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EASE OF DOING BUSINESS

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EASE OF DOING BUSINESS

Introduction

A favorable business environment is a pre-requisite for the economic growth of a nation. A country like India which is among the fastest developing countries in the world has the potential to surpass the leading countries in terms of business. The Make in India initiative which has been launched by the government in 2014 with a vision of transforming India into a manufacturing hub has made efforts enhance the Ease of Doing Business (EODB) in India by attracting more domestic and international companies to invest and do business in India. India's progress towards jumping 79 spots in the rankings to 63rd place out of 190 countries is a result of the government's consistent efforts over the past few years and it's endeavor to strengthen its position as a preferred place to do business.

Make In India

It is an initiative launched by Prime Minister Narendra Modi on 25 September 2014 to encourage national, as well as multi-national companies to manufacture their products in India. The main aim is to raise the contribution of the manufacturing sector by 25% of the GDP by the year 2025. It targets 25 sectors of the economy which ranges from Information technology (IT), Business Process management (BPM) and automobile etc. with the main objective of job creation, foster innovation, enhance skill development and protect intellectual property.

The pillars of the Make in India campaign are directed towards easing out the process of doing business in India. Each pillar has its own way of contributing towards improving the EODB ranking of India. Firstly, under the new processes the Government has launched various reforms in getting FDI, foster business, alleviate the business environment from

outdated policies and regulations. Due to these efforts it is aligned with the parameters of world banks index to improve India's ranking on it. Secondly, infrastructure is an integral feature of any country for a sound development. The Government is focusing on developing smart cities with technology and high speed communication along with the development of infrastructure training of the skilled force for different sectors is also being addressed by the Government. Thirdly, Make in India campaign is focusing on 25 sectors for which it has issued various measures such as allowing 100 % FDI in railways, increasing cap of FDI to 100 % in defence and pharmaceuticals and removing restrictions in construction. Fourthly, with the launch of Make in India campaign the Government has a new mindset which intends to bring a paradigm shift in the way the Government interacts with the industries. Its main focus is to act as a partner in the economic development of the country.

At international level, the World Bank every year assesses the policies to ease the regulatory burden undertaken by countries across the world through its Ease of Doing Business Index (EDBI). The index uses 10 different indicators that measure various aspects of business regulations which are important to domestic firms and for national competitiveness. Doing Business also measures features of labor market regulations which are reported as a separate section and not included in the ranking. EDBI is considered as a reliable source of information on the business environment of an economy. EDBI rankings aim to compare the business environment of different countries. Ease of doing business rankings impact the reputation of the countries and hence influence them to initiate important policy reforms to improve the regulatory environment in their economy.

At the national level, reforms undertaken by the Government to improve business environment in the country, such as removing regulatory burdens, cutting delays, introduction of Goods and Services Tax (GST), promoting paperless transaction, among others, have been widely acknowledged in the light of India's improved ranking in the World Bank's Ease of Doing Business (EODB) Index from 130th in 2016 to 63rd in 2019 out of 190 economies. Further, at the State level, under the Make in India initiative, State Governments are executing their respective annual Business Reform Action Plan (BRAP) to improve their rankings on the ease of doing business which reflect their willingness to reform and attract investments.

India's Ranking on various parameters of World Bank's Ease Of Doing Business Index

The trajectory of India's performance since 2014 is shown in the Table below.

Parameters	2014	2015	2016	2017	2018	2019	Comparis on 2018 and 2019
Ease of starting a business	158	155	155	156	137	136	+1
Dealing with construction permits	184	183	185	181	52	27	+25
Getting electricity	137	70	26	29	24	22	+2
Registering your property	121	138	138	154	166	154	+12
Getting credit for your business	36	42	44	29	22	25	-3
Protecting minority investors	7	8	13	4	7	13	-6
Paying taxes	156	157	172	119	121	115	+6

Trading across borders	126	133	143	146	80	68	+12
Enforcing contracts	186	178	172	164	163	163	
Resolving insolvency	137	136	136	103	108	52	+56
Overall Rank	142	130	130	100	77	63	+14

Reforms Implemented During 2018-19

India is striving to attain a ranking among top 50 in Ease of Doing Business rankings across the world. The country has been undertaking major reforms, which have successfully cut cost, time, documentation and procedures for the conduct of business in the country. The reforms include an easy procedure for filing Goods and Service Tax returns, the elimination of incorporation fees for small businesses, increase in the recovery rate under the Insolvency and Bankruptcy Code 2016, among others. These reforms have brought a significant amount of efficiency and transparency in doing business in the country.

