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Center for Applied Finance and Economics Jindal School of Banking and Finance (JSBF)

cordially invites you to a

Public Lecture

on

Ease of Doing Business and Regulatory Reform in Developing Countries

by



Sabyasachi Kar

Professor and Head, Development Planning Centre
Institute of Economic Growth

Sabyasachi Kar is Professor and Head, Development Planning Centre, at the Institute of Economic Growth, Delhi, and an Honorary Senior Research Fellow at the University of Manchester, UK. He received his Ph.D in economics from the Jawaharlal Nehru University and he is an alumni of the Executive Education Program of the Kennedy School of Government, Harvard University. He is currently a researcher with the ESID growth consortium based at the University of Manchester and a Research Partner of the ESRC GPID research network based at the King's College, London. He is Associate Editor of the academic journals *Indian Growth and Development Review* (Emerald, UK) and the *Journal of South Asian Development* (Sage, India). Professor Kar's research spans macroeconomics, economic growth, development economics and political economy, with a particular focus on the Indian economy. He has published many academic articles in peer-reviewed Indian and international journals of repute. He has also written and edited a number of books and contributed chapters to edited books. His latest book is entitled 'The Political Economy of India's Growth Episodes' which has been published by Palgrave Macmillan, UK, in 2016. In the past, he has worked extensively for the Indian Planning Commission, and provided them inputs for the successive five-year plans in India. He has also worked on projects sponsored by the World Bank, the Global Development Network (GDN), the European Commission and the DFID, UK. His media outreach includes op-eds in newspapers like the Hindu, the Mint etc. and tweets regularly on current economic issues from his twitter handle Sabya_K.

Abstract

The World Bank's Doing Business Reports have evoked an intense policy debate about whether countries should simplify regulatory rules in order to stimulate investment and growth or make them more stringent in order to achieve public policy objectives. Both sides of this debate however, assume that the business environment in developing countries is defined and determined by the exact implementation of these rules by the state and by firms, an assumption demonstrated to be false by a number of studies. These studies seem to indicate that rather than these rules, doing business in developing countries is based on deals struck between firms and the political or bureaucratic arms of the state. In this paper, we undertake a cross-country analysis of the relationship between the rules related to the Doing Business Reports and these deals, particularly in the context of the state's capability in implementing them. Using data from the Doing Business reports, the World Bank's Enterprise Survey and other sources, we show that (i) while there is a relationship between rules and deals, it is a weak one and (ii) this relationship is itself dependent on the level of a country's state capability, with the impact of rules on deals getting further weakened if the state capability is low and (iii) with stringent rules and very low levels of state capability, the relationship becomes perverse, with more stringent rules leading to less compliance, rather than more. Based on these results, we provide a diagnostic approach to rules reform where the appropriate reform depend on the level of stringency of the rules in a country, and the level of its state capability.

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