

Ease of Doing Business in India: A Vision of Make in India

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ABSTRACT

India has always been viewed as an economic power house and now it is among the top five fastest improving economies in the world which clearly is the result of various reforms launched under the Make in India campaign. There has been a paradigm shift in the approach towards governance as the government has unveiled multitude of reforms aimed towards improving the business climate in India. In the recent Ease of Doing business ranking released by the Worldbank India is at 100th spot which indicates that all the efforts made to make India a manufacturing hub is bearing fruits still there are few challenges which needs to be dealt in order to help India to continue its glorious run. The present paper tries to analyze the indicators of ease of doing business ranking and the major improvements done to make them of international level, it also tries to thrive on the key issues which dampens the trust of investors, various suggestions are offered which when implemented will be helpful in rebuilding the confidence of investors to invest in India and make it a preferred business destination. Overall, the study indicates that Make in India campaign will be able to achieve its objective of transforming India into a manufacturing hub.

Keywords: Ease of Doing Business, Make in India, Manufacturing hub

A favorable business environment is a pre-requisite for the 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 lead down its efforts towards easing out the process of doing business in India by attracting more domestic and international companies to invest and do business in India, which will boost the FDI of the country and will also be essential in upgrading the overall economic growth of the country. India's progress towards jumping 30 spots in the rankings to 100th place out of 190 countries is a result of the government's consistent efforts over the past few years and India's endeavor to strengthen its position as a preferred place to do business (ease of doing business, business line, 2017) has boosted the confidence of the domestic and the foreign investors to invest in India. There are lots of factors which

affect the ease of doing business in India though various initiatives have been promoted to smooth out the process still a lot needs to be done to achieve the ambitious target of being in the top 50 ranks in terms of doing business in the world.

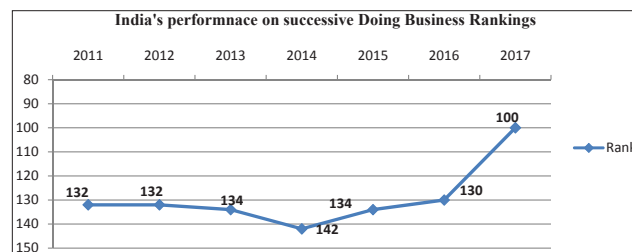


Fig. 1: Ease of Doing Business Rank

Source: Department of Industry Policy and Promotion

The Fig. 1 clearly depicts India's journey in the world business ranking since 2011, which shows India's progress so far from reaching the lowest rank of 142 among 190 countries its journey towards the current 100 spot is incredible the credit goes to the initiatives taken by the government over the years

which has turned out to be fruitful especially in the year 2014 when Make in India campaign was launched. India was at its lowest rank since then India has been improving and with constant efforts India will keep on improving further.

LITERATURE REVIEW

In order to make Make in India initiative a success it is essential to identify the key issues which dampens the sentiments of the investors needs to be addressed in order to rebuild their confidence in India as a preferred destination for business (Harpreet Kaur, 2015). Though India has shown improvement in the ease of doing business ranking, it is essential to analyze the various reforms initiated by the government and focus on the challenges and road ahead (Ashutosh Gaur, 2017).

The paper is concerned with the macroeconomic impact of ease of doing business rank on the decision of policy makers by using robust cross country regressions and concludes that the ease of doing business rank has limited macroeconomic usefulness and relevance (Vivek Moorthy, 2016). The paper attempted to study the causality between ease of doing business and productivity in 14 states of India by using econometrics model and concluded that more structural reforms are needed to boost productivity ,to make growth stronger and more inclusive (Dhiren Jotwani, 2016). India needs to meet the challenges which are coming on its way of becoming a manufacturing hub the possible solutions has also been showcased to deal with the same (Geetha, R. 2016). The government has played a vital role in enhancing the ease of doing business in India by taking various initiatives such as GST, Demonetization, Make in India etc which has turned out to be fruitful for the development of the country (Rajat, Bhawna 2017).

Objectives

The study aims at the following:

- ♦ To analyze the indicators of ease of doing business index.
- ♦ To study the challenges in ease of doing business in India.
- ♦ To assess the future prospects of Ease of Doing business in India.

Research Methodology: The study is based on secondary data. The required data related to ease of doing business has been collected from various sources i.e. publications from Ministry of Commerce, Govt. of India. The Ease of business index data is downloaded from the websites of World Bank.

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 till the year 2025. It targets upto 25 sectors of the economy which ranges from Information technology (IT), Business Process management (BPM) and automobile etc with the main motto of job creation, foster innovation, enhance skill development and protect intellectual property.