Several reforms have been implemented to improve the trade experience of companies. These reforms include introduction of a single window for all import and export transactions, integration of all stakeholders such as port and terminal operators at a common platform and fast tracking clearances of consignments at ports. The government has launched 'PCS1x', an upgraded version of the e-commerce portal for Port Community System (PCS), which intends to integrate 27 maritime stakeholders at a common platform. In the trading Across Borders, the Government has reduced the time and cost of exports and imports through various initiatives, including the implementation of electronic sealing of containers, upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures.

The Central Board of Indirect Taxes and Customs has implemented ICEDASH, an ease of doing business dashboard to monitor daily clearances at each port in real time. The Customs department has also started a 24x7 facilitation centre at Jawaharlal Nehru Port Trust (JNPT), which acts as a single window for clearing consignments expeditiously. A drive-through scanner scans 100 containers per hour, compared to 8-10 containers per hour done through mobile scanners. This has speeded up the clearance of consignments as containers do not need to be opened. Further initiatives taken by the Government to improve ease of doing business in the country include relaxed norms for company incorporation, and removing requirement of a bank account for GST registration. This is expected to help India improve further its ease of doing business ranking in the coming times. Some other steps which have been taken by the Government include clubbing of several forms into one; removal of company seal or rubber stamp; and combined registration for EPFO and ESIC. Under 'Paying Taxes', the process of filing GST returns has been simplified and hence made faster; instead of filing three returns, a GST taxpayer has to now file only two returns. In addition, the Ministry of Corporate Affairs has eliminated the incorporation fee for companies with authorised capital of up to Rs. 15 lakh for ease of starting a business.

Ease of doing business at the States level

Business Reforms Action Plan (BRAP)

Keeping in mind the vision to make India an easy place to do businesses, the Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, Government of India in association with the World Bank, initiated a dynamic national level exercise in 2014 to rank all the Indian States and Union Territories on the basis of the reforms undertaken by them on selected parameters. In December 2014, under the 'Make in India' initiative, the

representatives of the State Government identified and shared a 98-Point Business Reform Action Plan (BRAP) to be implemented by them for improving the regulatory framework for business as part of easing the doing of business in the country.

The aim of this exercise was to create conducive business environment by streamlining regulatory structures and creating an investor-friendly business climate by cutting down red tape. The BRAP also sought to lay out the first of a series of recommendations targeted at increasing transparency and improving the efficiency and effectiveness of various government regulatory functions and services for business in India with a view to create an investor-friendly business climate by cutting down red tape.

Various Reforms undertaken by the States

Over the years, States/UTs have introduced several reforms as part of the BRAP to improve their business regulatory environment and attract investments. Rankings of the States and Union Territories on the basis of the implementation of the Business Reform Action Plan (BRAP) are given in *Annexure*. Some of the reforms undertaken by the States over the last few years to improve their business regulatory environment and attract investments are as follows:

Reforms	States implementing reforms	Best Practices
Single window clearance systems	Andhra Pradesh, Maharashtra, Rajasthan, Gujarat, Haryana, Jharkhand, Chhattisgarh, Madhya Pradesh, Telangana, Punjab and Uttarakhand	<ul style="list-style-type: none"> • Andhra Pradesh and Telangana have the best single window mechanism • Telangana government has enacted the “Telangana State Industrial Project Approval and Self Certification System (TS-iPass) Act, 2014” • Punjab government has implemented the one stop clearance system which provides one stop office for all new and expansion projects

