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Ease of Doing Business in BRICS: A Comparative Study

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ABSTRACT

The goal of this study is to assess the ranking of the BRICS countries to understand the ease of doing business in these countries. More specifically, the objective of the paper is to answer the question: How easy is it to carry out the business in BRICS? The study has been carried out by adopting descriptive research using reliable secondary data sources like reports published by World Bank, research and international organisations, newspapers and various articles. Findings of the research shows that ease of doing business as well as starting a company in Russia is best among BRICS nations, while South Africa and Brazil are lagging behind in a business-friendly environment. In terms of doing business, China and India are put in the 2nd and 3rd position respectively. This research will assist the MNCs decide on the markets based on business-friendliness. In order to be a business target nation, India, Brazil and South Africa need to decrease the amount of processes and the amount of days to set up a company.

Keywords: *BRICS; Emerging countries; Ease of doing business.*

1.0 Introduction

BRICS nations have developed as a group with comparable features such as increased population, elevated growth rates, and are coined as the world's emerging economies. Although the BRICS are growing world powers, the interests of the developing world in the global order are underrepresented. In addition, countries pretend to have higher representation in worldwide organizations such as the IMF, World Bank, and WTO.

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BRICS nations have shown variation in context of trade, manufacturing and the level of integration with the global markets. These nations were linked to each other in order to increase collaboration in different economic and financial fields. Nevertheless, owing to their respective demographics, opportunities and strengths, these budding economies have an assortment of similarities as well as dissimilarities. As one study says, "China is the world's workshop, Russia is seen as a gas station, India is the office, Brazil for raw materials and South Africa for Gold and resources."

In specific, the economies of Brazil, Russia, India and China or the BRICs, a term first coined by Goldman Sachs in 2001, were given the greatest concentration given their significance in terms of critical elements such as territorial size, population, consumer market potential, and strategic position and effect within their respective home areas. Off late, the group was re-named BRICS in 2010 with South Africa's entry into this club, extending its geopolitical influence further and offering it a four-continent reach. Global economies have recognised the potential of BRICS economies through the growth and size of the market as shown in Table 1.

Table 1: Key Indicators for BRICS Countries

Country	GDP (Billion USD)	GDP growth	Population (Million)
China	12015	6.6%	1390.1
India	2611	7.4%	1316.9
Brazil	2055	2.3%	207.9
Russia	1527	1.7%	144
South Africa	349	1.5%	56.5

Source: IMF World Economic Outlook Database (April 2018) and Business tech (July 2018)

Some of the key strengths of BRICS are extensive network, good reputation, skilled workforce and technological expertise. Yadav, (2018), states that there is urgent need to improve upon the tax structure in India in order to compete within BRICS nations.

At the same time there are some notable challenges such as bureaucratic system, uncertainty and corruption. Further, there is slow down in the growth of BRICS nations which is a cause of concern. Hence, there is need to improve business friendly environment in BRICS in order to attract foreign investment.

Therefore, it becomes inevitable to explore the "Ease of Doing Business" with BRICS countries. In order to achieve this goal, the data published by World Bank has been analysed for three years that is 2017, 2018 and 2019. There are different parameters of ease of doing business however the focus will be more on starting a business and its comparison across the BRICS countries.

Previous studies (Kaur, 2015, Gaur and Padiya, 2017, Moorthy, 2016) on BRICS have focused on macroeconomic indicators but there is hardly any study on comparing the ease of doing business particularly towards starting a business in BRICS. Therefore, the study is likely to help MNCs, policymakers and practitioners to pay attention to the important parameters of starting a business in BRICS.

We present the study as follows: section one covers the introduction, section two comprises of the literature review of BRICS nations, section three covers the methodology used; section four details on the results. Finally, the section five concludes with the discussion for future research.

2.0 Literature Review

Doing business is a ranking of competitiveness conducted by the World Bank. The first Doing Business report published in 2003 covered 133 economies. Over a period of years the number has exponentially increased and in 2019 the number is 190 countries.