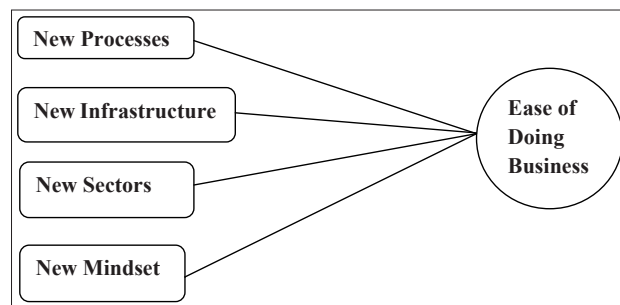


Fig. 2: Pillars of Make in India

Source: Authors creation

The diagram above clearly states how 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 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. Second, 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. Third, Make in India campaign is focusing on 25 sectors for which it has issued various measures such as the government has allowed 100% FDI in railway, increased cap of FDI to 100% in defense and pharmaceuticals and remove restrictions in construction. Fourth, 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.

Ease of Doing Business

It is an index created by Simeon Djankov at the World Bank Group. It is an aggregate figure i.e. a sum total of different figures which defines the ease of doing business in a country. In this the economies are equally ranked on the ease of doing business rank from 1-190. The increase in the ease of doing business ranking indicates that the regulatory environment is indeed more conducive to the starting and operation of a local firm. The rankings are basically calculated by sorting the aggregate distance to frontier scores on 10 topics, each comprising of various indicators, allotting equal weight to each topic.

Table 1: India's performance in World bank's ease of doing business' report

Indicator (Ranking)	2015	2016	2017
Starting a business	164	155	156
Getting Credit	36	44	29
Dealing with Construction permits	184	185	181
Trading Across borders	133	143	146
Protecting minority investors	8	13	4
Getting electricity	99	26	29
Enforcing contracts	178	172	164
Paying Taxes	156	172	119
Resolving Insolvency	136	136	103
Registering property	138	138	154
Overall ranking	134	130	100

Source: Ease of Doing Business in India, World Bank Group

The Table 1 shows India's indicators of ease of doing business ranking from 2015 to 2017. There are some indicators which shows improvement such as: Getting Credit, Protecting minority investors, Enforcing contracts, Resolving Insolvency and

paying taxes on the other hand there are certain indicators which hold the worst rank and has shown no significant improvement such as: starting a business, registering property, getting electricity and trading across borders these indicators are one of the reasons why India is lagging behind in rankings.

1. Starting a business

In India starting a business was a very complicated affair but after the launch of make in India campaign things have become much more easier for the people to start their own venture a lot of changes has been made in order to ease out the life of the people interested in having their own firm. The topic measures the minimum paid up capital requirements, no of procedures involved and cost for a small-to-medium-sized limited liability company to start up and formally operate in the economy's largest business city. Earlier India's rank was 164 but now there is an improvement due to which it has climbed up the ladder and has acquired the 156th spot in the current ease of doing business ranking by the world bank.

Major improvements :

1. SPICe has been introduced which provides services like name reservation, company incorporation, obtaining DIN, PAN and TAN.
2. There is no more requirement of company seal and minimum paid up capital for company incorporation
3. Online registration is required for ESI and EPF.

Source: Department of Industrial policy and promotion, Government of India

2. Getting Credit

This indicator is basically concerned with measuring the legal rights of borrowers and lenders concerned with secured transactions and the reporting of credit information. India witnessed an improvement of 15 ranks this year, from 44 to 29.

Major improvement:

1. Priority is given to secured creditors over government dues for recovery of their dues.
2. There has been increased coverage of security interest registration under SAFAESI Act

Source: Department of Industrial policy and promotion, Government of India

3. Dealing with Construction permits

This indicator is concerned with recording procedures which are required for a business in the construction industry in order to build a warehouse along with the time and cost to complete each procedure. It is also concerned with studying quality control indices, evaluating the quality of building evaluation, insurance regimes, safety mechanism and certified professional requirements. Earlier India's rank was 185 and now it is at 181 spot which depicts an improvement of 4 ranks this year.

Major improvements:

1. The grant of construction permits in Delhi and Bombay through online single window has streamlined the processes.
2. A 3rd has party certification has been introduced in Mumbai and Delhi
3. The completion and occupancy certificate has been merged into a single certificate in Mumbai.
4. The cost of water and sewer connection has been reduced by 90% in Delhi.
5. The process has been simplified by elimination of NOCs for zonal plan and property taxes dues in Delhi.
6. The colour coded maps are used for indicating the NOC requirements of NMA, DMRC, AAI.

Source: Department of Industrial policy and promotion, Government of India

4. Trading Across Borders

This indicator is concerned with recording time and cost associated with the process of exporting and importing goods and related with other things such as documentary compliance, border compliance and domestic transport. The ranking shows a decline of 3 ranks from 143 in 2016 to 146 in 2015 compared to last year which means more changes needs to be done to climb up the ladder in the rankings.

