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EASE OF DOING BUSINESS IN PAKISTAN

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ABSTRACT

This paper discusses the ease of doing business in Pakistan and its rank assigned by the US base agency World Bank in doing business report 2019. Since 2002, World Bank has

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beencontinuously assigning rankings to the world economies. This year (2019) it has assigned rankings around 190 economies around the world, whereas, Pakistan has placed on 136th rank with eleven point jump, which shows that Pakistan has improved 30% whereas, 70% is still to remain.Pakistan is hopeful that the Doing Business report, which would be released in next year May 2020, in that Pakistan ranking position will come down below hundred (Board of Investment). Chairman, Board of Investment (Pakistan Radio Report, 2019) briefed Prime Minister that the BOI has taken various reforms, i.e. to improve risk management system, payments time has reduced from forty seven to twenty days andwork on provincial portals i.e. at Karachi, Sindh is in progress and in Lahore, Punjab has completed. Pakistan in ease of doing business rankings has improved, but still there are some bottlenecks, which government needs to resolve in order to make the country commercial hub in the future.

1. INTRODUCTION

The transparent, fair and business friendly policies of any country around the world attract both local and foreign business community to conduct business (Seema Malik and Jyoti). The countries, which are developed and economically sound around the world they have made their policies business friendly (According to Associations, Chambers and Trade Bodies of Pakistan). Pakistan has a great potential to surpass the leading countries in the world generally and in South Asia, particularlyin ease of doing business rankings (Chambers). In 2019 World Bank EDB report, Pakistan has placed on 136th ranking.A World Bank Group report on the ease of doing business rankings economies across the world annually on the basis of eleven (11)comprehensive indicators/areas namely 1. Starting a business, which covers time,cost, paid-in minimum capital to start a limited liability company for both men and women and procedures. 2. Dealing with construction permits. Under this head procedures, cost and time are considered, to build a warehouse and the quality control. 3.Getting electricity. Under this head procedures, time and cost required for a business to obtain an electricity connection from the concerned entity for a newly established warehouse. 4. Registering property head the procedures, time and cost are measured to register the entity/businessby both men and women. 5.Getting creditunder the umbrella of this head the strength of laws and depth of credit information systems checked. 6. Protecting investors. This indicator measures the Minority shareholder's rights in the relate party transaction as well as corporate governance. 7. Paying taxes. Under this indicator, the amount of taxes paid, time to consume, to prepare tax returns are measured 8. Trading across bordersindicator measures the time and cost to export the commodity and documents required. 9. Enforcing contractsmeasures that how much cost and time is taken to resolve a commercial dispute for both men and women. 10. Resolving insolvency indicator of ease of doing business measure the time, cost and recovery rate under bankruptcy proceedings and 11. Labor market regulation. But at present, Doing Business does not present rankings of economies on the labor market regulation indicator or Ease of Doing Business Score. For countries having population of more than 100 Million, World Bank (WB) takes two cities in the final ranking. In Pakistan two cities are namelyKarachi, capital city of Sindh province and Lahore, capitalcity, Punjab province with a ratio of 65% and 35% weightage respectively in total ease of doing business score formerly known as doing business distance to the frontier (DTF)score. Doing Business Report takes the perspective of domestic, primarily smaller companies and measures the effectiveness and quality of business regulations applying to them through their life cycle. Following table 1 shows the ranks of Doing Business from the year 2007 to the year 2019.

Figure. 1

Source: Doing Business Reports (various years)

The above figure depicts that Pakistan after 2007, it continuously lost two (02), one (01) and eight (08) points in the year 2008, 2009 and 2010 respectively, but in 2011 gained two (02) points, later on, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 lost twenty two (22), two (02), three (03), eighteen (18), ten (10), six (06) and three (03) points respectively, but in 2019 once again achieved eleven (11) points and jumped from 147 to 136 ranking in ease of doing business rank.