Radulescu et al. (2014) investigated the significance of BRICS as a worldwide group of emerging economies. The research outlined the significance of BRICS relative to the huge adverse effect on developed economies with little effect of global financial crises on these countries. In a research investigating the significance of BRICS countries in today's economy, Oehler and Iulia's paper (2018) argues that China and Russia are leaders in infrastructure, higher education, and training-related qualitative indices. Michailova et al. (2013) stated that Russia has many advantages in terms of educational system as well as industrialization and thus ultimately provides intellectual capital for the economy. Chadee and Roxas (2013) compare Russia's official institutional growth with other BRIC countries as well as developed countries, pointing out Russia's unfavourable stance on a number of aspects such as the level of institutional growth, ability for competitiveness of firm and innovation.

While India has shown improvement in the ease of doing business ranking, it is vital to evaluate the multiple government-led reforms and concentrate on the problems and path ahead (Gaur and Padiya, 2017). Moorthy (2016) argues that the macroeconomic aspect of company rank on policymakers ' choice by using robust cross-country regressions and concludes that company rank facility has restricted macroeconomic utility and significance. By adopting numerous measures such as GST, Demonetization, Make in India, etc., which has turned out to be fruitful for the country's growth, the government has played a crucial part in improving ease of doing business in India (Rajat and Bhawna 2017). To make the "Make in India" initiative a success, the main problems that dampen investor feelings need to be resolved in order to rebuild their trust in India as a preferred company location need to be identified (Kaur, 2015).

Fatta et al. (2018) stated that Indian economy is having sustainable growth and, after the new Industrial Policy and economic reforms set in 1991, the Indian economy has outperformed in the global markets.

India requires to fulfil the difficulties on its manner to becoming a manufacturing hub, and the feasible alternatives to cope with the same have also been shown (Geetha, 2016).

Particularly in Brazil, conditions are more serious for SMEs with low loan amounts, greater interest rates, and elevated default rates and conditions are more favourable to incumbent, established companies in older sectors than newly developed companies (Campos and Iootty, 2007). Brazilian companies are extremely controlled. For businesses paying taxes and complying with labor laws, life is hard, so Brazil has a big black economy.

Maryam et al. (2018) explored the intensity of trade with the EU between BRICS countries for the period 2001-2015 by employing the Revealed Comparative Advantage of Balassa and found that Russia has emerged among the BRICS countries as the primary trading partner with the EU. The research shows that Russia and Brazil have a comparative advantage among resource-based products, whereas India and China have a slight benefit over the other BRICS countries among produced and processed goods. This shows India-China competition.

Swamy and Narayanmurthy (2018) empirically explored what drives capital flows to the BRICS countries and found that market size is the most important driver along with a host of other drivers including infrastructure, host country economic freedom, company facility and sovereign credit rankings to name a few.

Asongu and Odhiambo (2019) conclude in their research that few difficulties that prevent company from thriving in South Africa are issues related to the expense of starting a company, high taxes and low border trading with other African players that cause South Africa to fail to do well in the ease of doing business ranking parameters. Quartey and Abor (2010) concluded in a study on South African Small and Medium enterprises that there are numerous challenges that South African firms face while doing business. Study found that some of factors that impede firm's development include existence of weak policies, laws, rules and regulation and weak institutional infrastructure to encourage exports and inflow of foreign direct investment.

Garg, (2016) stated that the BRICS nations are lagging behind in terms of governance which has not hindered the FDI growth in BRICS nations. Dhanasekaran and Sumanthy (2018) advocated that BRICS nations have a lot of potential and FDI will further help in strengthening the nations for increase in employment as well as increasing the scale of production.

Jotwani (2016) attempted to explore the causality between ease of doing business and productivity in 14 states of India by using econometrics model and found that more structural reforms are needed to increase productivity to make growth stronger and more inclusive.

