the property, (5) the transferee is qualified to be a transferee, (6) the object or consideration for the transfer is lawful, (7) the transfer has been made and completed in the manner prescribed by law.  <i>Agency: Sub-Registrar Office</i>	7 days (simultaneous with procedures 2 and 3)	INR 15,000-20,000
2	<b>* Ensure that property is clear of all local tax dues</b>  Request all records regarding payment of local property taxes and any other possible municipal dues, for pick-up a week later, to ensure that the owner of the property is in good standing with municipal authorities  <i>Agency: North Delhi Municipal Corporation, South Delhi Municipal Corporation, East Delhi Municipal Corporation (depending on the location of the property)</i>	7 days (simultaneous with procedures 1 and 3)	INR 200
3	<b>* Conduct charges search at the Registrar of Companies</b>  If the seller is a Company incorporated under the provisions of the Companies Act, 2013, the purchaser should conduct a search in the office of the Registrar of Companies to verify whether there is any charge (mortgage, encumbrance, etc.) on the property registered under Section 125 of the Companies Act, 2013. Note that if the Seller is not able to produce title deed, then Buyer must also check any potential creditors	1-2 days (simultaneous with procedures 1 and 2)	INR 100



No.	Procedure	Time to complete	Cost to complete
	for mortgages by deposit of title deed, which are not recorded anywhere.  <i>Agency: Registrar of Companies</i>		
4	<p><b>Prepare the final sale deed with the purchaser's lawyer</b></p> <p>The lawyer prepares the final sale deed and then engrosses the document on green paper leaving the date and place blank. This document is then submitted for stamping. The fee for the lawyer varies from transaction to transaction.</p> <p><i>Agency: Lawyer</i></p>	7 days	1% of the property value (About INR 45,000)
5	<p><b>Pay Stamp Duty on the final Sale Deed through franking at the designated bank.</b></p> <p><i>Agency: Bank</i></p>	1 day	6% of property value
6	<p><b>Execute final sale deed and submit documents to the local office of the Sub-Registrar of Assurances</b></p> <p>The documents are submitted to the office of the Sub-Registrar within whose jurisdiction the property is located. The authorized signatories of the seller and purchaser are required to be present along with two witnesses. Once the document is registered, a distinct document number is assigned to that document. The record of registration is kept in the office of sub registrar of assurance. The documents are presented before the Sub-Registrar in accordance with Section 32 of the Registration Act, 1908. Normally, the Seller hands over the peaceful vacant and physical possession of the property to the buyer simultaneous to the deed being presented for registration. Upon payment of the required registration fees and computer service charges in cash, as per the receipt, the document is returned within 30 minutes of getting the receipt. The documentation shall include: (1) Document required to be registered (in duplicate) (2) Two passport-size photographs of the authorized signatories of both parties. (3) Photo identification of each party and witnesses i.e. voters' identity card, passport, identity card issued by Govt. of India, Semi Govt. and Autonomous bodies or identification by a Gazette Officer. (4) Certified true copies of certificate of incorporation of both seller and purchaser. (5) Copy of the latest property register card (to be obtained from the City Survey Department) to indicate that the property does not belong to the government (6) Copy of the Municipal Tax bill to indicate the year in which the building was constructed (7) Copy of PAN Card of Income Tax of the Seller and the Buyer annexed along with the Sale Deed.</p>	1 day	1% of market value of the property (Maximum INR 30,000) + INR 20 per page of final sale deed for scanning charges (paid in cash)

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Sub-Registrar of Assurances</i>		
7	<p><b>Apply to the Land &amp; Survey Office for mutation of the tile of the property</b></p> <p>An application for mutation of the title of the property will have to be made to the Sub-Registrar office for seeking mutation of the title of the property in the name of the purchaser. The authorised signatory has to submit the duly signed application along with the affidavit, indemnity bond and a notarised copy of the registered Sale Deed. After the assessment of the request for mutation, the Sub-Registrar office decides the value of the tax on the property and issues a letter of mutation in favour of the purchaser. Cost included application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50.</p> <p><i>Agency: Land &amp; Survey Office</i></p>	30 days	<p>INR 450 (Application fee of INR 100; stamp duty on the Indemnity Bond of INR 200, stamp duty of INR 100 on the Affidavit in the prescribed form and notary fees of INR 50)</p>

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

## REGISTERING PROPERTY

### Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2014 and June 2015, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in India

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Quality of the land administration index (0-30)		7.50		6.50
Reliability of infrastructure index (0-8)		2.00		2.00
What is the institution in charge of immovable property registration?	Sub-Registrar office		Office of Sub-Registrar	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0	Computer/Scanned	1.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	No	0.0	No	0.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Land Records Department		Delhi Development Authority (DDA)	
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Paper	0.0	Paper	0.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	No	0.0	No	0.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked	Separate databases	0.0	Separate databases	0.0

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
databases or in separate databases?				
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	Yes	1.0	Yes	1.0
Transparency of information index (0–6)		3.00		2.00
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Anyone who pays the official fee	1.0	Anyone who pays the official fee	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	<a href="http://www.igrmaharashtra.gov.in">www.igrmaharashtra.gov.in</a> under the heading 'Activities' and sub heading 'Document Registration'		<a href="http://www.delhi.gov.in/wps/wcm/connect/DoIT_Revenue/revenue/home/faq/registration+of+documents">http://www.delhi.gov.in/wps/wcm/connect/DoIT_Revenue/revenue/home/faq/registration+of+documents</a>	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5	Yes, online	0.5
Link for online access:	<a href="http://www.igrmaharashtra.gov.in">www.igrmaharashtra.gov.in</a> under the heading 'Publications' and sub heading 'Fee Structure'		<a href="http://www.delhi.gov.in/wps/wcm/connect/doit_revenue/Revenue/Home/Services/Property+Registration">http://www.delhi.gov.in/wps/wcm/connect/doit_revenue/Revenue/Home/Services/Property+Registration</a>	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate	Yes, online	0.5	Yes, in person	0.0

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
the service standard?				
Link for online access:	<a href="http://www.igrmaharashtra.gov.in">www.igrmaharashtra.gov.in</a> under the heading Citizen's Charter			
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0	No	0.0
Contact information:				
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0	No	0.0
Number of property transfers in the largest business city in 2014:				
Who is able to consult maps of land plots in the largest business city?	Only intermediaries and interested parties	0.0	Only intermediaries and interested parties	0.0
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, on public boards	0.5	No	0.0
Link for online access:				
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0	No	0.0
Link for online access:				
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0	No	0.0
Contact information:				
Geographic coverage index (0–8)		0.00		0.00
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0	No	0.0

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the economy mapped?	No	0.0	No	0.0
Are all privately held land plots in the largest business city mapped?	No	0.0	No	0.0
Land dispute resolution index (0–8)		2.50		2.50
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	No	0.0	No	0.0
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	No	0.0	No	0.0
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Lawyer; Interested parties.		Lawyer; Interested parties.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar.		Registrar.	
Is there a national database to verify the accuracy of identity documents?	No	0.0	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Civil Court		Delhi High Court	
How long does it take on average to obtain a decision from the first-instance court for such a case (without	More than 3 years	0.0	More than 3 years	0.0

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
appeal)?				
Are there any statistics on the number of land disputes in the first instance?	No	0.0	No	0.0
Number of land disputes in the largest business city in 2014:				

Source: Doing Business database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2016* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

#### Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

#### Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.



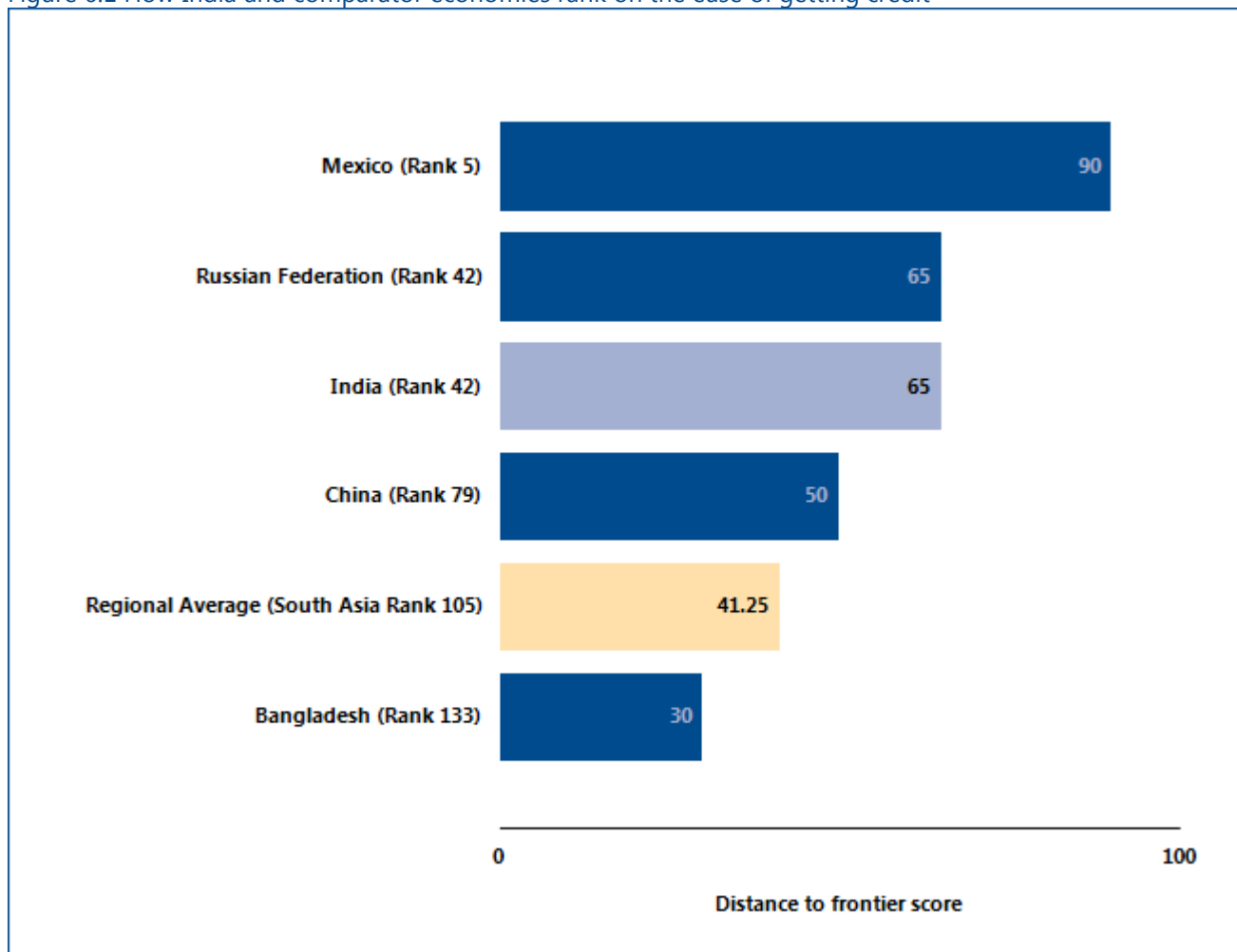
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in India facilitate access to credit? The economy has a score of 7.00 on the depth of credit information index and a score of 6.00 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, India stands at 42 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide useful information for assessing how well regulations and institutions in India support lending and borrowing.

