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B-READY for business

India's investment culture needs strengthening

The government's early preparations for the new World Bank Index Business Ready (B-READY), replacing the defunct Ease of Doing Business (EoDB) Index, reflect the renewed focus on foreign direct investment (FDI) as an enabler of economic growth. The B-READY index, which aims to eventually cover 180 economies, is scheduled to be launched in September 2025. India will be covered by the survey in the second half of the year. Ahead of that the Department for Promotion of Industry and Internal Trade (DPIIT) is holding meetings with nodal ministries twice a month to assess the position vis-à-vis the 1,300-odd questions in the B-READY questionnaire. On a broader level, the plan is to incorporate some of the B-READY-related indices into business reform action plans for states. This is a healthy, proactive approach towards fixing the doing business milieu, which has yielded limited results with subdued FDI flows in recent years.

With the notable exception of Apple, for which there are the government's tailor-made policies under the production-linked incentive (PLI) scheme, there has been little evidence of multinationals establishing significant manufacturing bases in the country. An expected surge into India on the back of, say, China-Plus-One strategies is yet to materialise. Notably, two of Apple's vendors, Wistron and Pegatron, have withdrawn from India. Though the exit of Pegatron, which manufactured iPhones, is said to be part of a global scheme to withdraw from Apple's business, Wistron's departure concerns difficulties in managing supply chains and labour policies, both endemic problems in India's manufacturing ecosystem. A communication gap between policy design and investor expectations has hampered projects. The recent uncertainty over Vietnamese electric-vehicle maker Vinfast's $2 billion investment in a plant in Thoothukudi, Tamil Nadu, is a case in point. The company assumed the subsidies it had sought would flow from the time it started manufacturing; the government has said these would accrue only when the policy is in place.

Policy uncertainties like this tend not to be captured by indices that often end up being box-ticking exercises that governments take more seriously than global investors do. India, for example, zoomed 14 points on the index in 2019 following the introduction of the Insolvency and Bankruptcy Code, which, though progressive in enabling easier business exits, did not alter the granular realities of doing business. This was a problem economists highlighted with the EoDB Index long before a scandal over rank manipulation forced the multilateral institution to scrap it in 2021. The World Bank says the B-READY index will address a wider set of actors, especially in the private sector, and go beyond EoDB metrics to include qualitative assessments such as regulatory quality, workers, and the environment. These may well prove more credible and robust indicators of an economy's investment climate. But at least as far as India is concerned, it is likely to skim the surface of an economy where the shadow of the licence *raj* looms over the culture of investment and economic activity — in the shape of the factory inspector and the policymaker, and others. Swings between protectionism and liberalisation do not signal stability to the world's biggest companies. To become a credible investment destination for the world, India needs to streamline its policies at state and Centre and insulate them from the vagaries of politics and policy uncertainty.