3.0 Methodology

The purpose of the research is to find out how easy is to carry out the business in BRICS countries. Basically, this study is based on secondary data collected from various reliable sources such as published journals, World Bank reports etc. The information used in this document is from World Bank Rankings through which the tabulation and analysis has been performed. The nature of the paper is conclusive and suggestive in bringing readers attention to compare the ease of doing business across BRICS countries.

4.0 Results

We have used secondary data to tabulate and find out the rankings across the BRICS nations. In continuation with the World Bank Report, the parameters for analysing the “Ease of Doing Business” are mentioned in Table 2 hereunder.

Table 2: Ease of Doing Business 2018

S. No	Parameter
1	Starting a business
2	Dealing with construction permits
3	Getting electricity
4	Registering Property
5	Getting credit
6	Protecting minority investors
7	Paying taxes
8	Trading across borders
9	Enforcing contracts
10	Resolving insolvency

Source: World Bank Report EODB, 2019

Table 3: Ease of Doing Business for BRICS

	Ease of doing business rank (1–190)		
	2017	**2018**	**2019**
Brazil	123	125	109
Russian Federation	40	35	31
China	78	78	46
India	130	100	77
South Africa	74	82	82

Source: Adopted from World Bank reports 2017-2019

It is evident from Table 3 that the ranking of Russian Federation has successively improved from 40th rank in 2017 to 31 rank in 2019. Second in line we find China to be chasing the race of ease of doing business from 78th rank in 2017 to 46th in 2019. On the other hand South Africa is lagging behind with ranking of 74 to 82. Brazil has been more or less consistently improving from 123rd rank to 109th rank in 2019. Finally, the Indian economy has remarkably improved from 130th rank in 2017 to 77th rank in 2019.

The name of the company and year of incorporation is readily available in most of the countries but there is a trend of providing this information in person for e.g., in South Asia the information regarding shareholders and their stake in the given business is provided only in person whereas in Europe the person seeking this type of information may not be required in person. The driving point here is that greater transparency in the business registration reduces the cost of starting a new business as well as reduces the number of days required to start the given business. The OECD group of countries provide all the information online after charging the nominal subscription fee which increases the efficiency of the whole economy. Better transparency in registry also leads to decrease in bribery. Technological advancement also helps in promoting the transparency like India introduced the online gateways for the completion of commencement of business formalities and procedures.

4.1 Starting a business

"Starting a business" essentially deals with measurement of the paid-in minimum capital requirement, number of procedures, time and cost for a small- to medium-sized limited liability firm/company to start up and formally operate in economy's largest business city.

The ease of starting of a new business is based on how much time the government of the country takes to give the required permissions and to complete the procedures. The Brazil government takes 20.5 days to fulfil the requirements of the business commencement; on the other hand, Russia takes only 10 days and India taking intermediate of 17 days for the same. China also has a comparable figure with India of 8 days. However, South Africa takes a long time which is 40 days to set up a business.

Table 4: Ease of Starting a Business in BRICS

	Starting a business(rank)			DTF score for starting a business (0–100)			Procedures (number)			Time (days)		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Brazil	175	176	140	65.04	65.05	80.23	11	11	10.6	79.5	79.5	20.5
Russian Federation	26	28	32	93.57	93.03	93.04	3.7	4	4	9.8	10.1	10.1
China	127	93	28	81.02	85.47	93.52	9	7	4	28.9	22.9	8.6
India	155	156	137	74.31	75.4	80.96	12.9	11.5	10	26	29.8	16.5
South Africa	131	136	134	80.47	79.97	81.22	7	7	7	43	45	40

Source: Adopted from World Bank Reports (EODB 2019)

As mentioned in Table 4, we find that China has consistently improved the ranking of starting a business from 127th position to 28th Position in 2019. The procedures in China have been reduced from 9 procedures in 2017 to just 4 procedures in 2019. Moreover, it is evident that staring a business in China requires as low as 9 days. Brazil has improved the ranking of setting up of a business from 175 in 2017 to 140 in 2019. The number of procedures are 11 and number of days to set up business are 21 as per EODB, 2019.South Africa has shown minor changes from 131 rank in 2017 to 134 rank in 2019. The number of procedures required in South Africa is seven and the time taken is 40 days in 2019. Russia has an added advantage of setting a business with 4 procedures and 10 days which is quiet attractive. On the other hand, India still requires 10 procedures and takes 17 days to set up a business which sets back the overall rank to 137.

