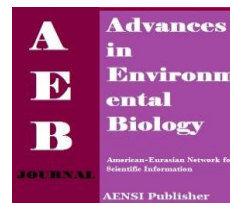




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# The Index of Doing Business in United States and Its Comparison with United Kingdom in 2014 and 2015: A Comparative Approach

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### ABSTRACT

**Objective:** The aim of the current research is to investigate and compare ease of doing business in United States compared to United Kingdom based on ease of doing business index. Specifically the author investigates the ease of starting business within two countries, ease of export, comparison of the countries with the frontiers in the world and comparison of the countries regarding to ease of starting a business. **Method:** The data are extracted from World Bank Group and Ease of Doing Business. **Results:** Data shows that UK's ease of doing business generally is less than United States. In 2014 United States was ranked 41 and in 2015 United States is ranked 46. This implies that entrepreneurs in United States are confronted with difficulty of starting a business in their countries. In return, for UK, 2015 index shows that UK has done improvements in its business environment. For trading across borders, in United States there is a little reduction between 2014 and 2015. But the situation has been improved for United Kingdom and the countries' rank in this area has become greater than 2014.

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## INTRODUCTION

The ease of doing business index is an index created by the World Bank[1]. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Empirical research funded by the World Bank to justify their work show that the effect of improving these regulations on economic growth is strong [2].

"Empirical research is needed to establish the optimal level of business regulation—for example, what the duration of court procedures should be and what the optimal degree of social protection is. The indicators compiled in the Doing Business project allow such research to take place. Since the start of the project in November 2001, more than 800 academic papers have used one or more indicators constructed in Doing Business and the related background papers by its authors [3].

The index is based on the study of laws and regulations, with the input and verification by more than 9,600 government officials, lawyers, business consultants, accountants and other professionals in 185 economies who routinely advise on or administer legal and regulatory requirements.

The ease of doing business index is meant to measure regulations directly affecting businesses and does not directly measure more general conditions such as a nation's proximity to large markets, quality of infrastructure, inflation, or crime. A nation's ranking on the index is based on the average of 10 subindices:

- Starting a business – Procedures, time, cost and minimum capital to open a new business
- Dealing with construction permits – Procedures, time and cost to build a warehouse
- Getting electricity – procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse
- Registering property – Procedures, time and cost to register commercial real estate
- Getting credit – Strength of legal rights index, depth of credit information index
- Protecting investors – Indices on the extent of disclosure, extent of director liability and ease of shareholder suits
- Paying taxes – Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
- Trading across borders – Number of documents, cost and time necessary to export and import
- Enforcing contracts – Procedures, time and cost to enforce a debt contract

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- Resolving insolvency – The time, cost and recovery rate (%) under bankruptcy proceeding
- The Doing Business project also offers information on following datasets:
- Distance to frontier - Shows the distance of each economy to the “frontier,” which represents the highest performance observed on each of the indicators across all economies included in Doing Business since each indicator was included in Doing Business
  - Entrepreneurship - Measures entrepreneurial activity. The data is collected directly from 130 company registrars on the number of newly registered firms over the past seven years
  - Good practices - Provide insights into how governments have improved the regulatory environment in the past in the areas measured by Doing Business
  - Transparency in business regulation - Data on the accessibility of regulatory information measures how easy it is to access fee schedules for 4 regulatory processes in the largest business city of an economy

For example, according to the Doing Business (DB) 2013 report, Canada ranked third on the first subindex "Starting a business" behind only New Zealand and Australia. In Canada there is 1 procedure required to start a business which takes on average 5 days to complete. The official cost is 0.4% of the gross national income. There is no minimum capital requirement. By contrast, in Chad which ranked among the worst (181st out of 185) on this same subindex, there are 9 procedures required to start a business taking 62 days to complete. The official cost is 202% of the gross national income per capita. A minimum capital investment of 289.4% of the gross national income per capita is required.

While fewer and simpler regulations often imply higher rankings, this is not always the case. Protecting the rights of creditors and investors, as well as establishing or upgrading property and credit registries, may mean that more regulation is needed.