Figure 6.1 How India and comparator economies rank on the ease of getting credit



Source: Doing Business database.

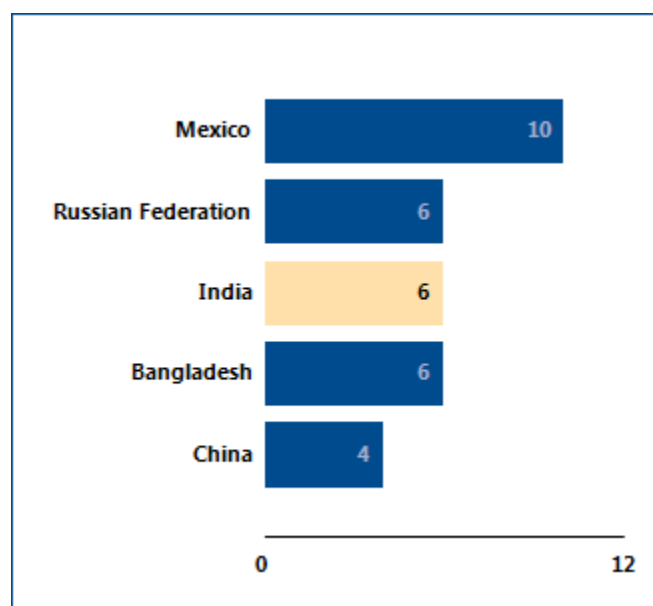
## GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for India and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

**Figure 6.2 How strong are legal rights for borrowers and lenders?**

Economy scores on strength of legal rights index

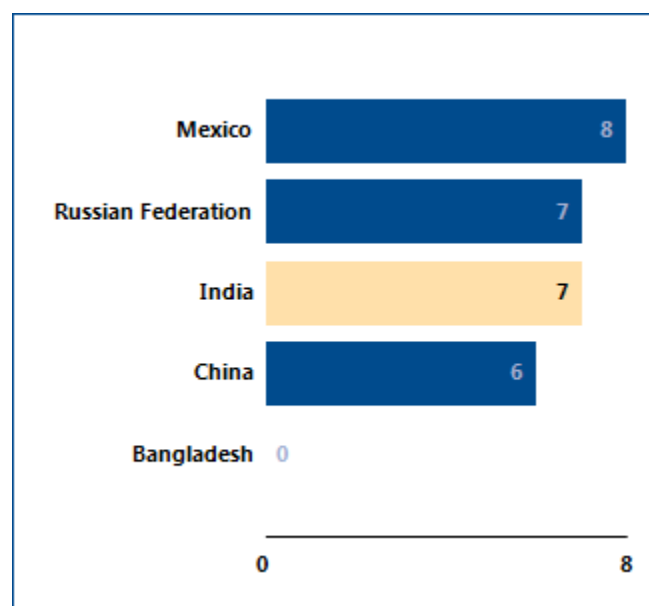


Source: *Doing Business* database.

Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

**Figure 6.3 How much credit information is shared—and how widely?**

Economy scores on depth of credit information index



Source: *Doing Business* database.

Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

## GETTING CREDIT

### What are the details?

The getting credit indicators reported here for India are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

<b>Strength of legal rights index (0–12)</b>	<b>Mumbai Index score: 6.00</b>	<b>Delhi Index score: 6.00</b>
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	Yes	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	No	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No	No

<b>Strength of legal rights index (0–12)</b>	<b>Mumbai Index score: 6.00</b>	<b>Delhi Index score: 6.00</b>
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes	Yes

<b>Depth of credit information index (0–8)</b>	<b>Credit bureau</b>	<b>Credit registry</b>	<b>Index score: 7.00</b>
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

*Note:* An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of firms	7,224,478	0
Number of individuals	176,859,706	0
Total	184,084,184	0
Total percentage of adult population	22.00	0.00

Source: *Doing Business* database.

## PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

### WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

#### Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

#### Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

#### Extent of conflict of interest regulation index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices

#### Extent of shareholder rights index (0–10)

Shareholders' rights and role in major corporate decisions

#### Extent of ownership and control index (0–10)

Governance safeguards protecting shareholders from undue board control and entrenchment

#### Extent of corporate transparency index (0–10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

#### Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

#### Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

## PROTECTING MINORITY INVESTORS

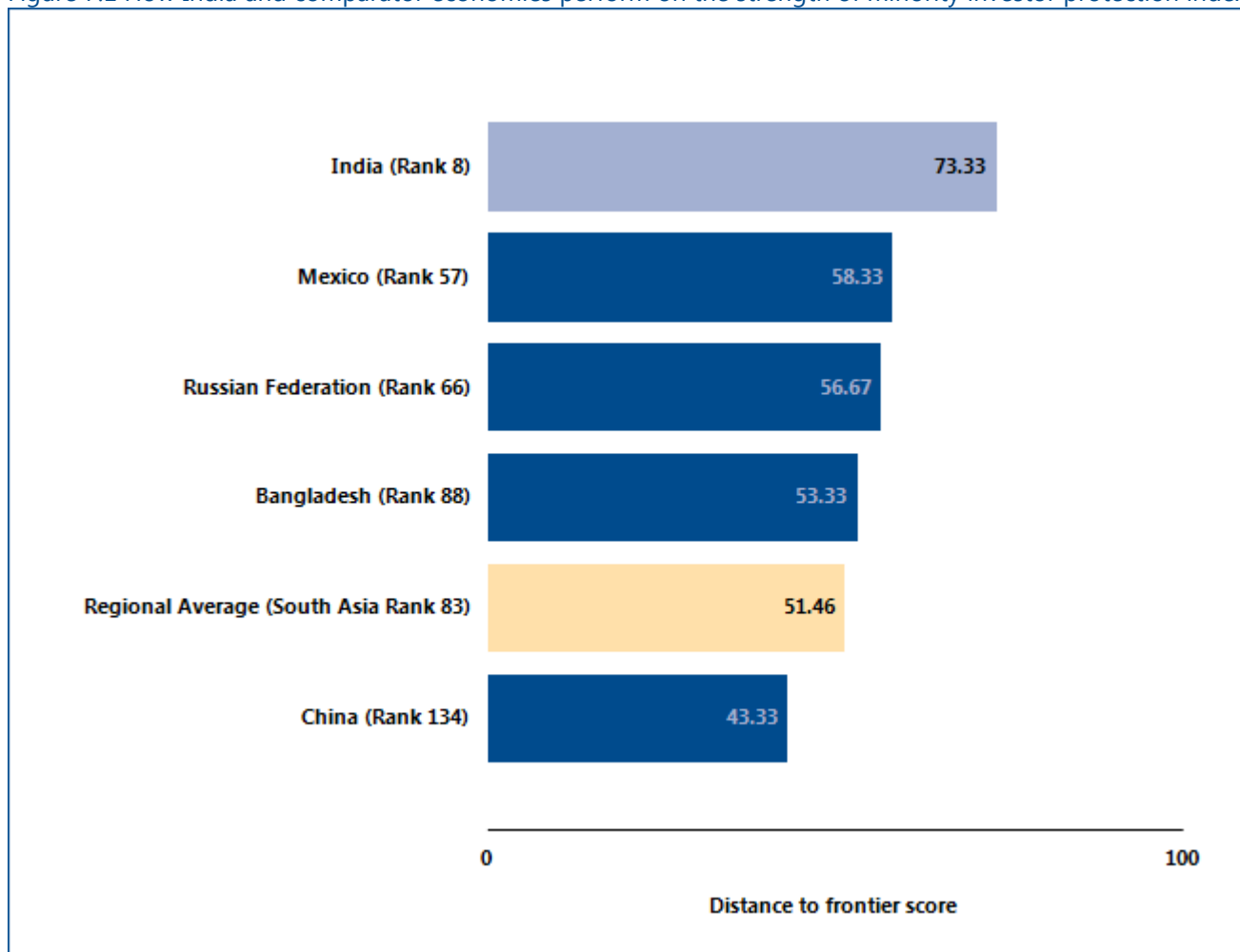
### Where does the economy stand today?

