Ease of Doing Business
Contemporary Issues, Challenges and Future Scope

Chief Editor
Dr. Akshai Aggarwal

Co-Editors
Hitesh Gujarati
Vikrant Vala

Centre for Financial Services
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MESSAGE

Ease of Doing Business ranking is developed by the World Bank Group for 189 economies. As per the 2015 ranking India is ranked at 142nd. BJP led Government of India along with Government of Gujarat has taken many steps to improve the ranking. Recently Government of Indian and World Bank have jointly released the new ranking for the State of India, where Gujarat is ranked on the 1st Position with the score of 71.14% which is based on the evaluation made by the 98 action points. This is the result of the initiatives taken by the Government of Gujarat to improve regulatory mechanism and implementation of industry friendly policies. This has eased the way for new start-ups and MSMEs in doing business.

I am glad to learn that PG Research Centre for Financial Services (CFS) at Gujarat Technological University (GTU) is organizing the International Conference on “Ease of Doing Business: Contemporary Issues, Challenges and Future Scope” during 9-10 October, 2015 at Ahmedabad. I hope the conference and the ponderings therein, will throw new light on the said area. I extend my best wishes to CFS, GTU and all the participants, for a fruitful and a successful event.

(Saurabhbhai Patel)
Foreword

Studies on Ease of Doing Business

Trade of goods and dissemination of ideas have always transcended the political borders of kingdoms and countries. With progressively better means of communication and with development of global institutions for better inter-action among different countries, this process of integration has become faster.

After World War II, Norway, with the support of United States of America, sought the dissolution of the Bank for International Settlements. To help develop a new rule-based international financial system, at a conference of 44 nations at Bretton Woods, New Hampshire, USA, in July 1944, the following organizations were set up:

1. International Monetary Fund
2. World Bank
3. International Trade Organization, which after about half a century of negotiations, developed into World Trade Organization on April 15, 1994, when 123 nations signed the Marrakesh Declaration in Morocco.

Today the developing world can work to attract large funds for investment, which can bring, along with the funds, new technologies and organizational techniques of multi-national corporations. This seems to be the only way for fast development and for creation of new jobs for the young in the developing world. For flow of investments, the world seems to be borderless and nations have to compete to attract the investments.

Financial Times has reported that as compared to China and the United States, India has emerged as the top destination for Foreign Direct investment (FDI) in the first half of 2015. According to the report, India was able to attract FDI of 31 billion US dollars ahead of 28 billion dollars of China and 27 billion of United States. This is equivalent to 4,00,000 crore Rupees of investment during an year. For the Indian economy, which is less than one third that of China, this level of investment can lead to at least 4 lac new direct jobs.

While for new enterprises, the availability of the usual requirements of land, raw materials and other infrastructural facilities are important, new enterprises also need efficient legal systems and regulations, which facilitate, rather than control, the development of new enterprises. New businesses need good governance so that the businesses can succeed, develop or fail, based on their own merits The World Bank has been studying the issues of 'Ease of Doing Business'. The12th edition of its report on 'Doing Business 2015' compares business regulations for domestic firms in 189 economies. It ranks India at 142, whereas Hong Kong is ranked at rank 3, Taiwan is at 19 and China has a rank of 90. Singapore has a rank of 1 and is considered to be the most business-friendly place in the world.

On 29th December 2014, at the Make in India workshop, the Chief Secretaries of States finalized a 98-point Action Plan on 'Ease of Doing Business'. In September 2015, a Report on 'Assessment of State Implementation of Business Reforms' was prepared by World Bank and it showed that within India, Gujarat is ranked at # 1. Surprisingly Jharkhand had improved its working within a short period to attain the 3rd rank.

If the Indian economy, which is much smaller than that of China and which is much less business friendly, as compared to China, was — for the first time, able to attract a larger FDI, it is a credit to the great trust in India's new government and to the excellent picture of India's potential, presented to the world. After the Prime Minister's visit of September 2015 to USA,
when it was found that India has got the maximum FDI during the first six months of 2015, Dr. Raghuram Rajan described Prime Minister Narendra Modi as being "ahead of us". He added, "What we need to do is back up his visits with action on the ground which reinforces the good impression that is created." India needs to work on the ground to improve its ranking in 'Ease of Doing Business' (EODB) rapidly. Government of India also realizes that if the momentum is to be sustained, India will have to improve its ranking and to do it fast.

While Government of India, the Reserve Bank of India and others go about doing their job, let us remember that India cannot become a great nation by outsourcing the study of all its challenges and opportunities to great foreign universities or to reputed organizations like KPMG or World Bank.

Gujarat Technological University (GTU) has, therefore established Post-graduate Research Centers for studies on issues of public policy in different sectors. Every Center studies issues, relevant to the needs of the society at GTU. It also attempts to involve Faculty Members and students at Colleges, affiliated with GTU, through its Research Groups. The Research Groups bring together researchers from across the country, from both academia and industries, along with the decision-makers in the government to deliberate on issues of importance to the nation and the world. This volume on 'Ease of Doing Business' is one in a series of such studies, which represent the work of a number of researchers, who have chosen to present their work in response to a call by GTU. GTU is pleased to welcome 'Hemchandracharya North Gujarat University, Patan, India', 'De Montfort University, Leicester, England', 'Yunnan Minzu University, Kunming, China', 'Mzumbe University, Dar es Salaam, Tanzania', 'Gaeddu College of Business Studies, Royal University of Bhutan, Bhutan' and 'Regenesys Business School, Johannesburg, South Africa' as co-sponsors for this work.

