States leads the way in Economic Reforms

Why in news?

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- In the fourth quarter of 2016, Haryana, Gujarat and Maharashtra have led the way in making reforms.
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- These three states had a combined 12 legal or regulatory reforms which helped to improve their business environment.
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What are the significant reforms taken by state government?

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- States exert a tremendous level of control over many facets of the business environment in India.
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- The Centre dominates heavily regulated sectors, including most services industries, as well as market access and trade liberalization.
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- Beyond that, states play the dominant role.
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- Most business licences are controlled by state agencies.
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- Key inputs like electricity, water, and sanitation largely rely on state agencies.
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- And states split authority with the Central government over other key issues such as land acquisition and labour regulations.
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- Among the 13 large states, there were a total of 14 positive reforms in the fourth quarter of 2016, compared to an average of 10 significant positive reforms in the previous two quarters.
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- Apart from the three states noted above, Delhi and West Bengal each took positive steps to improve their business climate.

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- Changes to land regulations, both industrial and residential, were among the more common reforms during this period.
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- This is likely a reflection of the fact that there seems to be little hope for significant land acquisition reforms at the Centre.
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- A couple of examples of the types of steps taken include: Gujarat is poised to have another industrial boom, lifting a moratorium on new and expanding industrial facilities in Ankleshwar, Vapi, and Vatva.
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- Haryana is making land held by village councils available for development.
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- States had less success this quarter in further liberalization of India’s onerous labour regulations.
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- West Bengal had the lone reform in this space, easing regulations governing employment of teachers.
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- Apart from land and labour, Haryana and Maharashtra both had multiple significant reforms in other parts of their regulatory environment.
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- Haryana’s chief minister gave up “final authority” over development licences.
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- The state liberalized regulations on private transportation companies and introduced a new public procurement policy that should give a boost to small firms.
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- Maharashtra cut required permissions in the hospitality sector, and adopted new procurement rules meant to give start-ups some assistance in winning contracts.
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- Not all policymaking at the state level has been positive for business.
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- There are two regulatory changes proposed or implemented that would harm the local business climate in two states.
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- Karnataka has proposed 100% reservation for native workers in blue collar jobs.
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- Maharashtra’s Electricity Regulatory Commission has disallowed most facets

of an important tariff hike requested by the Maharashtra State Electricity Distribution Co. Ltd.
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- There was also further developments in the balance of power between the Central and state governments.
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- Four more states signed on to the power-sector bailout package, Ujwal Discom Assurance Yojana (UDAY), bringing the total up to 21 (since then, Sikkim has also joined).
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- When signing on to the UDAY programme, states agree to several power-sector reforms outlined in the related agreements the state signs with the ministry of power.
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- In addition, the GST continues to move forward but slowly.
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- A compromise on power-sharing between the Central and state governments has been hammered out, and hopefully see the final legislative steps in mid-2017, allowing this critical tax reform to be rolled out this year.
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- Moving forward NITI AAYOG announced a new project to track health indicators in each state.
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\nSource: Livemint

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