2. LITERATURE REVIEW

A brief review of the previous studies conducted by different researchers regarding ease of doing business is highlighted as follows:
National Tariff Commission, Ministry of Commerce, Government of Pakistan (2015) studied on "Reasons of Decline in Exports of Pakistan" found that Pakistan's exportshasbeen declined due to the number of factors, i.e. inefficient and unfriendly socioeconomic environment, high cost of doing business, high electricity charges in Pakistan.The study also indicates that exports can be increased only when a transparent policy will be introduced in the country.
Karachi Chamber of Commerce and Industry (KCCI), Research and Development Cell (2016) conducted a study on "Doing Business in Pakistan – Reform to Rise Through" found that many economies around world i.e. Malaysia, Tiawan have created a business friendly environment so that their Doing Business ranking have improved as compared to Pakistan, therefore, Pakistan has a time, to take concrete steps, to create a conducive business environment by making reforms in their policies. In addition, it also identified that Pakistan can move up to 119th, 92ndor 72nd position, if it makes a slight modification of its policies.
VijetaBanwari (2019) examined that India has improved in ease of doing business ranking and has climbed 23 places to 77 among 190 economies, but he suggested that the India still needs to reform more in order to get eye in top 50 rankings, and recommended that now India should focus in the areas where ranking has dipped such as Registering business and protecting minority investors in the country.
Seher Khader, Rohith and Mallika Sen (2014) studied on "Macroeconomic Factors Affecting Ease of Doing Business" used simple regression and multiple regression model to investigate

correlation. They found that positive correlation between ease of doing business and macro-economic indicators.

Anjali Singh and K.K. Jaiswal (2018) examined that the government of India faced a lot of criticism in the year 2016 when US based World Bank placed India at 130th rank in ease of doing business report, and it was also observed that India stands behind BRICS nations, but in 2018 ease of doing business report, it has been placed at 100th position because India has made improvement in its policies launched under the "Make in India" campaign, and expected that the India would enter the top 50 ranks in ease of doing business, if it concentrates on the weak areas such as construction permits, trading across borders etc.
R. Geetha (2013) studied on "Maki in India" and Ease of Doing Business found that the India government has taken various steps, to improve the existing policies of trade, and has made many reforms in taxation system, land laws and labour laws, and indicated that "Make in India" campaign only and only can get success, if it continues to work in the current way.
Harpreet Kaur (2016) found that it would be difficult for the government of India to achieve its target of 50 ranks in the next three years period of time, because Indian performance is not sufficient to reach at 50 ranks so that it has to work hard in order to achieve this target.

3. METHODOLOGY

This study based on the secondary data regarding the ease of doing business, which has been collected from various reports of ease of doing business, World bank and government published reports and studies.

4. FINDINGS, DISCUSSION AND RECOMMENDATIONS ABOUT EODB

Table. 1

Indicator	DB 2018	DB 2019
Overall - out of 190 economies	147	136
1. Starting a business	142	130
2. Dealing with Construction Permits	141	156
3. Getting Electricity	167	167
4. Registering Property	170	161
5. Getting Credit	105	112
6. Protecting Minority Investors	20	26
7. Paying Taxes	172	173
8. Trading Across Borders	171	142
9. Enforcing Contracts	156	156
10. Resolving Insolvency	82	53

Source: Doing Business Report 2018-19

4.1 Starting A Business:

World Bank in its ease of doing business report (2019) states that Pakistan has made simplifications in its preregistration and registration formalities and has made one-shop registration system in order to facilitate the entrepreneur, and it has placed Pakistan on 130th rank in starting a business index, whereas, in 2018 it was placed on 142th rank, but this performance is not best regulatory performance of Pakistan so that Pakistan needs to make better.

4.2 Registering Property

In addition to starting a business indicator, Pakistan has also improved in Registering Property indicator, in 2018, Pakistan was placed on 170th rank, but in a 2019 DB report Pakistan has been placed at 161, which shows that the Pakistan has received nine points under this indicator. The parameters that this indicator covers are time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of disputes. Karachi made registering property easier by increasing the transparency of the land registry and Lahore by implementing automating administrative procedures and by increasing the transparency of its land administration system (EDB 2019)

4.3 Resolving Insolvency

Apart from Starting a Business and Registering Property Pakistan has made progress in Resolving Insolvency area by making simple procedure in both Karachi and Lahore cities. This indicator examines time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency (DB 2019). However, in seven other indicators, Pakistan progress is weak so Pakistan needs to take concrete steps, to improve the rest seven areas, and this is only possible when all concerned such as State Bank of Pakistan, Security Exchange Commission, Board of Investment and Federal Board of Revenue will establish appropriate policies.