Since the re-institution of University system in India after 650 years, for the last 158 years, we have not been able to create the tradition for rigorous research at India's universities. Hence governments in India or the large private sector companies will not support such work at our universities. The great universities of the world derive no more than about 10% of their revenue from tuition fees. A much larger part of their annual budget is earned through research, sponsored by the government or its agencies. However India's universities will have to develop through bootstrapping since they are not likely to receive support from governments in India, as the universities work to develop their competence. We have to involve a larger number of our students and Faculty Members in research and our research must address the societal issues of importance to the nation and the world. Only when our work becomes of such great quality that some foreign government should consider taking our help for such studies that we can hope to get support from our governments.

GTU would like to create a Group of Industries & Businesses and researchers. The Group should consist of large medium and small units engaged in different sectors of our economy. The Group should engage in a discussion on five pertinent questions, relating to EODB every three months. The meetings of Chief Secretaries of all the States of India along with the Government of India are working on the 98-point agenda to present a red-carpet welcome rather than a bureaucratic maze of red tape to new enterprises in India. The proposed Group will help build a public platform of researchers at Universities and of leaders from industries and businesses to help create a virtuous cycle of change so that India can climb to the top of the rankings of EODB.

Akshai Aggarwal
Preface

Investor friendly policies are essential to welcome new entrepreneurs in the economic cycle of a nation. The business activities carried out by an entrepreneur plays an important role in fostering country’s GDP. To promote and motivate such entrepreneur, the Governments around the world are introducing reforms through their various Economic & Trade Policies, Amendments and Legislative Reforms, Regulatory Bodies, Tax Reforms, Banking Sector Reforms etc. which ultimately facilitate their economies to grow. Due to the changing global economic environment, countries across the globe are facing major challenges which require an immediate attention from regulatory bodies and policy makers to facilitate business activities to improve countries output in terms of the GDP.

In spite of many initiatives by Government, many entrepreneurs find difficulties in starting a new business. Getting permissions from various departments of the government becomes difficult to start a business easily. These formalities related to compliance delays the starting of venture and ultimately affects the economic cycle. Easy availability and accessibility of resources can prove a great start for new business.

Currently a major issue faced by the policy makers and corporate leaders is to maintain economic growth. To sustain, in such a critical environment, it is required by the countries to make some essential developments in regulatory framework and framing better policies. A practical approach and understanding of ground level realities is expected from policy makers so that various issues faced by new entrepreneurs can be resolved.

The conference aims to provide a platform for academicians, research scholars, practitioners and students to develop, contribute and present their research work. The conference also provides an opportunity for Government Officers to represent their ideas.

This conference will facilitate the researchers to get a stage for showcasing their research work about the Contemporary Issues, Challenges and Future Scope in the area of Ease of Doing Business which will include the issues related to starting a business as well as sustaining it without difficulties from the regulatory bodies.

Hitesh Gujarati
Vikrant Vala
October 9, 2015
Ahmedabad
Acknowledgement

"Ease of Doing Business: Contemporary Issues, Challenges and Future Scope" is a select collection of contributions made by scholars and practitioners. We express our deep sense of gratitude to all who have contributed and put in their dedicated hard work to give shape to the book in its present form. This title is the culmination of inputs of many people who have guided and executed our efforts in creating this compilation of contemporary research.

We seek to place on record our immense gratitude to Shri Saurabhbhai Patel [Minister, Finance, Energy and Petrochemicals, Mines Minerals, Cottage Industries, Salt Industries, Printing and Stationery, Planning, Tourism and Civil Aviation, Government of Gujarat] and Shri Rajesh Mokashi [Deputy Managing Director, Credit Analysis & Research Ltd. (CARE), Mumbai] for accepting our invitation to be the Chief Guest and Guest of Honour respectively and also sharing their views and experience during the Conference.

We would like to appreciate to the all the National and International Co-sponsoring Universities and Institutes to be a part of this Conference by encouraging their reference group to participate in the conference.

We like to extend our gratitude to GTU's Deans; Dr. S.O. Junare [Director, Shri Jairambhai Patel Institute of Management and Computer Applications, Gandhinagar], Dr. S. C. Reddy [Director, Faculty of Management, Marwadi Foundation Group of Institutions, Rajkot], Dr. PGK Murthy, [Director, Parul Institute of Management & Research, Vadodara], Dr. K. N. Sheth [Director - Operations, Adani Institute of Infrastructure Engineering, Ahmedabad] for sharing their resources, knowledge and expertise with us during the conference. We also acknowledge the efforts put in by our distinguished professors of Management; Dr. Jagdish Joshipura [Director, Som Lalit Institute of Management Studies, Ahmedabad], Dr. Rajesh Khajuria [Director, C. K. Shah Vijapurwala Institute of Management, Vadodara] and Dr. Viral Bhatt [Director, SAL Institute of Management, Ahmedabad]

We also acknowledge our National & International advisors Prof. Martyn Kendrick [Head of Undergraduate & Postgraduate Study, De Montfort University, UK], Prof. (Dr.) R. L. Godara, [Vice Chancellor, Hemchandragharya North Gujarat University, Patan], Mr. D. C. Anjaria [Member, Board of Governors, GTU & Director, Indian Institute of Financial Services Private Limited, Ahmedabad], Prof. Rajnikant Patel [Advisor, Research & Consultancy Cell, GTU], Mr. Arakhita Khandual [Ex-Director, IDBI Bank].