How strong are minority investor protections against self-dealing in India? The economy has a score of 7.30 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, India stands at 8 in the ranking of 189 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How India and comparator economies perform on the strength of minority investor protection index



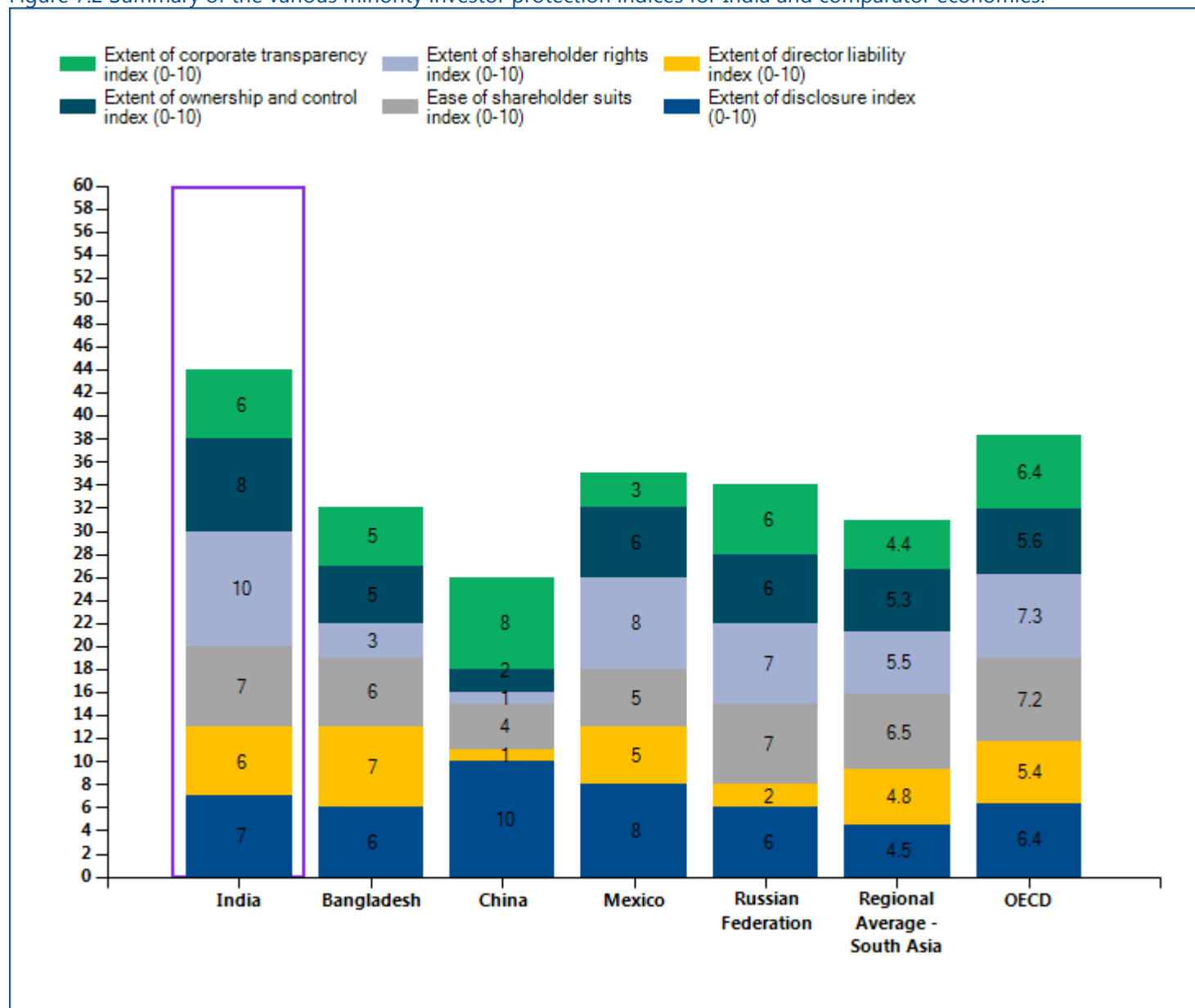
Source: Doing Business database.

## PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for India.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for India and comparator economies.



Source: Doing Business database.



## PROTECTING MINORITY INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. As a

result, reforms to strengthen minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What minority investor protection reforms has *Doing Business* recorded in India (table 7.1)?

Table 7.1 How has India strengthened minority investor protections—or not?  
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
<b>DB2015</b>	India strengthened minority investor protections by requiring greater disclosure of conflicts of interest by board members, increasing the remedies available in case of prejudicial related-party transactions and introducing additional safeguards for shareholders of privately held companies. This reform applies to both Delhi and Mumbai.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

## PROTECTING MINORITY INVESTORS

### What are the details?

The protecting minority investors indicators reported here for India are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2016* report). The summary below shows the details underlying the scores for India.

Table 7.2 Summary of scoring for the protecting minority investors indicators in India

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
<b>Strength of minority investor protection index (0-10)</b>		7.30		7.30
<b>Extent of conflict of interest regulation index (0-10)</b>		6.70		6.70
<b>Extent of disclosure index (0-10)</b>		7.00		7.00
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Board of directors excluding interested members	2.0	Board of directors excluding interested members	2.0
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2.0	Full disclosure of all material facts	2.0
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0	Disclosure on the transaction and on the conflict of interest	2.0
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0.0	No disclosure obligation	0.0
Must an external body review the terms of the transaction before it takes place? (0-1)	Yes	1.0	Yes	1.0
<b>Extent of director liability index (0-10)</b>		6.00		6.00
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1.0	Yes	1.0
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0.0	Not liable	0.0
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Liable if unfair or prejudicial	2.0	Liable if unfair or prejudicial	2.0
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1.0	Yes	1.0
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1.0	Yes	1.0

Is the interested director fined and imprisoned or disqualified upon a successful claim by the shareholder plaintiff? (0-1)	No	0.0	No	0.0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Voidable if negligently concluded	1.0	Voidable if negligently concluded	1.0
<b>Ease of shareholder suits index (0-10)</b>		7.00		7.00
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1.0	Yes	1.0
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	No	3.0	No	3.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0	No	0.0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2.0	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	At the discretion of the court	0.0	At the discretion of the court	0.0
<b>Extent of shareholder governance index (0-10)</b>		8.00		8.00
<b>Extent of shareholder rights index (0-10)</b>		10.00		10.00
Does the sale of 51% of Buyer's assets require shareholder approval?	Yes	1.0	Yes	1.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0	Yes	1.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0	Yes	1.0
Must changes to the voting rights of a class of shares be approved only by the holders of the affected shares?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of Buyer's assets requires shareholder approval?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0	Yes	1.0
<b>Extent of ownership and control index (0-10)</b>		8.00		8.00
Is the CEO prohibited from also being chair of the board of directors?	No	0.0	No	0.0
Must the board of directors include independent and nonexecutive board members?	Yes	1.0	Yes	1.0
Can shareholders remove members of Buyer's board of	Yes	1.0	Yes	1.0

directors without cause before the end of their term?				
Must Buyer's board of directors include a separate audit committee?	Yes	1.0	Yes	1.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	Yes	1.0	Yes	1.0
Must Buyer pay dividends within a maximum period set by law after the declaration date?	Yes	1.0	Yes	1.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, can shareholders remove members of Buyer's board of directors without cause before the end of their term?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer pay dividends within a maximum period set by law after the declaration date?	Yes	1.0	Yes	1.0
<b>Extent of corporate transparency index (0-10)</b>		<b>6.00</b>		<b>6.00</b>
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0	Yes	1.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	Yes	1.0	Yes	1.0
Must Buyer disclose the compensation of individual managers?	Yes	1.0	Yes	1.0
Must a detailed notice of general meeting be sent 30 days before the meeting?	No	0.0	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	No	0.0	No	0.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0
Must Buyer disclose its audit reports to the public.	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must a detailed notice of general meeting be sent 30 days before the meeting?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0

Source: Doing Business database.

## PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

### What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate<sup>3</sup>. All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2013.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2014 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

<sup>3</sup> The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

## PAYING TAXES

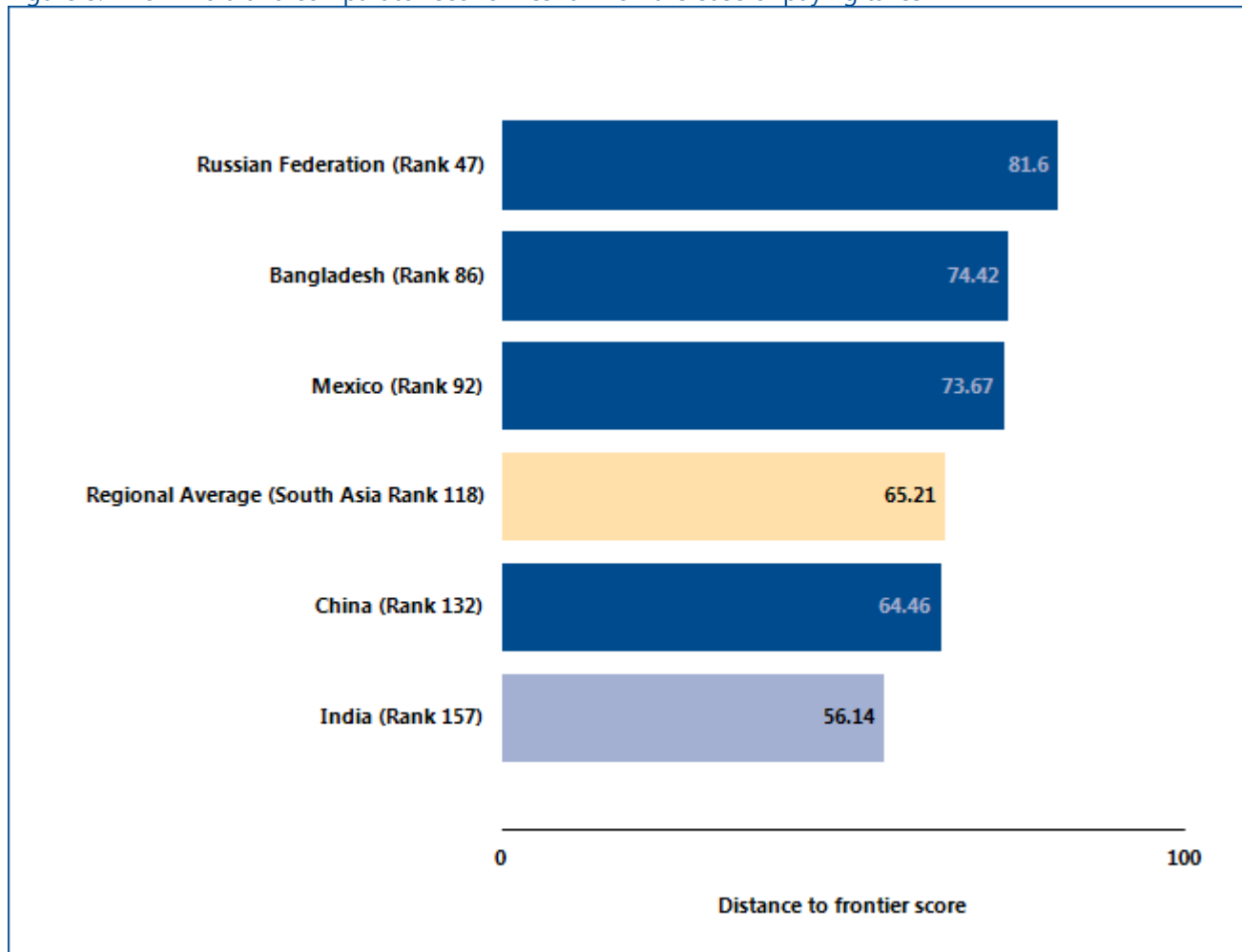
### Where does the economy stand today?