**Table 1:** Doing Business Index for United States: 2014 Compared to 2015

Topics	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business	46	41	↓ -5
Dealing with Construction Permits	41	43	↑ 2
Getting Electricity	61	58	↓ -3
Registering Property	29	30	↑ 1
Getting Credit	2	1	↓ -1
Protecting Minority Investors	25	21	↓ -4
Paying Taxes	47	44	↓ -3
Trading Across Borders	16	15	↓ -1
Enforcing Contracts	41	41	No change
Resolving Insolvency	4	4	No change

**Table 2:** distance to frontier (first country) for United States in 2015

Topics	DB 2015 DTF** (% points)	DB 2014 DTF** (% points)	Change in DTF** (% points)
Starting a Business	91.22	91.06	↑ 0.16
Dealing with Construction Permits	78.87	78.75	↑ 0.12
Getting Electricity	79.52	79.51	↑ 0.01
Registering Property	82.92	82.85	↑ 0.07
Getting Credit	95.00	95.00	No change
Protecting Minority Investors	65.83	65.83	No change
Paying Taxes	80.84	80.85	↓ -0.01
Trading Across Borders	88.25	88.34	↓ -0.09
Enforcing Contracts	67.26	67.26	No change
Resolving Insolvency	90.12	90.12	No change

**Table 3:** Starting business procedures in United States.

Indicator	New York City	OECD	
Procedures (number)	6.0	4.8	
Time (days)	4.0	9.2	
Cost (% of income per capita)	1.4	3.4	

Paid-in min. capital (% of income per capita)	0.0	8.8	
No.	Procedure	Time to Complete	Associated Costs
1	Reserve the company's business name (optional), file the company's articles of organization and adopt the company's operating agreement	Less than one day (online procedure)	USD 275 (USD 200 filing fee, USD 75 expedited service fee)
2	Apply for federal identification number (EIN) for tax and employer purposes	Less than one day (online procedure)	no charge
3	Register to collect state sales tax	Less than one day (online procedure)	no charge
4	Register as an employer with the Unemployment Insurance Division at the State Labor Department	Less than one day (online procedure)	no charge
5	Arrange for workers' compensation and disability insurance	1 day	no charge
6	Arrange for publication and submit certificate and affidavits of publication	1 day	USD 475

\*\*The distance to frontier score shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2005 or the third year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier

**Table 4:** export across borders in United States and its subscales.

Indicator	New York City	OECD
Documents to export (number)	3	4
Time to export (days)	6.0	10.5
Cost to export (US\$ per container)	1,190.0	1,080.3
Cost to export (deflated US\$ per container)	1,190.0	1,080.3
Documents to import (number)	5	4
Time to import (days)	5.0	9.6
Cost to import (US\$ per container)	1,315.0	1,100.4
Cost to import (deflated US\$ per container)	1,315.0	1,100.4
Nature of Export Procedures	Duration (days)	US\$ Cost
Documents preparation	2	230
Customs clearance and inspections	1	60
Ports and terminal handling	2	400
Inland transportation and handling	1	500
Totals	6	1,190

**Table 5:** Doing Business Rankings for United Kingdom in 2014 and 2015

Topics	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business	45	50	↑ 5
Dealing with Construction Permits	17	16	↓ -1
Getting Electricity	70	66	↓ -4
Registering Property	68	67	↓ -1
Getting Credit	17	14	↓ -3
Protecting Minority Investors	4	4	No change
Paying Taxes	16	15	↓ -1
Trading Across Borders	15	17	↑ 2
Enforcing Contracts	36	37	↑ 1
Resolving Insolvency	13	13	No change

**Table 6:** Distance to Frontier for United Kingdom 2015 Compared to 2014

Topics	DB 2015 DTF** (% points)	DB 2014 DTF** (% points)	Change in DTF** (% points)
Starting a Business	91.23	89.85	↑ 1.38
Dealing with Construction Permits	85.06	85.02	↑ 0.04

Getting Electricity	78.42	78.41	↑ 0.01
Registering Property	72.55	72.43	↑ 0.12
Getting Credit	75.00	75.00	No change
Protecting Minority Investors	78.33	78.33	No change
Paying Taxes	90.52	90.09	↑ 0.43
Trading Across Borders	88.32	88.24	↑ 0.08
Enforcing Contracts	68.08	68.08	No change
Resolving Insolvency	82.04	82.04	No change