Our thanks are due to the PG Research Centre for Financial Services (CFS) at Gujarat Technological University (GTU) and all Assistant Professors, Research Assistants, Admin Assistants of various PG Research Centres at GTU for their continuous efforts in making this publication possible, right from inputs at the conference meeting to their contribution in reviewing the submissions for publication and feedback to the participants.

This book would not have been possible without the research efforts of all the national and international scholars, academicians, practitioners and participants of the conference. It is their contribution that has resulted in this publication becoming possible. We are, hence indebted to them and place on record our heartfelt gratitude for their outstanding intellectual efforts. We also thank the organizing committee members of CCFS2015 for supporting this academic endeavour.
We are thankful to Mr. J. C. Lilani, Registrar I/c, GTU, for his administrative support. Also thanks are due to Dr. R. H. Rajput, Shri M. N. Parmar at GTU for their continuous secretarial and administrative support. Special thank is due to remarkable efforts of Ms. Babita Gupta for coordinating all the interactions with the delegates, Mr Jignesh Tank for all the support related to design and graphics and Ms Rina Thakkar for development and maintenance of conference website.

We are also indebted to Shri Ajit Nath Jha [Deputy General Manager, SIDBI, Ahmedabad], Shri Jagat Shah [Founder & Mentor, Global Network - International Trade Consulting & Cluster Pulse - Economic Development, Ahmedabad], Ms. Daksha Shah [Managing Director, Pahal Financial Services Pvt. Ltd., Ahmedabad], Mr. Nitin Patel [Executive Director, Sadbhav Engineering Ltd., Mumbai], Ms. Bhagyesh Soneji [Chairperson, Assocham Gujarat Council, Ahmedabad] and Deans [Faculty of Management, GTU] for sharing their views and practical expertise in the area Ease of Doing Business during the Conference.

Special thanks to the conference paper review committee members without whose, support and meticulousness this book would not have been ready for timely publication. Finally, our sincere thanks are due to the Asian Printery, Ahmedabad for timely publication of this book.

We owe a lot to our families, who have uncomplainingly afforded us the required time and absence from home to accomplish this significant task.

Last but not least; we thank almighty who gave potency to accomplish this book.

Hitesh Gujarati
Vikrant Vala
October 9, 2015
Ahmedabad

Acknowledging the Co-sponsors of the Conference
Brief Profiles of Editors

Dr. Akshai Aggarwal is working as Vice Chancellor, Gujarat Technological University (GTU), Ahmedabad, India. Before joining as the Vice-Chancellor, he was working as the Director of School of Computer Science, University of Windsor, Canada. At Windsor, he established the High Performance Laboratory along with 3 Centers. He worked as a Professor and Head of Department of Computer Science at Gujarat University for about 10 years. Before that he was Professor and Head, Department of EE at M.S. University of Baroda. He was Chairman of IEEE India Council for two years. He initiated IEEE activities in Gujarat by starting the first IEEE student Branch at M.S. University of Baroda. Later he initiated the establishment of the student Branch at Gujarat University. He was the founder Chairman of IEEE Gujarat Section, the IEEE Computer Society Chapter and IEEE joint Chapter of Industry Application, Industrial Electronics and Power Electronics. Gujarat Section conducted two International Conferences and one National Seminars during his Chairmanship. He graduated with a B.Sc. (EE) from Punjab Engineering College and studied at M.S. University of Baroda for his Master's and Doctoral work. He has published a large number of research papers in national and international journals and conference proceedings.