What is the administrative burden of complying with taxes in India—and how much do firms pay in taxes? On average, firms make 33.00 tax payments a year, spend 243.00 hours a year filing, preparing and paying taxes and pay total taxes amounting to 60.60% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, India stands at 157 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in India.

Figure 8.1 How India and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

## PAYING TAXES

Economies around the world have made paying taxes faster, easier and less costly for businesses—such as by consolidating payments and filings of taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions

and exemptions. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in India (table 8.1)?

Table 8.1 How has India made paying taxes easier—or not?  
By *Doing Business* report year from DB2011 to DB2016

DB year	Reform
<b>DB2011</b>	India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
<b>DB2012</b>	India eased the administrative burden of paying taxes for firms by introducing mandatory electronic filing and payment for value added tax.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

## PAYING TAXES

### What are the details?

The indicators reported here for India are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

#### LOCATION OF STANDARDIZED COMPANY

**City: Mumbai, Delhi**

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Mumbai: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online	45	0.3	taxable profit	20.93	
Social security contributions	12		93	0.1361	gross salaries	15.35	
Central Sales Tax	1	online	105	0.02	purchase price	14.14	
Employee's state insurance contribution	12			0.0475	gross salaries	4.64	
Dividend tax	1			0.16995	dividend distributions	3.98	
Property tax	1			0.1	assessed value	1.32	



Mumbai: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Tax on insurance contracts	1			12% * (1+ 2% Education cess + 1% Secondary & High education cess)	insurance premium	0.26	
Vehicle tax (pollution tax)	1			INR 200	fixed fee per vehicle	0.01	
Tax on interest	0	withheld		0.1	interest income	0	included in other taxes
Fuel tax	1				fuel consumption	0	small amount
State VAT	1	online		0.125	value added	0	not included
CENVAT (Excise Duty)	1	online		12% * (1+ 2% Education cess + 1% Secondary & High education cess)	value added	0	not included
Income surcharge	0	jointly		0.1	on applicable federal taxes	0	included in other taxes
Education cess	0	jointly		0.02	all federal taxes including the surcharge	0	included in other taxes
Secondary & Higher education cess	0	jointly		0.01	all federal taxes including the surcharge	0	included in other taxes
Employee paid - Social security contributions	0	jointly		12% + 1.75%	gross salaries	0	withheld
Totals	33.00		243.00			60.60	

Delhi: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online	45	0.3	taxable profit	20.93	
Social security contributions	12		93	0.1361	gross salaries	15.35	
Central Sales Tax	1	online	105	0.02	purchase price	14.14	
Employee's state insurance contribution	12			0.0475	gross salaries	4.64	
Dividend tax	1			0.16995	dividend distributions	3.98	
Property tax	1			0.1	assessed value	1.32	
Tax on insurance contracts	1			12% * (1+ 2% Education cess + 1% Secondary & High education cess)	insurance premium	0.26	
Vehicle tax (pollution tax)	1			INR 200	fixed fee per vehicle	0.01	
Tax on interest	0	withheld		0.1	interest income	0	included in other taxes
Fuel tax	1				fuel consumption	0	small amount
State VAT	1	online		0.125	value added	0	not included
CENVAT (Excise Duty)	1	online		12% * (1+ 2% Education cess + 1% Secondary & High education cess)	value added	0	not included

Delhi: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Income surcharge	0	jointly		0.1	on applicable federal taxes	0	included in other taxes
Education cess	0	jointly		0.02	all federal taxes including the surcharge	0	included in other taxes
Secondary & Higher education cess	0	jointly		0.01	all federal taxes including the surcharge	0	included in other taxes
Employee paid - Social security contributions	0	jointly		12% + 1.75%	gross salaries	0	withheld
Totals	33.00		243.00			60.60	

Source: Doing Business database.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

### What do the indicators cover?

*Doing Business* records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import.

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

### Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as  $22 \times 24 = 528$  hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

### WHAT THE TRADING ACROSS BORDERS

#### INDICATORS MEASURE FOR IMPORT & EXPORT

#### Documentary compliance – cost (USD) & time (hours)

Obtain, prepare and submit documents:

- During transport, clearance, inspections and port or border handling in origin economy
- Required by origin, destination and transit economies

Covers all documents by law and in practice

#### Border compliance – cost (USD) & time (hours)

Customs clearance and inspections

Inspections by other agencies

Port or border handling

Obtaining, preparing and submitting documents during clearance, inspections and port or border handling

#### Domestic transport\*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Obtaining, preparing and submitting documents during domestic transport

Traffic delays and road police checks while shipment is en route

\* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

### Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

**Assumptions of the case study**

- For each of the 189 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products, however, and the second largest product category is considered as needed.
- To identify the trading partners and export product for each economy, *Doing Business* collected data on trade flows for the most recent four-year period from international databases such as the United Nations Commodity Trade Statistics Database (UN Comtrade). For economies for which trade flow data were not available, data from ancillary government sources (various ministries and departments) and World Bank Group country offices were used to identify the export product and natural trading partners.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- Shipping cost based on weight is assumed to be greater than shipping cost based on volume.
- If government fees are determined by the value of the shipment, the value is assumed to be \$50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

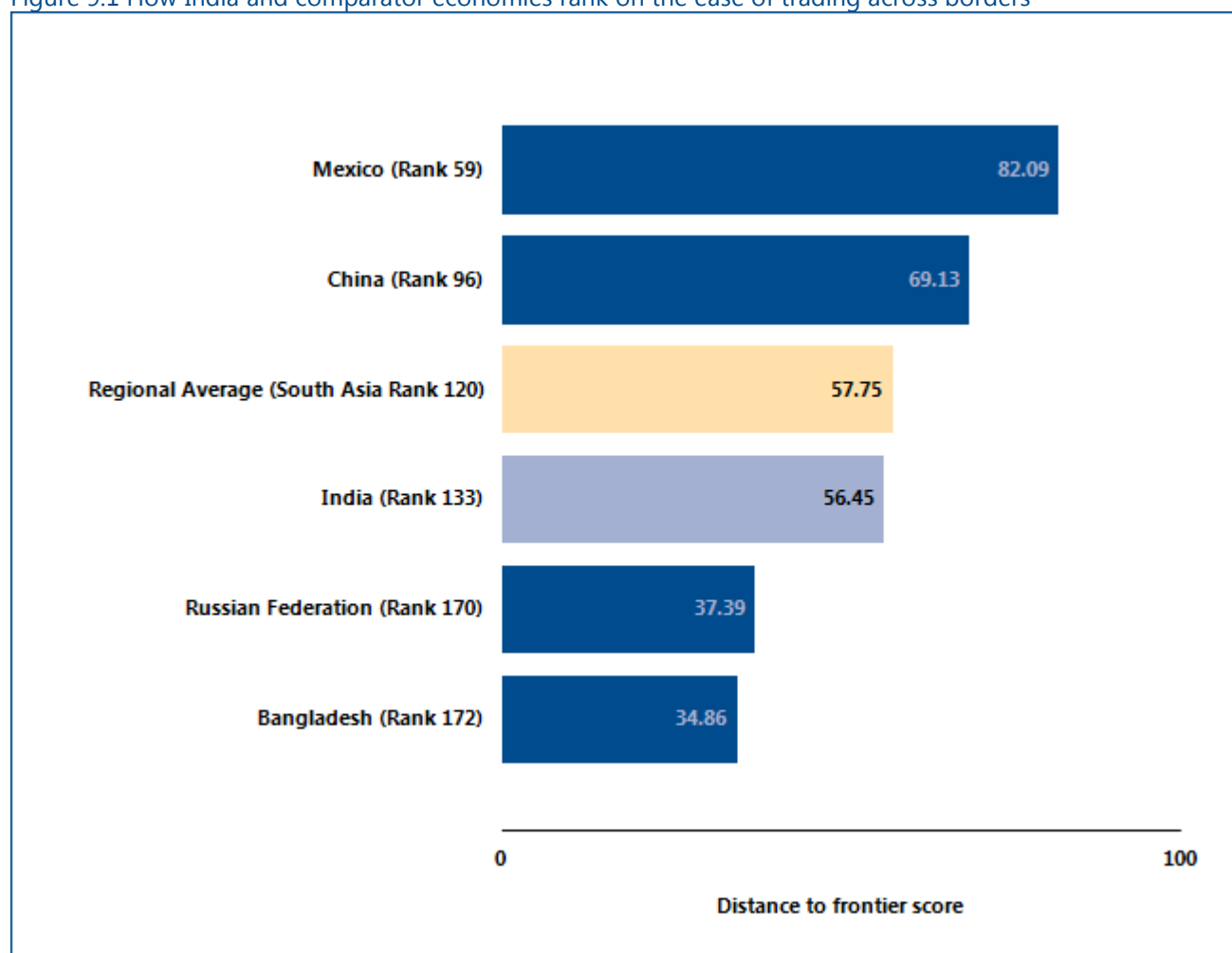
## TRADING ACROSS BORDERS

### Where does the economy stand today?

The Trading across Border indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy's main border crossing.

Globally, India stands at 133 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). For more information on distance to frontier and ease of doing business ranking, please see the Distance to frontier and ease of doing business ranking chapter.