It has been recorded that China simplified pre-registration procedures and registration facilities which includes publication, notarization, inspection and other requirements. It is due to improvement in providing these services that has affected the rank for China with reference to starting a business. On the other hand India not only has cut or simplified post registration procedures like tax registration, social security registration and licensing procedures but it also introduced online platforms for the completion of these procedures recently to sync with each other in order to improve the rank for India. India has been able to improve the ranking due to merging the applications for the Permanent Account Number (PAN) and improving the online application system.

Starting a Business is closely related to the transparency of information to the public by the government officials. New regulations have been adopted to improve transparency, particularly regarding the dissemination of company data. There is increase in transparency due to the fact that partnership has played a major role between Governments and outside agencies.

Countries have adopted new regulations in order to improve transparency, particularly regarding the dissemination of company data. Transparent information can facilitate investment decisions. Business registry transparency can increase the accountability of firms and public officials. Registries with transparent/clear stipulated requirements facilitate the process of registering and verifying the information. Moreover, transparency helps n estimating the viability of transaction.

4.2 Enforcing contracts

BRICS economics have variances in enforcing contracts which range from 5th rank for China to 163rd rank for India as mentioned in Table 5. There are number of reasons for low to high ranks and the most important parameter is the number of days. Enforcing contracts is the ability to enforce the contracts and resolve disputes fundamentally. India's overall ranking in Enforcing Contracts is 163 as mentioned in Table 5.

Table 5: Enforcing Contracts

	Enforcing contracts (rank)			**DTF score for enforcing contracts (0–100)**			**Time (days)**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Brazil	37	47	48	67.41	66	66	731	731	731
Russian Federation	12	18	18	74.96	72.18	72.18	337	337	337
China	5	5	6	77.98	78.23	78.97	452.8	496	496.3
India	172	164	163	35.19	40.76	41.19	1420	1445	1445
South Africa	113	115	115	54.1	54.1	54.1	600	600	600

Source: Adopted from World Bank Reports (EODB 2019)

Average days for enforcing contract is 1,445 and the recover amount is 31% of the value of claim. This is shocking. In the case of China, its overall rank in this is 5. Average days for enforcing contract is 496 and the recover amount is 16.2% of the value of claim. 15.1 out of (0-18) is for the quality of judicial processes index. Brazil's overall rank in the enforcement of contracts is 48. Average days for enforcing contract is 731 and the recover amount is 22.0% of the value of claim. 13.1 out of (0-18) is for the quality of judicial processes index. In the case of Russia, its overall rank in it is 18. 337 is the average date for enforcing contracts and 16.5% of the value of claim is the recovery amount. South Africa's overall rank in this is 115. Average date for enforcing contracts is 600 and 33.2% of the value of claim is recovery amount.

4.3 Trading across borders

BRICS nations are having obstacles in trading across borders as a result the ranking for trading across the borders is ranging from 96 to 143 as shown in Table 6. The reasons for poor ranking as per the report of ease of doing business 2019 are based on time to export as well as cost incurred to export to other countries. In case of china the number of documentary hours is 9 for export in comparison to South Africa which takes 68 hours. In case of India the number of hours for export compliance has reduced from 38 hours to 14.5 hours due to the changes in the foreign trade policy 2015-20. As per the trade policy, key shipping ports and airports shall be operating 24 x 7 to avoid delay of goods. Moreover, self-declaration at customs and single window clearance further has provided a major support. Documents at customs are processed online using various procedures including the e-sanchit platform for quick processing. Status of Brazil is status quo that is 12 hours for export compliance in 2018 as well as 2019. Status of Russia in context to number of export hours for compliance is status quo that is 25 hours for 2018 and 2019.