Other Factors required concentration

Infrastructure Development

Well developed and well maintained infrastructure, particularly, roads, highways, and railways plays an important role in smooth flow of raw materials and final goods in different markets across the country, and links rural markets to cities and increase economic growth. The government should invest good amount of human and financial resources for development of this sector. In 2018-19, an allocation of Rs. 303.976 billion has been made in this sector, but now it should be increased at least 30 to 40%.

4.4 Power Sector

As we know, without power no industry unit can be set up in a country. During 2018-19, an acute shortage of energy was experienced, especially in Sindh and Punjab province, the commercial hub of the country. The government must take concrete steps to overcome the energy crisis.Pakistan has not solved this particular issue and remained on 167th rank in both years.

4.6 Improving the employability

Human resources are the greatest asset of any firm. Companies will set up their plants in Pakistan only if they are able to find requisite amount of good quality skilled labour in the country. The government must promote competency based technical trainings.

4.7 Dealing with Construction Permits

Consrtustion is one of the prime industry of Pakistan which can provide more employment oportunites than others. This sector’s ranking was 141 in 2018 but in 2019 it is 156 which is not good for economy.

4.8 Protecting Minority Investors

This indicator discusses Minority Investors rights. The position of Pakistan in this indicator has decreased to 6 ranks from 20 in 2018 to 26 in 2019. It indicates that improvement in this aspect is possible.

4.9 Trading Across Borders

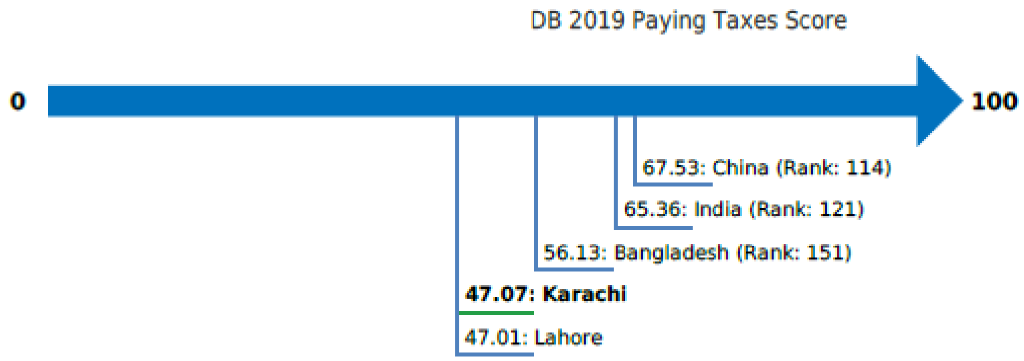
Pakistan has depictedsignificant improvement in this sector. Pakistan's position of this indicator has improved 29 ranks from 171 in 2018 to 142 in 2019.

4.10 Getting Credit

This indicator is most important. It is basically concerned with measuring the legal rights of borrowers and lenders with secured transaction and reporting of the credit information. This sector ranking was 105 in 2018 but in 2019 it is 112 which is not good for economy. There is a need to solve this issue to boost the economy.

4.11 Paying taxes.

Under this indicator, the amount of taxes paid, time to consume, to prepare tax returns are measured. this sector ranking was 172 in 2018 but in 2019 it is 173 which is not good apperantly. But If we will see the picture of big cities this rank is good for Pakistan. Big cities of Pakistan is Lahore and Karachi, so ranking is very good as compared to China and India.



Source: Doing Business 2019 Indicators

5. CONCLUSION

Pakistan ranking in 4 indicators out of 10 is better according to doing business report.Overall Pakistan ranking was 147 in 2018, it is 136 in 2019 which shows that Pakistan's position is 11 points better than previous year. 'Starting a business','Registering Property', 'Trading Across' and 'Resolving Insolvency Borders'indicators are showing better position while 'Dealing with Construction Permits', 'Getting Credit', 'Protecting Minority Investors' and 'Paying Taxes'are showing bad performance as compared to previous year. Besides 'Getting Electricity'and 'Enforcing Contracts'remained unchanged. There is a great gap between 2005 and 2019 establishments in Pakistan (Dawn Newspaper March, 2019)which reflects that Pakistan has a great need to rapidly bring reforms in its existingsystem, i.e.tax system, energy sector, export and import policies, judicial system and in financial institutions, then Pakistan would become able to come down below (100) ranking in next year 2020.

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