

# Research on China's business environment evaluation system based on the World Bank

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**Abstract.** At a time when global competition is becoming increasingly fierce, the construction of “business environment” has become the focus of attention of all countries in the world, and it is an important indicator for conducting investment and financing activities. Therefore, the institutions and systems for evaluating the “business environment” have emerged. This paper draws on the World Bank's Doing Business Report, combined with China's market and political environment, to establish a set of business environment evaluation system that suits China's national conditions, so that countries and enterprises can be measured and referenced when investing and financing.

## 1. The concept of business environment

Since 2003, the World Bank has published 13 “Business Environment Reports” to measure and compare relevant economic indicators of countries or regions. The World Bank has reported that Doing Business's “business environment” focuses on the rule of law environment (legislative and regulatory) in which SMEs operate in the local area.

The broad “business environment” is the total factor environment of enterprise management. The narrow business environment can be divided into business “hard” environment and business “soft” environment, investment business environment and local business environment according to different classification criteria. According to the types of elements it contains, it can be divided into a “hard” environment for business and a “soft” environment for business. Among them, the “hard” environment for business is mainly concerned with the natural endowments, infrastructure and so on required by the market participants. The tangible elements, while the “soft” environment for business is mainly focused on the macroeconomic conditions in the economic process of the market, the educational level of the population, the tax rate, the judicial efficiency, and even the intangible elements of the political system. The investment business environment focuses on the level of friendship (especially policy-friendliness) of foreign companies in relevant countries and regions, and the convenience conditions for their local operations; while the local business environment focuses on relevant countries and regions. The business environment (especially the institutional environment) created by companies in the country and the region.

## 2. The World Bank Business Environment Assessment System

The World Bank established the Doing business team in 2001 to build a business environment indicator system. In 2003, the first Global Business Environment Report (Doing business in 2004) was released, and 14 evaluation reports have been released this year. The evaluation index system also gradually improved from the first five primary indicators (starting enterprises, employee hiring and dismissal, contract protection, access to credit and corporate closure), 20 second level indicators, to the current 11 primary indicators, 43 second level indicators .

### 2.1 The World Bank Business Environment Evaluation Index System

From the perspective of the enterprise life cycle, the World Bank's research takes the daily operation of the enterprise as the core, and divides the whole life cycle of the enterprise into four stages: daily operation, start-up, site selection, financing, and fault-tolerant processing. The daily operation includes two indicators, such as cross-border trade and taxation. The start-up phase

includes two indicators, such as starting a business and monitoring the labor market. The site selection stage includes three indicators: construction permit, electricity, and property rights registration. The financing phase includes obtaining credit. And protect a small number of investors and other two indicators, the fault-tolerant processing stage includes two indicators such as contract execution and bankruptcy processing, a total of 11 indicators.

## **2.2 The World Bank's "Business Environment Assessment" is an inspiration to China**

The formation of any evaluation indicator system requires a clear assessment target. A different understanding of the "business environment" will lead to different assessment priorities and thus different evaluation systems. The different understanding of the "business environment" ultimately stems from its different assessment objectives.

The assessment scope of the business environment assessment is undergoing the development process from the evaluation of the whole factor to the evaluation of the system elements to the evaluation of the rule of law elements. It is also from the macro "hard" environmental assessment of business to the macro "soft" environment of business. Assess, and then go to the microcosmic "soft" environment of business.

The implementation of any evaluation indicator system requires a matching evaluation method. When choosing an evaluation method, there is no certain rules and no options. It is necessary to select the appropriate evaluation method according to the evaluation objectives and the characteristics of the evaluation index system.

## **3. China's business environment assessment**

Affected by the "business environment optimization" boom in the world, and also the problems brought about by the diminishing marginal benefit of the production factor dividend, as well as the impact of the legislative and revision work. After a series of reform measures such as "the negative list, streamline administration, delegate powers, and improve regulation and services" were successfully implemented, governments at all levels in China began to promote business environment optimization in 2018, and formed a situation of competing to optimize the business environment. It can be said that the improvement of China's business environment is shifting from a hard environment to a soft environment, and then to a rule of law environment in a soft environment.