Table 6: Trading Across Borders

	Trading across borders (rank)			**DTF score for trading across borders (0–100)**			**Export-Documentary compliance (hours)**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Brazil	149	139	106	55.57	59.78	69.85	18	12	12
Russian Federation	140	100	99	57.96	69.2	71.06	25.4	25.4	25.4
China	96	97	65	69.13	69.91	82.59	21.2	21.2	8.6
India	143	146	80	57.61	58.56	77.46	38.4	38.4	14.5
South Africa	139	147	143	58.01	58.01	59.64	68	68	68

Source: Adopted from World Bank Reports (EODB 2019)

Based on the overall rankings for trading across the borders, we find that china is relatively better in dealing across the international frontiers with score of 65 in the year 2019. However, south Africa is placed at 143rd position in the year 2019 due to maximum number of hours taken at customs for export compliance which is 68 hours. There is need to improve upon the online procedures and infrastructure in Africa to improve upon the trade across the borders.

5.0 Discussion

The 2019 report shows that India and China have been amongst the top 10 improvers. This is a commendable achievement because most of the other economies in the top 10 are significantly smaller economies compared to India and China. Chinese and Indian economies showed impressive reform agendas. The research to enhance the regulatory climate of company has taken place over several years, leading to China and India being among the top 10 improvers in the 2019 EODB rankings.

Based on the resemblance of BRICS countries, the reason why BRICS operates is especially appealing owing to the big size of the industry, the growth rate and the low price of manufacturing. Nevertheless, India and China are regarded as better locations for low manufacturing costs, while Russia has a distinct view. Having a local presence in the Indian and Chinese market also has added benefit of doing business. Michailova et al. (2013) indicated that in terms of education scheme and industrialization, Russia has many benefits and thus eventually offers the economy with intellectual capital.

Brazil and South Africa need to focus on structural changes and reforms for improving the EODB. Considerable improvements in ranking of India and China are visible in EODB (2019) which indicates rays of opportunities in emerging economy. The study confirms that amongst BRICS nations the Russian foundation stands to be the first choice for MNCs based on EODB rankings 2019.

6.0 Conclusion

As mentioned in the EODB 2019, China is most favourable for starting a new business with rank 28 followed by Russia with rank 32 among the BRICS countries. Brazil stands at 140 rank which makes it the most difficult country to start a new business. The detailed analysis shows that the number of procedures to be completed to start a new business in Russia is only 04 whereas it is 07 in china as well as South Africa and 11 for Brazil. It has been recorded that China simplified pre-registration procedures and registration facilities which includes publication, notarization, inspection and other requirements. It is due to improvement in providing these services that has affected the rank for China with reference to starting a business. On the other hand India not only cut or simplified post registration procedures like tax registration, social security registration and licensing procedures but it also introduced online platforms for the completion of these procedures recently that in sync with each other has improved the rank for India. Starting a Business is closely related to the transparency of information to the public by the government officials. New regulations have been adopted to improve transparency, particularly regarding the dissemination of company data.

To conclude, it is observed that the ease of starting a new business is linked to the least number of procedures required and completing them in the least number of days. Transparency in the registration process also helps in the building the trust among the public and provides the required information to the potential investors on time reducing the cost of the starting a business and hence enhancing the overall efficiency of the system and thereby improving the ranks of the countries in the index of starting a new business.

Therefore, it is recommended that India and Brazil need to pay attention of starting a business in country. There is need to reduce the number of procedures to 4 and number of days taken to set up a business to 10 days in order to improve the ease of doing business and attracting the foreigners to the destination country.

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