Ease of doing business in India

Why in news?

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- “NITI-IDFC Report” on the ‘Ease of Doing Business’ in India was recently published.
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- This is a timely endeavour to assess the impact of the government initiatives at the ground level.
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What is the background?

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- Government has carried out a series of regulatory reforms to create a favourable investment climate.
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- Various compliances mandated under the Companies Act have been done away.
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- Commercial courts were setup under the commercial Appellate Divisions Act of 2015, to resolve commercial disputes in a time-bound manner.
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- Insolvency and Bankruptcy Code (IBC) - 2016 was introduced to global quicken insolvency cases and address the NPA problem.
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- FDI liberalisation has taken place in the defence, pharmaceuticals and in airport management.
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What does the report state?

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- The criterion adopted for determining the ease of doing business is the efficacy of these reforms.
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- The “NITI-IDFC Report” studies this based on an enterprise survey of 3,500 manufacturing firms across Indian.
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- **Single window clearance:** This system was introduced under “Make in India” initiative in 2014.
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- It involves routing of all approvals required by an enterprise to set up a business through a hassle free common application window.
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- Only 20% of the enterprises surveyed were found to have used this, which suggests either lack of awareness on the part of enterprises or ineffective implementation.
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- **Access to finance**: Most enterprises rely on borrowings from banks and financial institutions as sources for finance.
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- 61% of the enterprises surveyed reported that access to finance has either remained the same or worsened over the last year.
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- **Clearance Time:** The survey finds that the average time taken to set up a business in India is 118 days, varying widely across states from 63 days in Tamil Nadu to 248 days in Assam.
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- On an average, the time incurred for land allotment is 156 days and for getting a construction permit it is 112 days.
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- The average number of days for completing labour-related compliances is 74 and for renewal of such compliances it is 62.
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- **Dispute resolution:** The survey showed that the time taken for dispute resolution by enterprises varied across states, from less than one year to 13 years.
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- For pending legal disputes, the enterprises surveyed reported an average duration of four years once the matter is taken to court.
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- **Sector Specifics -** Start-ups & younger enterprises are found to have taken lesser time than older ones.
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- Furthermore, labour-intensive industries were found to face major

challenges than capital-intensive industries.
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Where are the areas that need improvement?

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- The reforms and their impact were pronounced in big cities but not clearly noticeable in smaller cities & rural areas.
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- The government needs to work for effective implementation of the reforms introduced across all states uniformly.
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- Creating awareness of the reforms introduced is needed to enable the enterprises to avail these benefits.
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- Labour compliances need to be further eased.
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- In this context, the proposed Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill, 2016 is a step in the right direction.
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How does the future look?

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- While the report does raise some questions about the efficacy of the reforms carried out, it is a fact that the government focused and is heading in the right direction.
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- The results may not yet be clearly visible, but there is a greater amount of positivity about India among investors.
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- It can be safely assumed that the coming years would witness faster growth with a lower compliance burden on corporates.
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Source: Business Standard

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