Tax reforms	All the states and Union Territories	<ul style="list-style-type: none"> In July 2017, Indian states and UTs have implemented the State/Union Goods and Services Tax (SGST/UTGST) subsuming various state level indirect taxes such as VAT, CST, Entry tax, etc. making the compliance easier for businesses.
Construction permits	Chhattisgarh, Uttarakhand, Andhra Pradesh, Haryana, Gujarat, Madhya Pradesh, Rajasthan, Telangana and Maharashtra	<ul style="list-style-type: none"> Online applications and uploading of building plans for obtaining automated construction permit approval. Majority of the States and UTs have defined clear timelines for construction permits
Environment and labour reforms	Andhra Pradesh, Karnataka, Uttar Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Bihar, West Bengal, Haryana, Jharkhand, Odisha, Punjab, Rajasthan, Tamil Nadu, Maharashtra, Telangana and Uttarakhand	<ul style="list-style-type: none"> Gujarat government launched an online e-governance system known as XGN. Jharkhand government has implemented a single simplified online integrated return for all the 14 applicable labour laws.
Inspection reforms	Andhra Pradesh, Rajasthan, Haryana, Telangana, Jharkhand, Chhattisgarh, Uttarakhand, Madhya Pradesh, Odisha, Karnataka, Punjab, Gujarat and Uttar Pradesh	<ul style="list-style-type: none"> Jharkhand government has implemented an online inspection and compliance monitoring mechanism. Computerised allocation of units of inspectors for joint synchronised inspection
Judicial proceedings	Rajasthan, Chhattisgarh, Gujarat, Jharkhand, Andhra Pradesh, Madhya Pradesh, Maharashtra, Telangana and Haryana	<ul style="list-style-type: none"> Chhattisgarh government has constituted a judicial bench and commercial/district courts in each district for speedy resolution of disputes. Every commercial dispute greater than Rs. 1 crore fall under the jurisdiction of commercial court.

Source: PHD Research Bureau, PHDCCI, compiled from Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India.

The important features of India's performance in 2019 are:

- The World Bank has recognized India as one of the top 10 improvers for the third consecutive year.

- Recovery rate under resolving insolvency has improved significantly from 26.5% to 71.6%.
- The time taken for resolving insolvency has also come down significantly from 4.3 years to 1.6 years.
- India continues to maintain its first position among South Asian countries. It was 6th in 2014.

Conclusion

In 2016 India was at the 130th rank in the World Bank's Ease of Doing Business Index. Within a few years India has climbed up to the 63rd place which indicates an improvement of 67 ranks a result of the improvement made by the Government in its policies launched under the Make in India campaign that targets creating more than 100 million jobs by the year 2022, making India a manufacturing hub and raising the contribution of manufacturing sector's share to GDP to 25% . In a nutshell, the Government has been initiating significant reforms to improve ease of doing business in India. Several initiatives have been taken by the Government across different parameters to support the growth of ease of doing business environment in the country. A consistent progress made across different parameters is likely to expedite India's ranking in top 50 countries in ease of doing business in years ahead.

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Annexure

Rankings of the States and Union Territories on the basis of the implementation of the Business Reform Action Plan (BRAP) 2017-18

TOP ACHIEVERS (Above 95%)		ACHIEVERS (90-95%)		FAST MOVERS (80-90%)		ASPIRERS (BELOW 80%)	
Rank	State	Rank	State	Rank	State	Rank	State
1	Andhra Pradesh	10	West Bengal	16	Himachal Pradesh	19	Goa
2	Telangana	11	Uttarakhand	17	Assam	20	Punjab
3	Haryana	12	Uttar pradesh	18	Bihar	21	Kerala
4	Jharkhand	13	Maharashtra			22	Jammu & Kashmir
5	Gujarat	14	Odisha			23	Delhi
6	Chhattisgarh	15	Tamil Nadu			24	Daman & Diu
7	Madhya Pradesh					25	Tripura
8	Karnataka					26	Dadra & Nagar Haveli
9	Rajasthan					27	Puducherry
						28	Nagaland
						29	Chandigarh
						30	Mizoram
						31	Andaman & Nicobar Islands
				32	Manipur		
				33	Sikkim		
				34	Arunachal Pradesh		
				34	Lakshadweep		
				34	Meghalaya		

Source: Annual Report 2019-20 DPIIT