At GTU, he has initiated National Conferences on Business Ethics, Financial Services and Governance Systems. GTU has set up Post-graduate Research Centres for studies in the areas of 'Business Ethics and CSR', Financial Services, 'Governance Systems in Businesses, Industries, Universities, Hospitals, Mass Transportation Systems, NGO's and Governments' and Marketing Excellence. The Center for Technology Education, Public Policy and Universities of the 21st Century has done path-breaking work to study the structural changes, required in the structure of Indian Universities. Under his leadership, GTU has set up three Skills Councils – for managing immersion studies programs in Management institutes, for a closer working with businesses and for professionalizing the disparate set of professional certification, operating in small silos. To enable each specialized area to be handled by the experts, each Council has Sectoral Panels and each Panel is co-chaired by a senior academician and a Business Leader in the middle rungs. The GTU Financial Services Skills Council (GTU-FSSC) has 10 Sectoral Panels. Similarly the GTU-Council for Human Resource Studies & Organizational Structures (GTU-CHRSOS) and GTU-Skills Council For Marketing (GTU-SCM) have 8 and 7 Sectoral Panels respectively. GTU has also set up Research Centers, Research Groups and Boards for Research & Development in different areas of technology. GTU's Graduate School of Smart Cities Development is associated with its Research Center for Infrastructure, Transportation and Water Management. GTU is working to bring practice-orientation to learning of technological areas and to bring industries and businesses closer to the University so that all its student projects and case studies are based on the problems from the shop-floors of industries or from the board-rooms of businesses. GTU is also taking major steps to make ethical business practices and value-education as a part of its educational offerings. GTU's Intellectual Property Cell has worked to make it the most IPR-literate University. GTU Innovation Council is the most active innovation council of India. Its Research Center for Industrial Design, jointly with its Open Design School has worked to imbue all its syllabi in degree engineering program with design thinking. All the syllabi of GTU are designed after taking into account the requirements of industries. GTU is working to modernize its learning systems through its project called Active Learning & Creating Excitement (ALCE) to laboratories, workshops and class-rooms. To eliminate rote-learning, its project called 'Confluence' is being implemented to change the style of question papers so that the university's examination system should require and assess understanding of concepts and not mugging up of facts. GTU also has the largest and the most extensive program of internationalization in India. All the above innovative efforts by GTU, under Dr. Akshai Aggarwal's leadership, have made GTU the most innovative university of India.
Mr. Hitesh Gujarati is working as a Research Associate at Centre for Financial Services (CFS), one of the PG Research Centres at Gujarat Technological University. He is engaged with GTU since April 2013. He is a Commerce as well as Law Graduate from Gujarat University. He gained his MBA degree in Finance Specialization from Gujarat University in 2007. He has total work experience of around 10 years, which includes more than 8 years of Industry Experience. Before joining GTU, he was working as a Manager in the area of Risk Management and IPO Operations at Marwadi Shares & Finance Ltd. Having expertise in managing operations, he has been credited with various remarkable changes in IPO operation as well as Risk Management system of the company. He has also served various other reputed organizations in the area of Finance. He has vast experience of Equity, Commodity and Currency markets. As a part of research centre of GTU, he has published three award winning papers, two at International and another at National level conferences. He has written articles in the university newsletter known as "Anantyam". He has been certified by NSE, BSE and NISM for various segments of the Financial Markets.

Mr. Vikrant G. Vala is currently associated as a Research Associate at the Centre for Financial Services (CFS) a PG Research Centre at Gujarat Technological University (GTU), Ahmedabad. Currently he is pursuing his Ph.D. in Management from GTU. He has gained his MBA Degree from the Department of Business Management, Saurashtra University, Rajkot. He is having around eight years of total work experience, out of which since last five years he is associated with the academic institutions with national repute involved into teaching, administration, course coordination and research. Prior three years of experience was with the mutual funds, commodity broking and other financial industry. He has published two award winning research papers one at a national and another at an international conference. He has also published many research papers and research articles in Conferences and University Newsletter. He had participated and coordinated many national and international workshops across his work tenure. He has also evaluated many research projects of PG students as an external evaluator. He is one of the member of the Core Admission Committee of Integrated Courses conducted by GTU. He is also a commodity, equity and a mutual fund certified professional.
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SIGNIFICANCE OF PAYING TAX INDICATOR TO IMPROVE EASE OF DOING BUSINESS (EODB) RANKING: A COMPARATIVE STUDY OF INDIA VIS-A-VIS OTHER SOUTH ASIAN COUNTRIES

Dr. Kaushal A. Bhatt
Assistant Professor
Faculty of Management
PG Research Centre for Global Business Studies
Gujarat Technological University
Ahmedabad, India
E-mail: ap1_cgbs@gtu.edu.in

ABSTRACT

Sound business regulations are fundamental to carry out business activities smoothly and effectively. The right business enables good ideas to take root, leading to creation of jobs and to better lives. But where business regulation makes it difficult to start and operate a business, good ideas may never see the light of day and important opportunities may be missed. Doing Business looks at how business regulations determine whether good ideas can get started and thrive or will falter and wither away. Many other dimensions of the business environment also matter but are outside the scope of Doing Business. The World Bank has released a country and region wise Ease of Doing Business report. Doing Business continues to focus on regulations that affect domestic small and medium-size enterprises, operating in the largest business city of an economy, across 10 areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures labour market regulation, which is not included in any of the aggregate measures.

The present study focuses on Paying Taxes indicator of Ease of Doing Business of India and other south Asian countries. The prime objective of this paper is to check the status and rank of India with special reference to Paying Tax indicator. The secondary objectives are to compare ranking of India with other south Asian countries. To check the percentage of total tax rate among South Asian countries. The hypothesis will be tested using one sample t-test.

Keywords: Ease of Doing Business, Paying Tax, South Asian Countries, World Bank, Business Environment, Small and Medium-Size Enterprises, etc.

1 INTRODUCTION

The basic framework for the tax system in republic India was provided in the constitutional assignment of tax powers. The important feature of the tax assignment is the adoption of principle of separation in tax powers between the central and state governments. It assigned the major broad based and mobile tax bases to the centre and these included taxes on non-agricultural incomes and wealth, corporation income tax, customs duties, and excise duties on manufactured products. Inevitably, tax policy has evolved in the country in response to changing development strategy over the years. In the initial years, the tax policy was guided by a large number of demands placed on the government (Bagchi and Nayak, 1994).1 They can be summarized into the need to increase the level of savings and investment in the economy and hence stimulate growth and the need to ensure a fair distribution of incomes. These meant an effort to raise taxes from those with an “ability to pay”, with little regard

for the efficiency implications of the chosen instruments for the purpose. Tax policy in India has evolved as an important component of fiscal policy which had to play a central role in the planned development strategy. In particular, tax policy was the principal instrument to transfer private savings for public consumption and investment (Bagchi and Stern, 1994). The Indian tax reform experience can provide useful lessons for many countries due to the largeness of the country with multilevel fiscal framework, uniqueness of the reform experience and difficulties in calibrating reforms due to institutional constraints. These, by themselves, are important enough reasons for a detailed analysis of the tax system in India. Unfortunately, unlike in many developed countries where major tax reform initiatives were followed by detailed analysis of their impact, there are no serious studies analysing the economic impact of tax reforms in India.