Major improvements:

1. The time to import has been reduced from 283 to 265 days.
2. The presence of Single Window Interface for facilitating trade integrates 6 departments, enabling faster clearances.
3. 24*7 customer's clearance facility has been made available at selected ports.
4. The assessment of risk based imports and exports through electronic Risk Management System.
5. Three tiers AEO program has been launched which enables trader to avail Direct Port Delivery Facility.

6. Direct port delivery has been increased up to 30% and Direct Port Entry is now 70%
7. Parking Plaza has been developed at the JNPT port to reduce congestion.

Source: Department of Industrial policy and promotion, Government of India

5. Protecting minority Investors

This indicator is concerned with measuring the protection of minority interest from conflict of interest and shareholders rights in corporate governance. Many amendments have been made to the Companies Act which has strengthened the minority investor protection in India. India has made an improvement of 9 ranks i.e. from 13 to 4, making it to top 5 economies in the world.

Major improvements:

1. Claims against defaulting directors can be claimed now.
2. The constitution of National Company Law Tribunal ensures greater shareholder protection.
3. Full Shareholder protection has been provided against defaulting directors and claims for damages.

Source: Department of Industrial policy and promotion, Government of India

6. Getting Electricity

The indicator is concerned with recording all the procedures required by the business in acquiring permanent electricity connection and supply for a standardized warehouse. This indicator has shown a major improvement from being at 99 spot in 2015 it has climbed upto the spot 26 in 2016 but a drop of 3 ranks in its ranking in 2017 has put it down to 29th rank which means more initiatives needs to be taken to improve the over all condition.

Major improvements:

1. This indicator has made the major improvements of 108 ranks over three years.
2. Time for obtaining connection has been reduced from 106 to 46 days.
3. The cost of new electricity connection has been reduced to 1/5th
4. The number and duration of power outages has been reduced.

Source: Department of Industrial policy and promotion, Government of India

7. Enforcing Contracts

This indicator measures the time and cost involved for resolving a commercial dispute through a local first-instance court, the quality of judicial processes index and evaluate whether each economy has adopted practices that promote good quality and efficiency in the court system. India has shown an improvement of 8 ranks this year from 172 to 164.

Major Improvements:

1. National Judicial Data Grid has been set up to monitor court cases.
2. For acquiring the claims cost has been reduced from 39.6% to 31%
3. The commercial courts have speed up the process of solving commercial disputes.

Source: Department of Industrial policy and promotion, Government of India

8. Paying Taxes

The indicator records the taxes and mandatory contribution which has to be made by firms in a given year. It is also concerned with the firm's administrative burden of payment of taxes, contributions and complying with post-filing procedures. India recorded a major improvement of 53 ranks this year from 172 to 119.

Major improvements:

1. Simplifications made in the provisions related to income tax audit.
2. Online payments for ESI and EPF contributions.
3. Introduction of administrative measures for easing out the compliance with corporate income tax.

Source: Department of Industrial policy and promotion, Government of India

9. Resolving Insolvency

This indicator is basically concerned with the time, cost and recovery rate under the bankruptcy proceeding. It also takes into consideration the outcome of insolvency proceedings which involves domestic entities and the strength of the legal framework which is applicable to judicial liquidation and reorganization proceedings. India's rank has improved from 136 to 103.

Major improvements:

1. The increase of 33 ranks in a year which has brought India in the league of top 5 economies which has shown major improvements.
2. The Insolvency and Bankruptcy code of 2017 has been enacted with international standards.
3. Creditors are assigned significant role in decision making and restructuring of insolvent companies.
4. The establishment of professional institution has resulted in handling of restructuring and insolvency proceedings.

Source: Department of Industrial policy and promotion, Government of India

10. Registering Property

This indicator measures the procedures, time and cost which is needed to register the commercial real estate. This indicator has not shown much improvement it was at the 138th spot in 2015 & 2016 and has further dropped down in its rank to 154.

Major improvements:

1. Land records have been digitized and made publically available and at no extra cost.
2. Sellers and buyer can access data related property registration online without any associated costs which means digitization of land records has reduced time associated with procedure 1 to 0.5 days and cost from INR 20000 to INR 0.
3. Grievance related to land can be made online on Department's website (RGMS)
4. The revenue courts are required to disposed-off the cases in a time bound manner i.e. within a year from filing.

Source: Department of Industrial policy and promotion, Government of India

Challenges in Ease of Doing Business in India

In the World Bank Doing Business report of 2018 India is at 100 spot out of 190 countries making an improvement of 30 spots in one year, it has earned a lot of glory for India making it the fastest improving economy in the world still there are lots of challenges to tackle down in the road of achieving India's dream of being at the 50th rank in the ease of doing business ranking of the world and withholding its position.