**Table 7:** Statistics for Starting a Business in United Kingdom

Indicator	United Kingdom	OECD	
Procedures (number)	6.0	4.8	
Time (days)	6.0	9.2	
Cost (% of income per capita)	0.3	3.4	
Paid-in min. capital (% of income per capita)	0.0	8.8	
No.	Procedure	Time to Complete	Associated Costs
1	Check name for uniqueness at the company names index database on the web	Less than one day (online procedure)	no charge
2	Prepare memorandum and articles of association; fill out and sign Form IN01 (application for registration).	1 day	GBP 35
3	File incorporation documents with the Registrar of Companies at Companies House	Less than one day (online procedure)	GBP 30
4	Contact HMRC and register for VAT	Less than one day (online procedure)	no charge
* 5	Contact HMRC and register for PAYE	3 days, simultaneous with previous procedure	no charge
6	Sign up for employer's liability insurance	1 day	no charge

\* Takes place simultaneously with another procedure.

\*\*The distance to frontier score shows how far on average an economy is at a point in time from the best performance achieved by any economy on each *Doing Business* indicator since 2005 or the third year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier

**Table 7:** Export across Borders in United Kingdom and its Subscales.

Indicator	United Kingdom	OECD
Documents to export (number)	4	4
Time to export (days)	8.0	10.5
Cost to export (US\$ per container)	1,005.0	1,080.3
Cost to export (deflated US\$ per container)	1,005.0	1,080.3
Documents to import (number)	4	4
Time to import (days)	6.0	9.6
Cost to import (US\$ per container)	1,050.0	1,100.4
Cost to import (deflated US\$ per container)	1,050.0	1,100.4
Nature of Export Procedures	Duration (days)	US\$ Cost
Documents preparation	3	175
Customs clearance and inspections	1	75
Ports and terminal handling	2	205
Inland transportation and handling	2	550
Totals	8	1,005

#### *United States Compared to United Kingdom in Doing Business Index:*

The ranks of 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 for United States are 46,41,61,29,2,25,47,16,41, and 4 respectively. This is while these statistics are 45, 17, 70, 68, 17, 4, 16, 15, 36, 13 respectively for United Kingdom. This means that in the area of starting business, dealing with construction permits, paying taxes, and enforcing contracts, UK perform better than United States.

#### *United States Compared to United Kingdom in Starting a Business:*

For measuring ease of starting a business, four indicators have been used by World Bank as an index of ease of starting a business. These indicators are procedures, time, cost, and paid in min capital (or % of income per capita).

In United States rank for these four indicators are 6, 4, 1.4 and 0 respectively. In UK these ranks are 6,6,0.3 and 0 respectively. This means that two countries are equal in the number of procedures but U.S is better in time and UK is better in costs and percent of income per capita.

#### *United States Compared to United Kingdom in Ease of Export:*

Ease of export has been measured in the following subscales: Documents to export (number), Time to export (days), Cost to export (US\$ per container), Cost to export (deflated US\$ per container). The statistics for United States in the ease of export are 3, 6, 1190 respectively for the above indicators. For UK the numbers are 4, 8 and 1005 respectively. This means that cost of export is less in UK than US but, the number of documents for the export and time to export is less in US than UK.

#### *Conclusions:*

The aim of the current study was to further elaborate the ease of doing business within the United States and UK. The results show that in general, there are many similarities between two countries. But there are great differences in to countries regarding to starting a business, ease of doing business and export.

Results also indicated that Ease of export has been measured in the following subscales: Documents to export (number), Time to export (days), Cost to export (US\$ per container), Cost to export (deflated US\$ per container). The statistics for United States in the ease of export are 3, 6, 1190 respectively for the above indicators. For UK the numbers are 4, 8 and 1005 respectively. This means that cost of export is less in UK than US but, the number of documents for the export and time to export is less in US than UK.

For measuring ease of starting a business, four indicators have been used by World Bank as an index of ease of starting a business. These indicators are procedures, time, cost, and paid in min capital (or % of income per capita).

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The ranks of 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 for united states are 46,41,61,29,2,25,47,16,41, and 4 respectively. This is while these statistics are 45, 17, 70, 68, 17, 4, 16, 15, 36, 13 respectively for United Kingdom. This means that in the area of starting business, dealing with construction permits, paying taxes, and enforcing contracts, UK perform better than United States.

The results of the investigation show that improvement in business environment is one of the major keys in improving the entrepreneurship activities and economic development. So, it is obvious for every researcher that these two countries are in the highest ranks of economic developments in the world.

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