2 IMPORTANCE OF PAYING TAX INDICATOR FOR EFFECTIVE EODB AND TAX STRUCTURE IN INDIA

Taxes matter a lot for the economy. They provide the sustainable funding needed for social programs and public investments to promote economic growth and development and build a prosperous and orderly society. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the Doing Business study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research. Paying Taxes remains a unique study, generating an unparalleled dataset that assesses taxes from the perspective of a taxpaying business, based upon a case study company. It reflects all taxes and contributions that a standardized medium sized company pays, including corporate income taxes, employment taxes and mandatory contributions, indirect taxes and a variety of smaller payments such as municipal taxes. Increasingly we have seen governments recognize that tax is an important dimension of an economy’s competitiveness with an ability to help encourage domestic investment and to help attract inward investment. And it is not just the rate of tax which is important here. The way in which the tax system collects and administers its taxes has an impact on businesses in terms of the time required and the costs associated with that time. India has a federal level Income tax structure - governed by the provisions of Income tax Act, 1961.

Doing Business records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions. Taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores for paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate. The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. This year’s threshold is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in an economy’s overall tax system. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators.

3 In U.S for example, there have been several studies analysing the impact of Tax Reform Act, 1986. For detailed review of these studies, see Auerback and Slemrod (1997).
4 Doing Business – 2015 Report
Doing Business measures all taxes and contributions that are government mandated (at any level Central, State and Local) and that applies to the standardized business and has an impact in its financial statements. Doing Business departs from this definition because it measures imposed charges that affect business accounts, non-government accounts.

### 2.1 Tax structure in India:

![Figure 1: Tax Structure in India](image)

**Direct Tax**
- Income Tax
- Wealth Tax
- Dividend Distribution Tax
- Minimum Alternative Tax
- Share Buy-Back Tax
- Fringe Benefit Tax

**Indirect Tax**
- VAT/CST
- Service Tax
- Excise Duty
- Custom Duty
- R & D Cess

**Transaction Tax**
- Stamp Duty
- Securities Transaction Tax
- Commodity Transaction Tax

### 3 REVIEW OF LITERATURE

Siriluck R. (2008)\(^5\) studies government service quality and risk perceptions of personal income taxpayers on e-government service value. The findings suggested that perceived value of e-government service is e-government service quality, which consists of service design, web site design, technical support, and customer support quality.

Abd Rahman Ahlan, Murni Mahmud (2011)\(^6\) aimed to investigate the factors influencing citizens’ intention to use e-filing in the Malaysian context. The study used quantitative approach methodology. In total, 500 self-administered questionnaires were distributed and 411 were found usable for data analysis; 14 hypotheses were formulated and tested. Perceived ease of use and perceived usefulness, trust of the government, image, compatibility and service quality are found to be significant predictors of citizens’ intention to use e-filing.

Adopter bias constrains the external validity and practical utility of a study. In three of the income tax e-filing studies (Chang et al., 2005; Hsu and Chiu, 2004; Wu and Chen, 2005)\(^7\), the respondents had used the e-filing service in the past. Of the 1,099 respondents surveyed by Hung et al. (2006), 1,008 had already adopted the e-filing service while 91 had registered with tax e-filing site but never actually used the service. In two studies (Fu et al., 2004, 2006), users of the manual, 2D bar-code, and...

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\(^7\) www.emeraldinsight.com
internet filing facility were surveyed for their intention to use their respective tax filing method next year.

Several models have been developed so far to decode the customer’s behavioural intentions of using new information system. Notable among them are Technology Acceptance Model-TAM (Davis, 1989)\(^8\), Theory of Reasoned Action-TRA (Fishbein et al, 1980) and Theory of Planned Behaviour-TPB (Ajzen, 1985). A number of research studies, however consider the TAM’s ability to explain and understand customer attitude towards an information system better than similar other models (Klopping et al., 2004). The present study found that TAM measure requires an extension to accommodate some more constructs according to the need of specific buying behaviour (Nadeem et al.2007, Pikkareinen et al.2008, Legris et al.2003).

The second approach recognizes that the government typically lacks the information on elasticity and is subject to lobbying when it is willing to tax different goods at different rates. Associated with the names of Harberger (1990) and Hatta (1986)\(^9\), this approach leans more heavily towards taxing consumption at uniform rates across goods. According to this school, while efficiency (and distribution weights) is clearly desirable in the design of tax policy, administrative capacity, attention to local institutions and political realities are equally, if not more, important.