Figure 9.1 How India and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for India are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea, land, air or some combination of these). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

#### LOCATION OF STANDARDIZED COMPANY

**City:** Mumbai, Delhi

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in India

	Mumbai	Delhi	South Asia
Time to export: Border compliance (hours)	88	128	61
Cost to export: Border compliance (USD)	368	453	376
Time to export: Documentary compliance (hours)	61	24	80
Cost to export: Documentary compliance (USD)	104	100	184
Time to import: Border compliance (hours)	311	266	114
Cost to import: Border compliance (USD)	556	590	653
Time to import: Documentary compliance (hours)	67	60	108
Cost to import: Documentary compliance (USD)	139	150	349

Source: *Doing Business* database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in India

	Mumbai		Delhi	
	Export	Import	Export	Import
Product	HS 85 : Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	HS 8708: Parts and accessories of motor vehicles	HS 85 : Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	HS 8708: Parts and accessories of motor vehicles
Trade partner	United States	Korea, Rep.	United States	Korea, Rep.
Domestic transport time (hours)	7	9	46	97
Domestic transport cost (USD)	158	165	681	864
Border	Nhava Sheva port	Nhava Sheva port	Mundra port	Mundra port
Distance (km)	46	46	1241	1241
Domestic transport speed (km/hour)	6.4	5.1	26.9	12.8
Domestic transport cost per distance (USD/km)	3.4	3.6	0.5	0.7

Source: Doing Business database.

Documents to export
Bill of lading (3 copies)
Certificate of origin
Commercial invoice
Customs Export Declaration
Insurance certificate
Packing list
Technical standards certificate
Terminal handling receipt
Documents to import

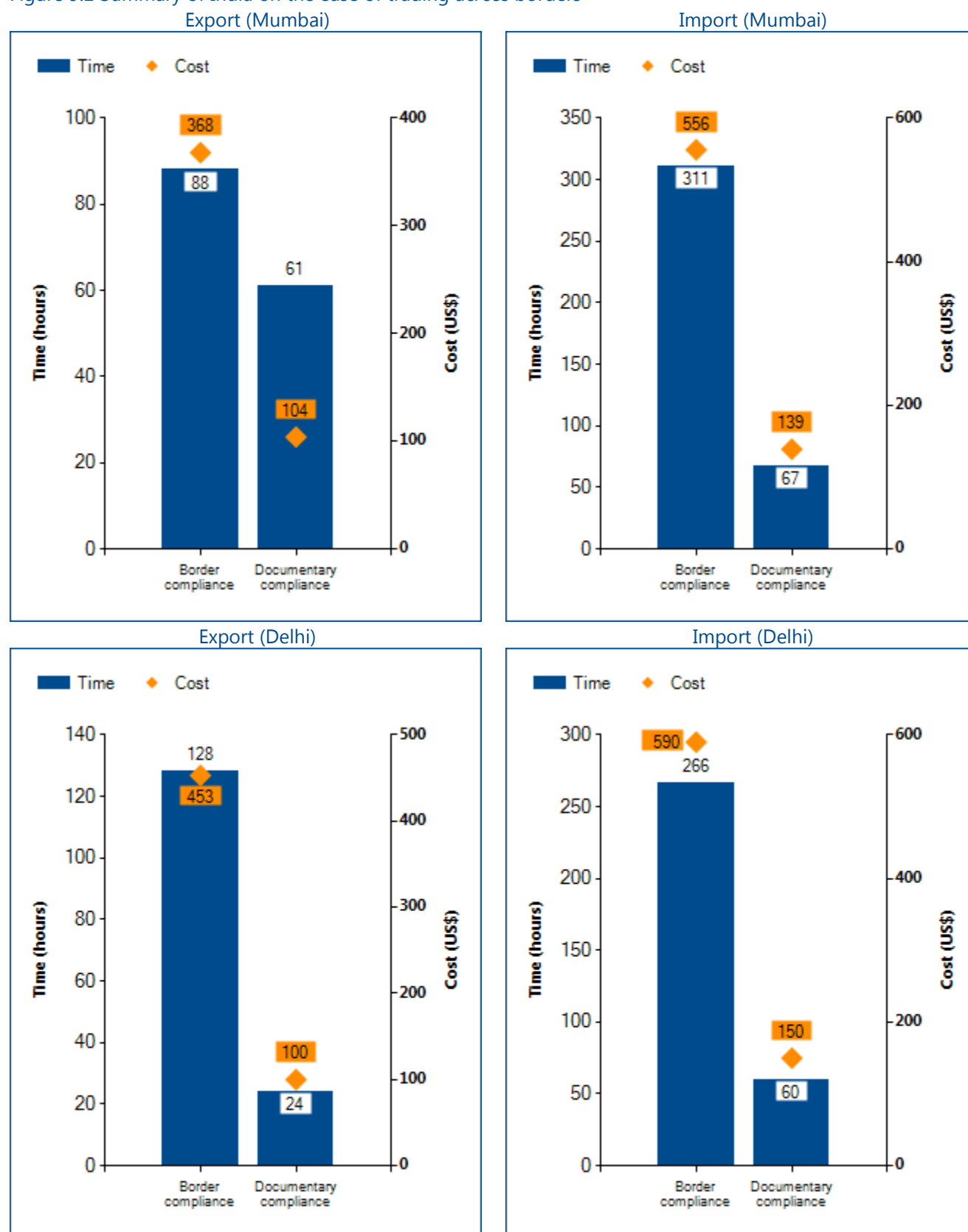


Bill of Entry
Bill of lading
Cargo Release Order
Catalogs
Certificate of origin
Commercial invoice
Import General Manifest
Inspection report
Insurance Certificate
Packing list

Source: *Doing Business* database.

*Note: Doing Business* continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

Figure 9.2 Summary of India on the ease of trading across borders



Source: Doing Business database.

## ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

### What do the indicators cover?

*Doing Business* measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.

### WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

#### Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

#### Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

#### Quality of judicial processes index (0-18)

- Court structure and proceedings (0-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

## ENFORCING CONTRACTS

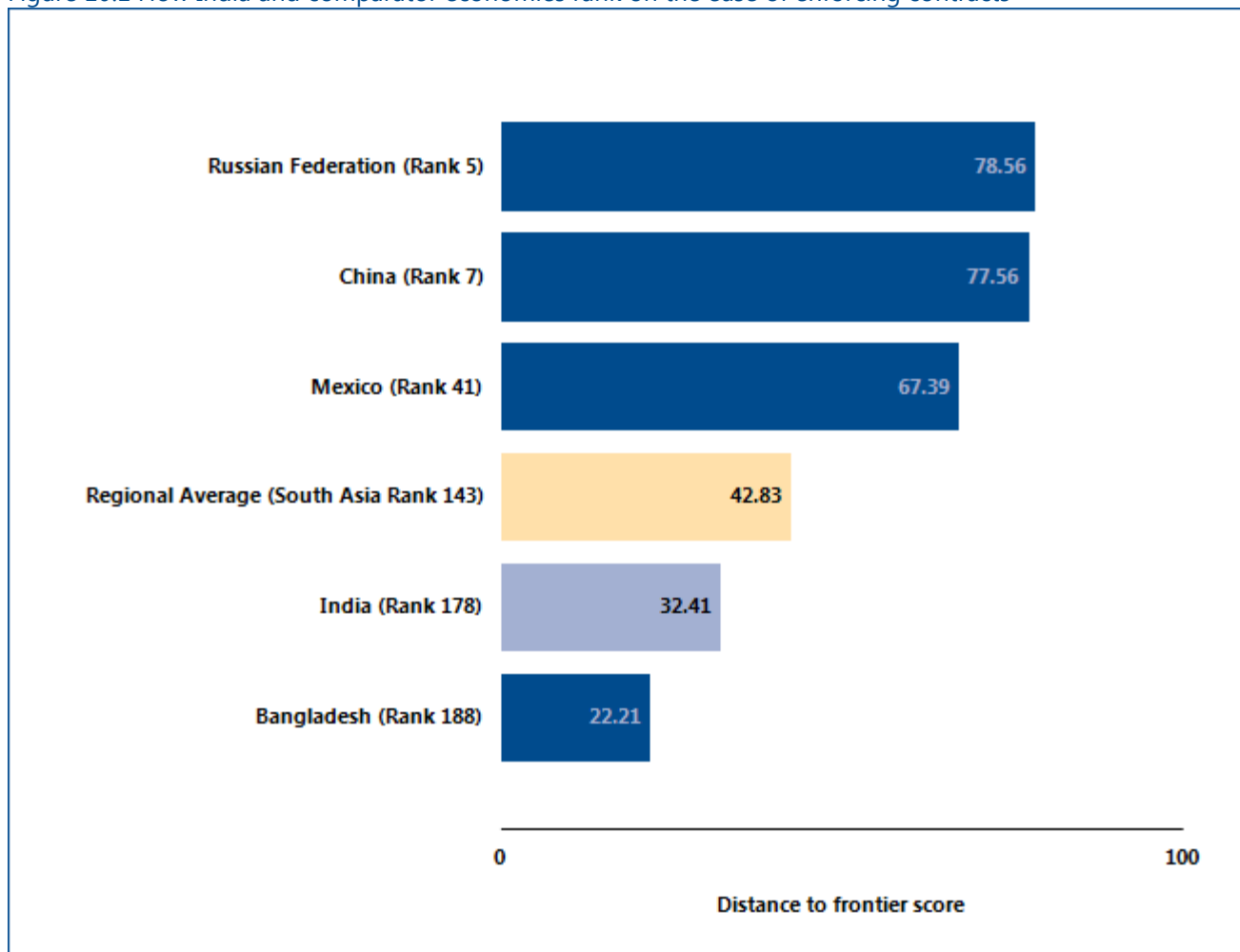
### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in India? According to data collected by *Doing Business*, contract enforcement takes 1420.00 days and costs 39.60% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier

and ease of doing business ranking at the end of this profile for more details.

Globally, India stands at 178 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in India.