The challenges are as follow:

- ♦ The starting of a business indicator has shown a dip of one rank from 155 to 156 which indicates that steps taken to ease out the process are still

not sufficient the reason behind it is the cost involved in starting a business in India is sky high as compared to other countries. The no of procedures required to set up a business is still cumbersome which takes almost a month (27 days) to complete which is above the OECD average of 12 days.

- ♦ The trading across border is one such indicator which is showing a continuous dip in the ranking from 133 in 2015 to 143 in 2016 and now 146 in 2017 which clearly indicates that steps taken to improve its ranking are not sufficient still there is something which is lacking which the government is not able to identify which worsens even further as the thick layers of bureaucracy are making it very challenging for India in efficiently moving the goods. Despite opening its doors for international trade, still there are lots of hurdles to overcome in exporting and importing of goods and the fulfillment of long list of documents before moving goods is making it even worse.
- ♦ The cost of getting electricity which shows a dip of three ranks compared to last year from 26 to 29 clearly indicates more improvement is required in uplifting this indicator though the cost of getting electricity is cheap in comparison to other countries, it is the no of procedures involved which has led to a dip in its ranking because each procedure itself is time consuming which requires around 8 days for site inspection and around three weeks to get externally connected which further delays the start of a business.
- ♦ The registering property indicator is the one which has shown a major dip of 16 ranks from 138 in 2016 to 154 in 2017 which clearly indicates that it requires a lot of efforts to move the indicator up the ladder, the main cause for the dip is cumbersome legal work and substantial charges i.e. the stamp duty, the charge on the market value are the two fees to look out for and also the lawyer charges, fees at the land & Survey office is a pinching factor which needs a lot of changes to smooth out the process.
- ♦ Enforcing contracts is one such indicator in which India ranks as one of the worst countries

in the world due to which it was at 178 rank in 2015 then some improvement in the procedure helped it to climb the ladder and reach the 172 rank, in the recent ranking of 2017 it is at 164 spot which clearly indicates a lot of efforts are needed to improve the situation because in India the ability to enforce a contract takes around an average of 1420 days which is worst for any country.

- ♦ India needs to fix its dismal track when it comes to issues around dealing with construction permits it is at 181 rank in the 2017 ranking which shows how much it is lagging behind in comparison to other countries the reason behind this is that it is a costly pursuit and involves a cumbersome of 34 procedures which takes around 196 days to fulfill and obtaining approval from various authorities and paying hefty fees makes the scenario even more worse.

Suggestions to improve ease of doing business rank in India

India one of the fastest improving countries has shown a tremendous growth in its rank compared to previous years still a lot needs to be done though it has introduced major reforms that enables entrepreneur in starting and operating their small and medium- sized business faster and simpler. The ways by which India can improve its ease of doing business ranking are as follows:

- ♦ Implementing e-governance will result in filling the procedures online which means no visiting government officials, reduce case of bribery and corruption.
- ♦ There are various platforms for collecting feedback of users who are impacted by the regulatory measures which has been implemented it will be beneficial in knowing the opinion of users and what further improvements need to be made.
- ♦ It is essential to speed up the process of dealing with construction permits for which there should be a specific manufacturing zone and central business district having their own government body to cooperate with other government bodies.
- ♦ The trading across border is one indicator which is vastly affected by the time taken to

import and export goods the problem can be solved by reducing the amount of paper work and provide better facilities at port to reduce time taken in moving goods in and out of the country.

- ♦ The judicial system of India is very slow this is one of the reasons why people don't want to start business in India because the hearing of cases related to labour laws, patent violation usually goes on for a very long time. Since the court keeps on delaying cases it on a whole affects the brand value, customer base in the mean time no business operations can be conducted until the final verdict is out. In order to deal with this special courts should be made which deals in cases related to business operations resulting in speedier process and faster judgement.

CONCLUSION

In 2016 India was at 130th rank due to which the government faced a lot criticism for its policies as India was lagging behind in the rankings compared to its counterparts of BRICS nations. Within a year India has reached the 100th rank which indicates an improvement of 30 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% The hopes are high with the backing of the government India will be able to enter the top 50 rank in the ease of doing business rank. Although various steps have been taken to improve the rankings especially GST the impact of which will be factored in the 2018 ranking which is going to improve India's ranking further. The government needs to concentrate more on weak areas such as starting a business, dealing

with construction permits, trading across borders, registering property these are some indicators which needs special attention because these are the main reason India is lagging behind in the world bank ranking so it is essential to make sure that it is not the job of one department but for everyone concerned with the regulatory process. India needs to run faster to further improve its ranking. Through sheer hard work and perseverance India can achieve its target of top 50 in ease of doing business rank.

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