Keen and Ligthart (2002) show that in small open economies any revenue neutral tariff cut accompanied by price neutral destination based VAT will enhance both net revenue and welfare. While, this result is contested, especially in the context of developing economies with significant informal sectors, the debate does not extend to cases where VAT seeks to replace a cascading type of sales tax or broad-based excise duty. Further, in large economies, complete replacement of revenue from international trade taxes by VAT may not be possible since it might be associated with unacceptably high tax rates and even if it were, the revenue may not accru to the central government in a federal set up like India where the states have traditionally held the power to levy sales tax Rajaraman (2004), implying thereby the need to explore all other alternatives.

The Tax Reforms Committee (India, 1991)\(^10\) laid out a framework and a roadmap for reform of the tax system, both direct and indirect. The analytical basis for the reform in the new millennium was provided by task force reports on the reform of direct and indirect taxes (India, 2002) and the report of the task force on the implementation of the Fiscal Responsibility of Budget Management Act, 2003 (India, 2004b).

4 RESEARCH METHODOLOGY

4.1 Statement of Problem
Doing Business continues to focus on regulations that affect domestic small and medium-size enterprises, operating in the largest business city of an economy, across 10 areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Clarity regarding administrative aid for taxation is very necessary for any business house. Thus the statement of problem of this study is “Significance of Paying Tax Indicator to Improve Ease of Doing Business (EoDB) Ranking: A Comparative Study of India vis-a-vis Other South Asian Countries”

4.2 Objectives of Study:
The primary objective of this study is to compare paying tax indicator of India with reference to other South Asian Countries.

\(^8\) International Journal of Business and Social Research (IJBSR), Volume -2, No.-4, August 2012
\(^9\) M. Govind Rao and Kavita Rao, Trends and Issues in Tax policy and Reforms in India
\(^10\) Tax reforms committee of GOI - 1991
Secondary objectives of the study are as under

- To check the status of India with reference to other south Asian countries regarding Tax Payments
- To analyse total tax rate of India and other south Asian countries
- To compare time taken for tax related activities by a corporate house of India and other south Asian countries
- To analyse overall ranking of India based on Paying Tax indicator of Ease of Doing Business
- To suggest ways to improve India’s ranking in Paying Tax indicator

4.3 Data collection and Sampling
The World Bank every year releases data related to ease of doing business. This study is based on the data available for the year 2015. This study is purely based on secondary data which is collected from various reports published by World Bank. This study focuses on the south Asian region which includes countries like India, Sri Lanka, Pakistan, Bhutan, Afghanistan, Nepal, Bangladesh and Maldives. Main aim of this study is to compare data of India with other south Asian countries.

4.4 Tools and Techniques of Analysis
The data so collected will be analysed graphically and statistically. The comparison of India with all other south Asian countries will be shown with the help of bar charts. To test the hypothesis one sample t-test has been used. The region average is considered as the population mean.

5 DATA ANALYSIS AND INTERPRETATION

Doing Business records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contribution. Taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gain tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees. There are three components i.e. A) Number of tax payments per year, B) Number of hours per year to prepare, file returns and pay taxes and C) Firm tax liability as percentage of profits before all taxes borne.

5.1 Number of Tax Payments per year:
The tax payments indicator reflects the total number of taxes and contributions paid. The method of payment, the frequency of payment, the frequency of filing and the number of agencies involved for the standardized case study company during the second year of operation. It also taxes withheld by the company. Such as sales tax, value added tax and employee-borne labour taxes. These taxes are traditionally collected by the company from the consumer or employee on behalf of the tax agencies. Although they do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.

The number of payments takes into account electronic filing. Where full electronic filing and payment is allowed and it is used by the majority of medium-size businesses, the tax is counted as paid once a year even if filings and payments are more frequent. Joint payments are also counted as one.

Table 1 Country wise Payment of tax

<table>
<thead>
<tr>
<th>Country</th>
<th>Payment of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>47</td>
</tr>
<tr>
<td>Nepal</td>
<td>34</td>
</tr>
<tr>
<td>India</td>
<td>33</td>
</tr>
<tr>
<td>Bhutan</td>
<td>19</td>
</tr>
<tr>
<td>Maldives</td>
<td>30</td>
</tr>
<tr>
<td>Pakistan</td>
<td>47</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>20</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>21</td>
</tr>
<tr>
<td>Regional Average</td>
<td>31.4</td>
</tr>
</tbody>
</table>

The above table and chart shows payment of taxes during the year 2015 for south Asian countries. These countries include Sri Lanka, Nepal, India, Bhutan, Maldives, Pakistan, Afghanistan and Bangladesh. It can be seen from the table and chart that companies of Bhutan are paying the least number of taxes and Companies of Pakistan & Sri Lanka are paying the highest number of taxes. The number of taxes paid by companies of Afghanistan, Bangladesh and Maldives are respectively 29, 21 and 30. The companies of India are paying 33 numbers of taxes. The regional average is 31.4.

Ho: There is no similarity in the payment of tax between the regional average and average of countries of south Asia.

One sample t-test is used to test the hypothesis. P value (sig value) of t is 0.995 at 5 % level of significance. Here regional average is considered at test value. The p value is very high then 0.05 so null hypothesis get accepted. So, it can be concluded that there is significance difference among economies of south Asia regarding payment of tax.