Figure 10.1 How India and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

## ENFORCING CONTRACTS

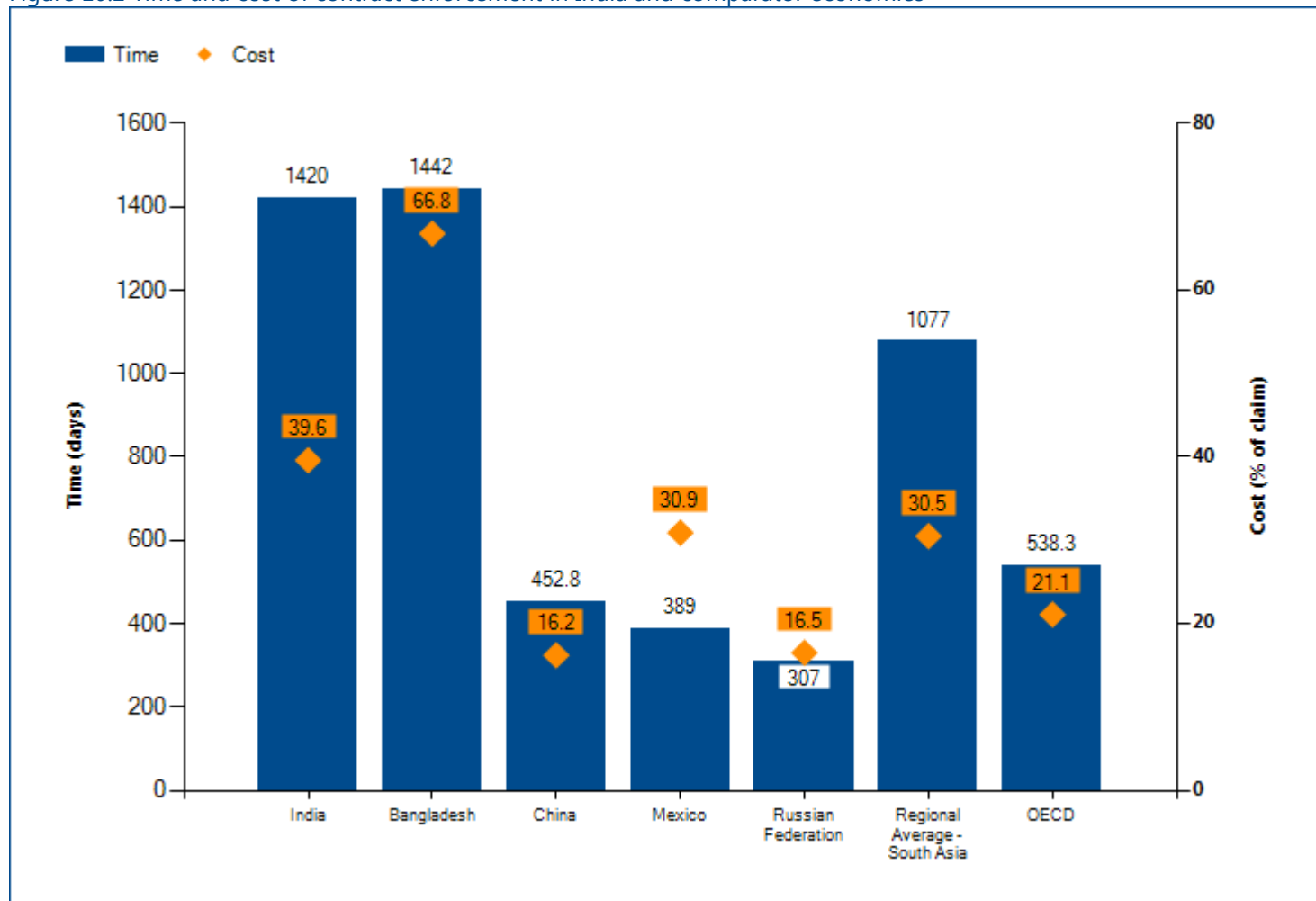
### What are the details?

The data on time and cost reported here for India are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

#### ECONOMY DETAILS

<b>Court name - Delhi:</b>	<b>Delhi District Court</b>
<b>Court name - Mumbai:</b>	<b>Bombay City Civil Court</b>
<b>City:</b>	<b>Mumbai, Delhi</b>

Figure 10.2 Time and cost of contract enforcement in India and comparator economies



Source: *Doing Business* database.

Table 10.2 Details on time and cost for enforcing contracts in India

Indicator	Mumbai	Delhi	South Asia average
<b>Time (days)</b>	1420.00	1420.00	1,077
Filing and service	20.0	20.0	
Trial and judgment	1095.0	1095.0	
Enforcement of judgment	305.0	305.0	
<b>Cost (% of claim)</b>	39.60	39.60	30.5
Attorney fees (% of claim)	30.6	30.6	
Court fees (% of claim)	8.5	8.5	
Enforcement fees (% of claim)	0.5	0.5	

Source: Doing Business database.

## ENFORCING CONTRACTS

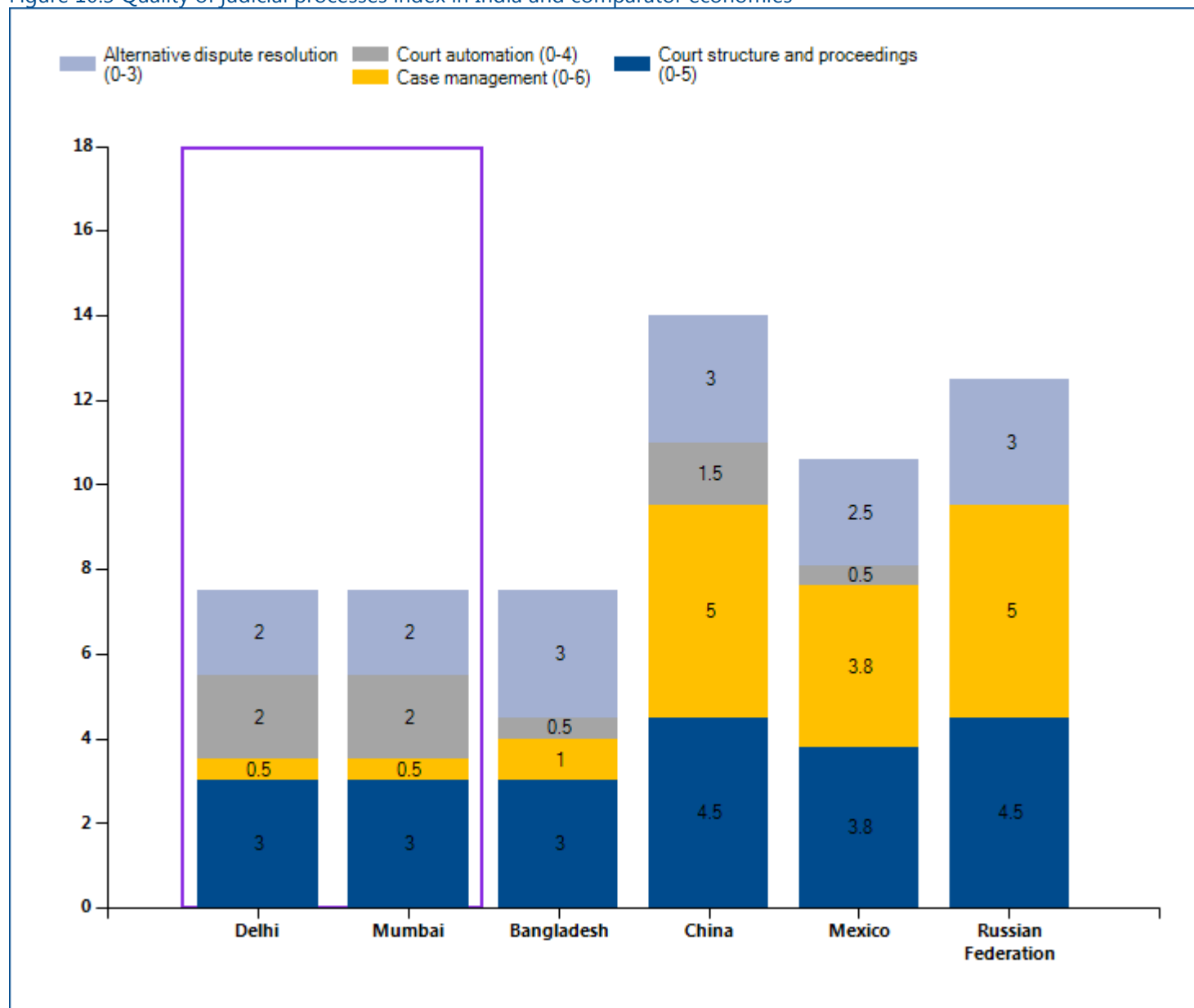
### Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating better, more efficient judicial processes.

The scores reported here show which of these good practices are available in India.

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in India and comparator economies



Source: *Doing Business* database.

Table 10.3 Details of the quality of judicial processes index in «dsGetData.Economy\_Name»

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Quality of judicial processes index (0-18)		7.50		7.50
Court structure and proceedings (0-5)		3.0		3.0
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	No	0.0	No	0.0
2. Small claims court		1.5		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes		Yes	
2.b. If yes, is self-representation allowed?	Yes		Yes	
3. Is pretrial attachment available?	Yes	1.0	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes	0.5	Yes	0.5
Case management (0-6)		0.5		0.5
1. Time standards		0.5		0.5
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes		Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes		Yes	
1.c. Are these time standards respected in more than 50% of cases?	No		No	
2. Adjournments		0.0		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	Yes		Yes	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No		No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	No		No	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	No	0.0	No	0.0
4. Is a pretrial conference among the case management techniques used before the competent court?	No	0.0	No	0.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	No	0.0	No	0.0



	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	No	0.0	No	0.0
Court automation (0-4)		2.0		2.0
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	No	0.0	No	0.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0	No	0.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0	Yes	1.0
4. Publication of judgments		1.0		1.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		Yes	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		Yes	
Alternative dispute resolution (0-3)		2.0		2.0
1. Arbitration		1.0		1.0
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes		Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	Yes		Yes	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes		Yes	
2. Mediation/Conciliation		1.0		1.0
2.a. Is voluntary mediation or conciliation available?	Yes		Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes		Yes	

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No		No	

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By clarifying the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and sustainably grow the economy.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

### WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

#### Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

#### Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

## RESOLVING INSOLVENCY

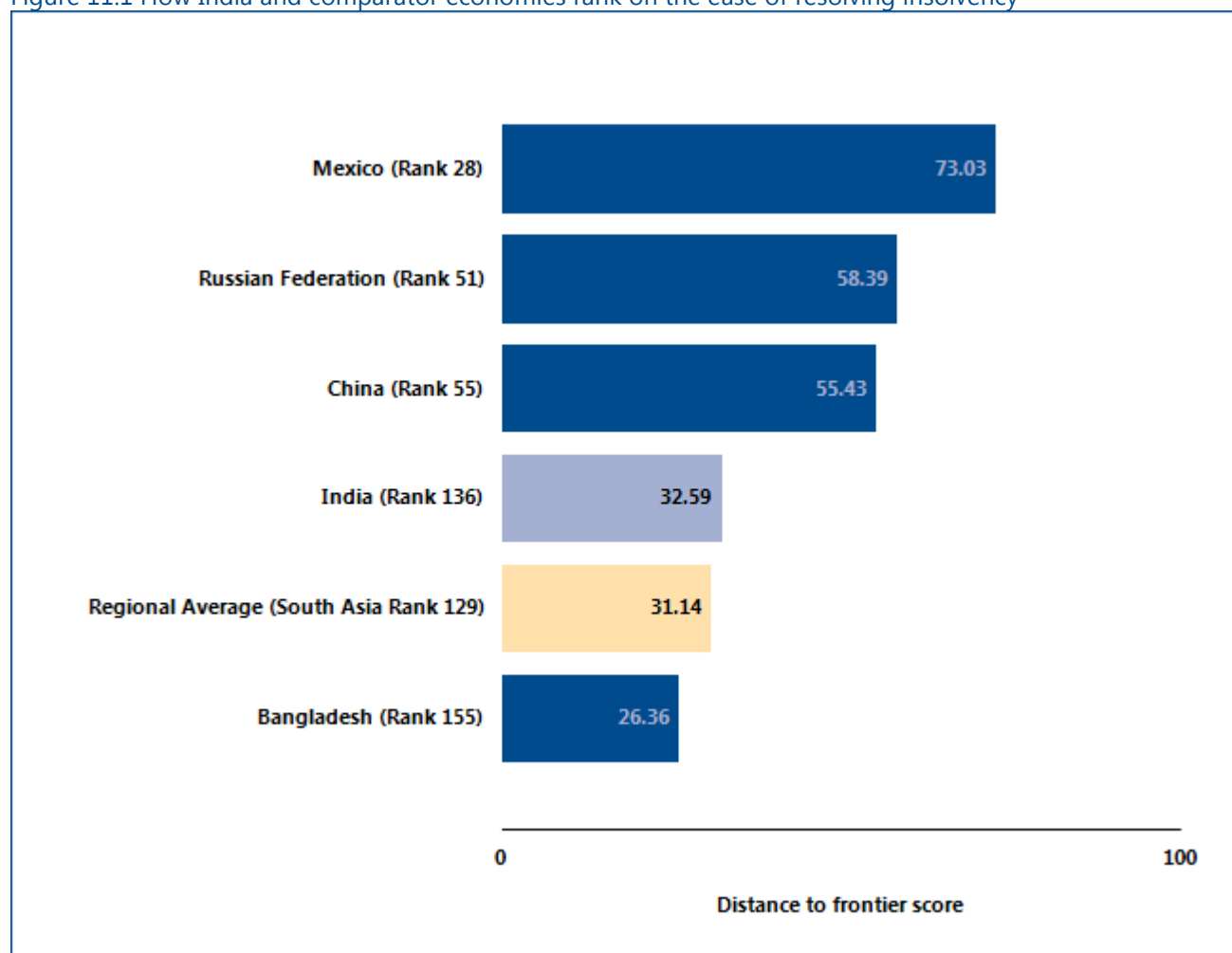
### Where does the economy stand today?

According to data collected by *Doing Business*, resolving insolvency takes 4.30 years on average and costs 9.00% of the debtor's estate. The average recovery rate is 25.70 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Globally, India stands at 136 in the ranking of 189 economies on the ease of resolving insolvency (figure

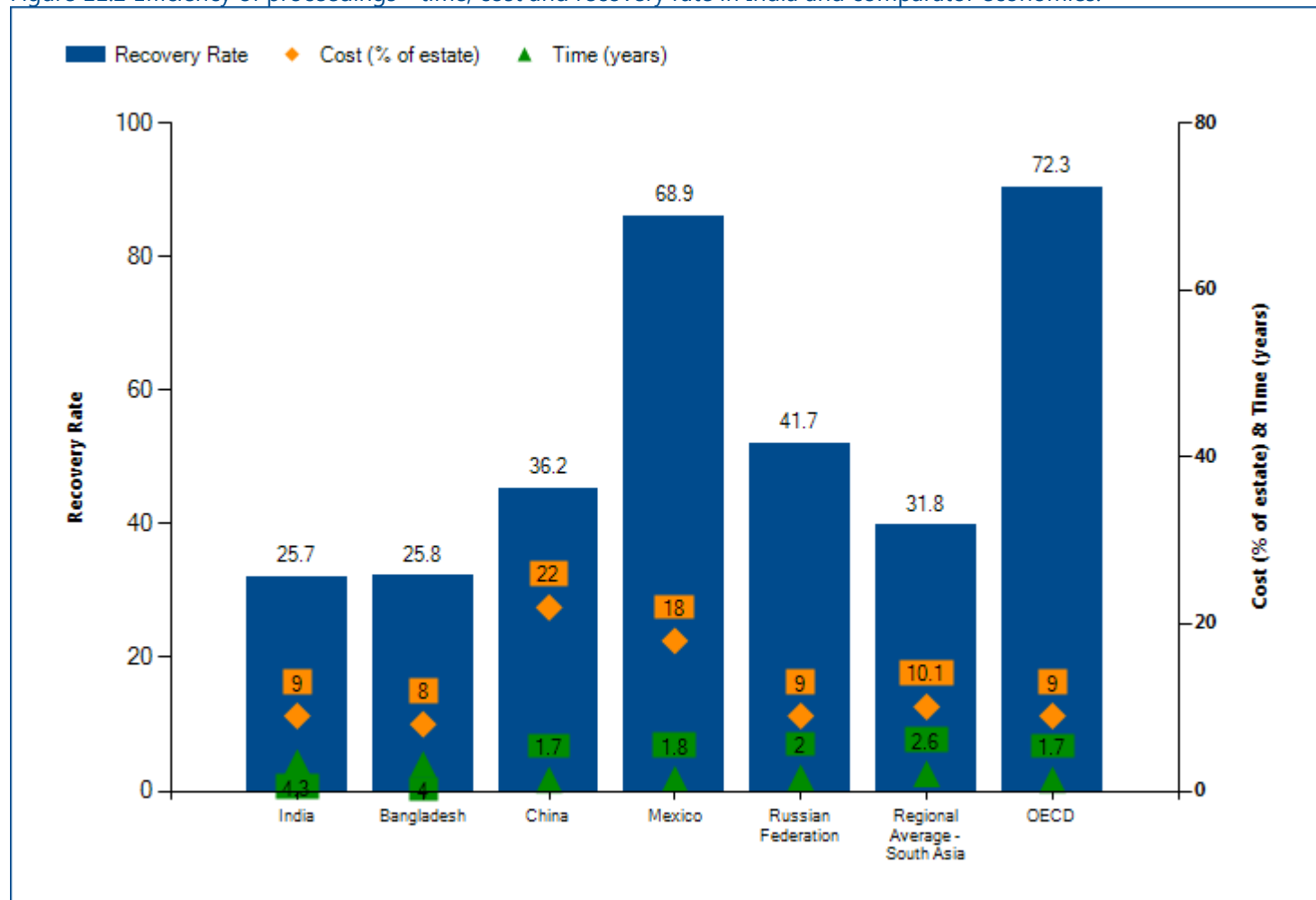
11.1). The resolving insolvency indicators are based on detailed information collected through questionnaires completed by insolvency experts, including lawyers, practitioners (administrators, trustees), accountants and judges. Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions. Data on provisions applicable to judicial liquidation and reorganization is based on the current law governing insolvency proceedings in each economy.

Figure 11.1 How India and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in India and comparator economies.



Source: *Doing Business* database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2014 lending rates.

Table 11.1 Summary of data for the strength of insolvency framework index India

		Answer	Explanation
Proceeding	Mumbai, Delhi	foreclosure	To enforce its security interest, Bizbank would file a petition to the Debt Recovery Tribunal. The debtor or other creditors will object before the High Court.
Outcome	Mumbai, Delhi	piecemeal sale	The reason why BizBank initiates the insolvency process is that the hotel is unable to pay its debts and the hotel expects operating losses in 2015 as well as 2016. Hence, in order to pay the debts, the hotel assets will be sold piecemeal and the hotel will stop operating.
Time (in years)	Mumbai, Delhi	4.3	Bizbank will apply to the Debt Recovery Tribunal to enforce its security. This will take a couple of months. But other creditors (including tax authorities) and Mirage itself will file objections in front of the High Court, which will delay the proceedings substantially. Given the high backlog of cases in India's High Courts, the foreclosure procedure until BizBank is repaid some or all of the money owed to it takes about 4.3 years.
Cost (% of estate)	Mumbai, Delhi	9.0	The costs associated with the case would amount to approximately 9% of the value of the debtor's estate. Costs incurred during the entire foreclosure process mainly include court or government agency fees (INR 300,000, according to Mumbai Court fees Act, 1959), attorney fees (INR 100,000), costs of notification and publication (INR 25,000), fees of accountants, assessors, inspectors and other professionals (INR 100,000), fees of auctioneers (INR 50,000), fees of service providers and/or government levies (INR 100,000-200,000), and other fees (INR 100,000).
<b>Recovery rate: 25.70</b>			

Source: Doing Business database.