### **3.1 Business Environment Assessment Design Concept**

Facing the new topic of optimizing the "rule of business rule of law" at the micro level, China urgently needs a set of scientific measurement tools to evaluate the domestic "business environment" in the current context, and form an effective optimization plan based on this.

In the evaluation concept, the World Bank should be used to design the index according to the performance model of "motivation-behavior-effect" around the life cycle of the enterprise. The World Bank's Doing Business Report is different from the business environment assessment report developed by other international organizations. Its focus is not on the macro system and legal framework, but on specific legal texts and actual regulatory processes.

In the assessment method, the World Bank should use the questionnaire survey method with the objective content as the main content to conduct subjective measurement, so as to obtain the actual situation of the legal operation. Although the World Bank adopts the questionnaire survey method, it does not conduct subjective feelings evaluation, and only conducts objective measures.

In the content of the assessment, it should first be clear that an effective market economy should provide market entities with clearing and protection rules for property rights, rules for property rights transactions, rules for market entry and exit, and other rules for maintaining market competition and correcting market failures.

Focusing on the life cycle of business operations, we set the indicators of China's business environment evaluation index based on the business law rule of law encountered in the process of

business operations in China. At the same time, in order to avoid the shortcomings of the measurement indicators “big and small”, China's business environment evaluation should also not subjective evaluation, only for the specific process related to administrative supervision and law enforcement in the business process, objective level measurement (time cost, money cost and related process steps) form a three-dimensional evaluation of the business environment in China.

### **3.2 Selection of business environment assessment indicators**

Based on the above-mentioned business environment assessment design concept, the business environment evaluation index should be optimized by “reporting the World Bank report and taking care of China's national conditions”. The current internationally influential assessment reports refer to the measurement data of the World Bank's Doing Business Report. The establishment of China's business environment evaluation index, the influence of the World Bank report can not be ignored, and its index content should be the main reference system of China's business environment evaluation index. However, the “targeting” is not “copying”. Shanghai should focus on the selection of “World Bank Characteristics” around the goal of optimizing the business environment and form an evaluation index that takes care of China's national conditions.

Firstly, six aspects of enterprise establishment, property registration and protection, financing, tax payment, dispute resolution, and market exit, which are widely adopted internationally, should be included in the evaluation system. Secondly, combined with the common problems encountered in the business activities of Chinese enterprises, the expansion of the construction permit in the World Bank Report into land and construction activities, and the expansion of the electricity supply into the water and electricity supply were respectively incorporated into the system; finally, combined with the current work requirements of China's ecological civilization construction, increase environmental supervision and separate into In the evaluation system. This resulted in the first-level indicators of the “China Business Environmental Assessment Index”, including enterprise establishment, land and construction activities, access to water and electricity supply, property registration and protection, access to finance, environmental supervision, taxation, corporate dispute resolution, and market exit. A total of 10 items. Under each of the first-level indicators, the efficiency index, cost index, quality index and simplified index are formed according to the four dimensions of efficiency, cost, quality and ease of activity, and four secondary indicators. Under the second-level indicators, according to the actual links and contents of the business activities, the three-level indicators.

## **4. Conclusions and prospects**

In 2018, Premier Li Keqiang made it clear that “it is necessary to learn from international experience and pay close attention to establishing a business evaluation mechanism.” At present, although the practice of business environment assessment in China has provided useful experience, there are problems of biased evaluation content and narrow evaluation scope. It cannot be compatible with current optimization work and cannot provide comprehensive and effective data support for business environment optimization. Based on China's current national conditions, this paper believes that the goal should be optimized around the business environment, “reporting the World Bank report, taking care of China's national conditions”, transforming the concept of evaluation, optimizing the evaluation content, and establishing the China Business Environmental Assessment Index. At the same time, it is necessary to establish a three-dimensional evaluation mechanism, conduct business environment evaluation through a combination of third-party evaluation and government self-evaluation, provide data support for business environment work deployment, and provide reference for investment and financing activities.

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