5.2 Number of hours per year to prepare, file returns and pay taxes:
Here the time is recorded in hours per year. The indicator measures the time taken to prepare, file and pay 3 major types of taxes and contributions i.e. the corporate income tax, value added tax or sales tax and labour taxes, including payroll taxes and social contributions. Preparation time include the time to collect all information necessary to compute tax payable and to calculate the amount payable. If separate accounting books must be kept for tax purposes or separate calculations made the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfil the tax accounting requirements. Filing time includes the time to complete all necessary tax return forms and file the relevant returns at the tax authority. Payment time considers
the hours needed to make the payment online or in person. Where taxes and contributions are paid in person, the time includes delays while waiting. The status of south Asia is as under.

Table 3 Country wise Total Time (hours) taken by company to file tax return

<table>
<thead>
<tr>
<th>Country</th>
<th>Time (hours per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>167</td>
</tr>
<tr>
<td>Nepal</td>
<td>334</td>
</tr>
<tr>
<td>India</td>
<td>243</td>
</tr>
<tr>
<td>Bhutan</td>
<td>274</td>
</tr>
<tr>
<td>Maldives</td>
<td>413</td>
</tr>
<tr>
<td>Pakistan</td>
<td>594</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>275</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>302</td>
</tr>
<tr>
<td>Regional Average</td>
<td>325.3</td>
</tr>
</tbody>
</table>

**Source: Doing Business Report – 2015**

Graph 2 Country wise Total Time (hours) taken by company to file tax return

The above mentioned chart and table shows that time spent by a company to file tax to the authorities. The lesser the time taken the higher the efficiency of the payment system in the country. It is very clear from the chart that the companies of Sri Lanka are having the lowest time i.e. 167 hours per year. So, the accounting and administration process in the country is very sound. The government of India has introduced e-filing since many years which helped positively to this parameter as the hours taken by an Indian company is 243 per year. This is the second lowest in south Asia. The worst condition in south Asia is of Pakistan. The companies of Pakistan took 594 hours per year to file tax return. It is may be because of poor accounting techniques and physical form filing for tax. The average of South Asia is 325.3 hours per year.

Ho: There is no similarity between the regional average and average of countries of south Asia regarding time taken (hours) by a company to file tax return

Table 4 One-Sample Test

<table>
<thead>
<tr>
<th>Test Value = 325.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>t</td>
</tr>
<tr>
<td>TIME</td>
</tr>
</tbody>
</table>

**Source: Calculated through the statistical software**

One sample t-test is used to test the hypothesis. P value (sig value) of t is 0.999 at 5 % level of significance. Here regional average of South Asia is considered at test value which is 325.3 hours.
The p value is very high than 0.05 so null hypothesis get accepted. So, it can be concluded that there is significance difference among countries of south Asian region regarding hours taken for filing and preparation for tax return.

5.3 Firm tax liability as percentage of profits before all taxes borne.
The total tax liability or tax rate measures the amount of taxes and mandatory contribution borne by the business in the second year of operation, expressed as a share of commercial profit. It calculates the total amount of taxes borne is the sum of all the different taxes and contributions payable after accounting for allowable deductions and exemptions. The taxes withheld (such as personal income tax) or collected by the company and remitted to the tax authorities such as value added tax, sales tax or goods and services tax but not borne by the company are excluded. The taxes included can be bifurcated into five categories i.e. profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, turnover taxes and other taxes, turnover taxes and other taxes. The total tax rate is designed to provide a comprehensive measure of the cost of all the taxes a business bears. The total tax rates of the countries under study are as under.

Table 5 Country wise total tax rate

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Tax Rate (% of Profit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>55.6</td>
</tr>
<tr>
<td>Nepal</td>
<td>29.5</td>
</tr>
<tr>
<td>India</td>
<td>61.6</td>
</tr>
<tr>
<td>Bhutan</td>
<td>38.7</td>
</tr>
<tr>
<td>Maldives</td>
<td>31.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>32.6</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>35.8</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>32.5</td>
</tr>
<tr>
<td>Regional Average</td>
<td>39.7</td>
</tr>
</tbody>
</table>


Graph 3 Country wise total tax rate (% of Profit)

The above table and chart shows total tax rate (% of profit) for all the countries under study. The higher the tax rate the lower will be befit to company and the lower motivation to company. It is very clear from the chart that Nepal has the lowest tax rate. So, the companies of Nepal can retain or utilize greater proportion of profit. The companies of India have to pay the highest proportion of tax in entire south Asia. The rate is 61.6% which means that maximum part of profit is gone after tax. Apart from
India, Sri Lanka has the second highest rate in entire region. The tax rate for all other countries in the south Asia ranges between 31 to 38 percentages. The regional average is 39.7 percentages.

H0: There is no similarity between the regional average and average of countries of south Asia regarding total tax rate

Table 6 One-Sample Test

<table>
<thead>
<tr>
<th>TAX_RATE</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.006</td>
<td>7</td>
<td>.995</td>
<td>.02500</td>
<td>-10.0774 - 10.1274</td>
</tr>
</tbody>
</table>

Source: Calculated through the statistical software

One sample t-test is applied to test the hypothesis. P value (sig value) of t is 0.995 at 5% level of significance. Here regional average of South Asian countries is considered as test value which is 39.7 percentage of tax. The p value high then 0.05 so null hypothesis get accepted. So, it can be concluded that there is significance difference among countries of south Asia regarding total tax rate (% of profit) for paying tax indicator.