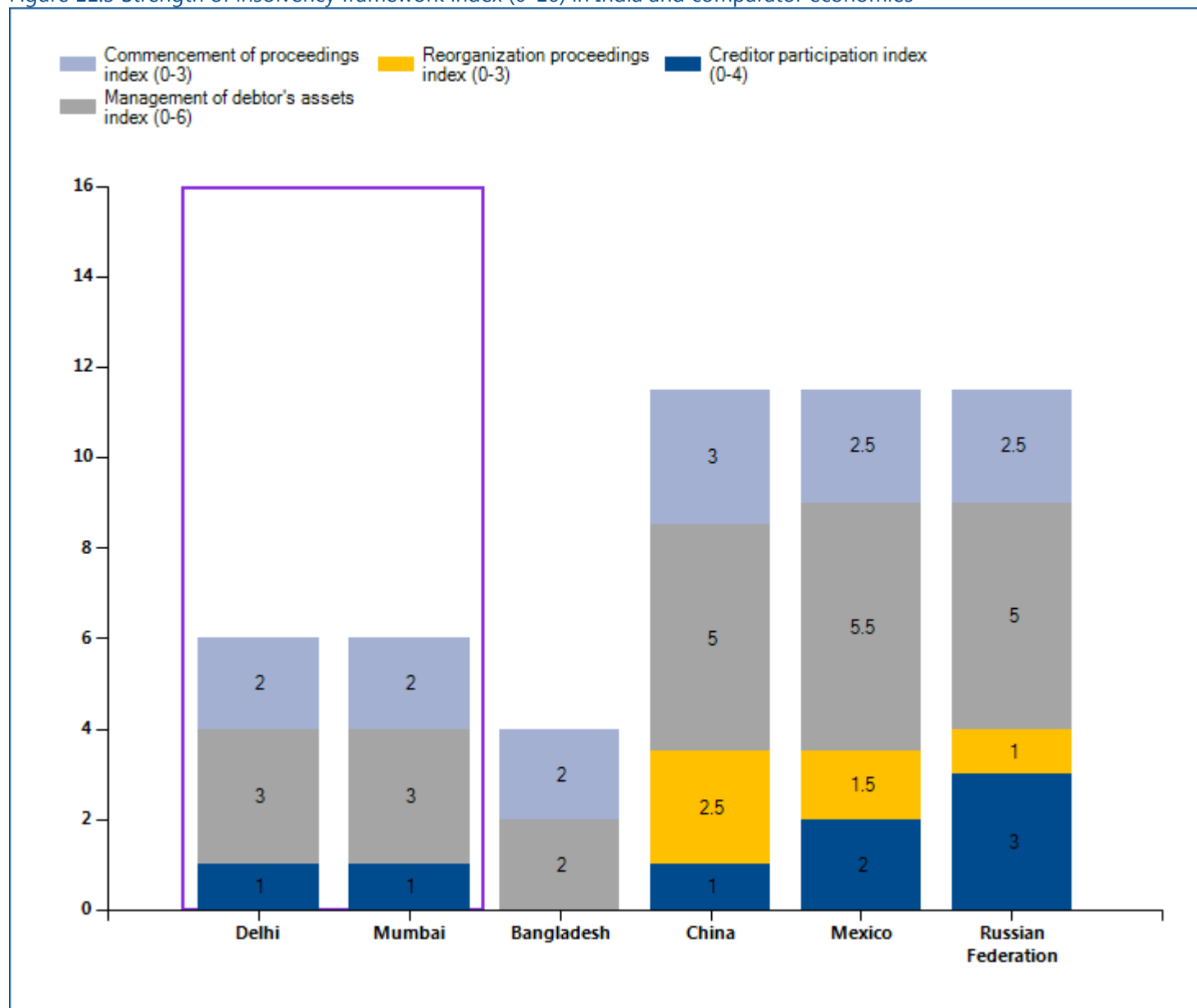
## RESOLVING INSOLVENCY

### Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16,

with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. India scores 6.00 out of 16 on the strength of resolving insolvency index.

Figure 11.3 Strength of insolvency framework index (0-16) in India and comparator economies



Source: *Doing Business* database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.3 Summary of data for the strength of insolvency framework index India

	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
Strength of insolvency framework index (0-16)		6.00		6.00
Commencement of proceedings index (0-3)		2.00		2.00
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(b) Debtor may file for liquidation only	0.5	(b) Debtor may file for liquidation only	0.5
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(a) Debtor is generally unable to pay its debts as they mature	1.0	(a) Debtor is generally unable to pay its debts as they mature	1.0
Management of debtor's assets index (0-6)		3.00		3.00
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	No	0.0	No	0.0
Does the insolvency framework assign priority to post-commencement credit?	(c) No priority is assigned to post-commencement creditors	0.0	(c) No priority is assigned to post-commencement	0.0



	Answer (Mumbai)	Score (Mumbai)	Answer (Delhi)	Score (Delhi)
			creditors	
Reorganization proceedings index (0-3)		0.00		0.00
Which creditors vote on the proposed reorganization plan?	N/A	0.0	N/A	0.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0	No	0.0
Creditor participation index (0-4)		1.00		1.00
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	No	0.0	No	0.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	No	0.0	No	0.0

Source: Doing Business database.

## LABOR MARKET REGULATION

*Doing Business* has historically studied the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. This year *Doing Business* has expanded the scope of the labor market regulation indicators by adding 16 new questions, most of which focus on measuring job quality.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Ten of the 189 ILO conventions cover areas now measured by *Doing Business* (up from four previously): employee termination, weekend work, holiday with pay, night work, protection against unemployment, sickness benefits, maternity protection, working hours, equal remuneration and labor inspections.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group, along with the methodology it proposed, is available on the *Doing Business* website at: <http://www.doingbusiness.org/methodology/labor-market-regulation>.

*Doing Business 2016* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and

regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

## LABOR MARKET REGULATION

### What are the details?

The data reported here for India are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials. Employment laws and

regulations as well as secondary sources are reviewed to ensure accuracy.

#### Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; (iv) the ratio of the minimum

wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population), and (v) the availability of incentives for employers to hire employees under the age of 25\*.

Hiring	Mumbai Data	Delhi Data
Fixed-term contracts prohibited for permanent tasks?	No	No
Maximum length of a single fixed-term contract (months)	No limit	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	135.4	179.1
Ratio of minimum wage to value added per worker	0.7	0.9
Incentives for employing workers under age 25?	No	No

Source: *Doing Business* database.

\*A new question introduced in the *Doing Business 2016* report for the first time.

## LABOR MARKET REGULATION

### Working hours

Data on working hours cover nine areas: i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay)\*; (v) whether there are restrictions on night work; (vi) whether nonpregnant

and nonnursing women can work the same night hours as men\*; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work\*; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	Mumbai Data	Delhi Data
Maximum number of working days per week	6.0	6.0
Premium for night work (% of hourly pay)	0.0	0.0
Premium for work on weekly rest day (% of hourly pay)	0.0	0.0
Premium for overtime work (% of hourly pay)	100.0	100.0
Restrictions on night work?	1.0	1.0
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes	Yes
Restrictions on weekly holiday?	1.0	1.0
Restrictions on overtime work?	Yes	Yes
Paid annual leave for a worker with 1 year of tenure (working days)	21.0	15.0
Paid annual leave for a worker with 5 years of tenure (working days)	21.0	15.0
Paid annual leave for a worker with 10 years of tenure (working days)	21.0	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	21.0	15.0

Source: *Doing Business* database.

\*A new question introduced in the *Doing Business 2016* report for the first time.

## LABOR MARKET REGULATION

### Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v)

whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Mumbai Data	Delhi Data
Maximum length of probationary period (months)	3.0	3.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if one worker is dismissed?	Yes	Yes
Third-party approval if one worker is dismissed?	No	No
Third-party notification if nine workers are dismissed?	Yes	Yes
Third-party approval if nine workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	No	No
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	Yes	Yes

Source: Doing Business database.

## LABOR MARKET REGULATION

### Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and

severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Mumbai Data	Delhi Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	4.3	4.3
Notice period for redundancy dismissal for a worker with 10 years of tenure	4.3	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	4.3	4.3
Severance pay for redundancy dismissal for a worker with 1 year of tenure	2.1	2.1
Severance pay for redundancy dismissal for a worker with 5 years of tenure	10.7	10.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	21.4	21.4
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	11.4	11.4

Source: Doing Business database.

## LABOR MARKET REGULATION

### Job quality

*Doing Business 2016* report presents, for the first time, data on 12 job quality areas: (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring, (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of maternity leave in calendar days (minimum number of days that legally have to be paid by the government, the employer or both); (v) whether employees on maternity leave receive 100 % of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) the availability of

on-the-job training at no cost to the employee; (viii) whether a worker is eligible for an unemployment protection scheme after one year of service; (ix) the minimum duration of the contribution period (in months) required for unemployment protection; (x) whether an employee can create or join a union; (xi) the availability of administrative or judicial relief in case of infringement of employees' rights; and (xii) the availability of a labor inspection system. If no maternity leave is mandated by law, parental leave is measured if applicable.

Job Quality	Mumbai Data	Delhi Data
Equal remuneration for work of equal value?	No	No
Gender nondiscrimination in hiring?	Yes	Yes
Paid or unpaid maternity leave mandated by law?	Yes	Yes
Minimum length of maternity leave (calendar days)?	84.0	84.0
Receive 100% of wages on maternity leave?	Yes	Yes
Five fully paid days of sick leave a year?	No	No
On-the-job training?	No	No
Unemployment protection after one year of employment?	No	No
Minimum contribution period for unemployment protection (months)?	n.a.	n.a.
Can employee create or join union?	Yes	Yes
Administrative or judicial relief for infringement of employees' rights?	Yes	Yes
Labor inspection system?	Yes	Yes

Source: *Doing Business* database.

## DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

*Doing Business* presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

### Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

#### Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators  $y$  (except for the total tax rate) is rescaled using the linear transformation  $(\text{worst} - y)/(\text{worst} - \text{frontier})$ . In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator

even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate.

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly



identical to the simple average used by *Doing Business*<sup>4</sup>. Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components<sup>5</sup>.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

#### Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 in the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 in the *Doing Business 2016* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

#### Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

<sup>4</sup> See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

<sup>5</sup> For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

#### Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

*Doing Business 2016* uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15

implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

#### Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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How economies rank—from 1 to 189  
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<http://www.doingbusiness.org/research>

### *Doing Business* reforms

Short summaries of DB2016 business regulation reforms and lists of reforms since DB2008  
<http://www.doingbusiness.org/reforms>

### Historical data

Customized data sets since DB2004  
<http://www.doingbusiness.org/custom-query>

### Law library

Online collection of business laws and regulations relating to business  
<http://www.doingbusiness.org/law-library>

### Contributors

More than 11,400 specialists in 189 economies who participate in *Doing Business*  
<http://www.doingbusiness.org/contributors/doing-business>

### Entrepreneurship data

Data on business density (number of newly registered companies per 1,000 working-age people) for 136 economies  
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

### Distance to frontier

Data benchmarking 189 economies to the frontier in regulatory practice and a distance to frontier calculator  
<http://www.doingbusiness.org/data/distance-to-frontier>

### Information on good practices

Showing where the many good practices identified by *Doing Business* have been adopted  
<http://www.doingbusiness.org/data/good-practice>



*Doing Business 2016* is the 13th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 189 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

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