5.4 Overall Ranking of South Asian countries regarding Paying of Taxes indicator

<table>
<thead>
<tr>
<th>Country with Rank</th>
<th>Overall score for Paying Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka (Rank 158)</td>
<td>55</td>
</tr>
<tr>
<td>Nepal (Rank 126)</td>
<td>66.52</td>
</tr>
<tr>
<td>India (Rank 156)</td>
<td>55.53</td>
</tr>
<tr>
<td>Bhutan (Rank 86)</td>
<td>73.55</td>
</tr>
<tr>
<td>Maldives (Rank 134)</td>
<td>63.76</td>
</tr>
<tr>
<td>Pakistan (Rank 172)</td>
<td>44.46</td>
</tr>
<tr>
<td>Afghanistan (Rank 79)</td>
<td>74.39</td>
</tr>
<tr>
<td>Bangladesh (Rank 83)</td>
<td>73.98</td>
</tr>
<tr>
<td>Regional Average (Rank 124)</td>
<td>63.4</td>
</tr>
</tbody>
</table>


There are three indicators of paying tax which have been discussed individually in above section. Now, this section of analysis deals with the overall ranking of all south Asian countries with respect to paying tax indicator. There are 8 countries which fall under this region. The overall rank and points of each country is mentioned as under.

Graph 4 Overall rank and score of South Asian Countries for Paying Tax indicator

The above table and chart show overall score and rank for paying tax indicator of doing business. The greater the score the higher the rank of an economy. Higher rank means better and favourable conditions for business environment. Among South Asian countries Afghanistan has got the highest score i.e. 74.39 so it is ranked at 79th place for paying tax indicator. Likewise Pakistan has scored 44.46 which is lowest among all south Asian countries and ranked at 172nd place for paying tax indicator. Bangladesh and Bhutan are in top three countries of south Asia which scored 73.98 and 73.55 respectively and ranked 83rd and 86th place for paying tax indicator. India scored 55.53 and ranked at 156th place for paying tax indicator. India is even behind Nepal and Maldives which scored 66.52 and 63.76 respectively. The average score of south Asian region is 63.4 and rank is 124. The condition of India is very poor in paying tax indicator for ease of doing business.

Ho: There is no similarity between the regional average and average of countries of south Asia regarding overall score for paying tax indicator

<table>
<thead>
<tr>
<th>Table 8 One-Sample Test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Test Value</strong> = 63.4</td>
</tr>
<tr>
<td><strong>t</strong></td>
</tr>
<tr>
<td>OVERALL_ SCORE</td>
</tr>
</tbody>
</table>

Source: Calculated through the statistical software

One sample t-test is used to test the hypothesis. P value (sig value) of t is 1 at 5 % level of significance. Here regional overall score average of South Asian countries is considered as test value which is 63.4. The p value high then 0.05 so null hypothesis get accepted. So, it can be concluded that there is significance difference among countries of south Asia regarding overall score for paying tax indicator of doing business.

6 MAJOR FINDINGS OF THE STUDY
- The companies of Bhutan are paying the least number of taxes and Companies of Pakistan & Sri Lanka are paying the highest number of taxes.
- The companies of India are paying 33 numbers of taxes whereas the regional average is 31.4. It means companies of India are paying greater takes compare to average tax paid by other countries of South Asia.
- The companies of Sri Lanka are having the lowest time i.e. 167 hours per year. So, the accounting and administration process in the country is very sound.
- The government of India has introduced e-filing since many years which helped positively to this parameter as the hours taken by an Indian company is 243 per year. This is the second lowest in south Asia.
- The companies of Pakistan took 594 hours per year to file tax return which is the highest time taken among all south Asian countries.
- Nepal has the lowest tax rate. So, the companies of Nepal can retain or utilize greater proportion of profit for development and growth.
- The companies of India have to pay the highest proportion of tax in entire south Asia. The rate is 61.6% which means that maximum part of profit is gone after tax.
- Among South Asian countries Afghanistan has got the highest score i.e. 74.39 so it is ranked at 79th place for paying tax indicator.
- Pakistan has scored 44.46 which is lowest among all south Asian countries and ranked at 172nd place for paying tax indicator.
- India scored 55.53 and ranked at 156th place for paying tax indicator. India is even behind Nepal and Maldives which scored 66.52 and 63.76 respectively.
7 SUGGESTIONS TO INCREASE RANKING FOR EASE OF DOING BUSINESS WITH SPECIAL FOCUS ON PAYING TAX INDICATOR

- The government has to reduce tax burden from companies so companies would grow themselves. The government of India has announce in the financial bill for 2015-16 that they will reduce corporate tax from 30 to 25 Percentage in four years which would affect positively to India’s ranking for Paying tax indicator.
- There would be clarity regarding accounting and administration process in the country which encourage companies to file tax return on time with no hurdles.
- Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India.
- The simplicity of the tax should lead to easier administration and enforcement. So, the tax structure must me as simple and clear as mirror.

8 CONCLUSION

India is the seventh largest country by area and the second-most populous country in the world. It has a large and growing middle-class with an increasing rate of domestic consumption that makes it an important market. Additionally, it has strong fundamentals like a stable Westminster-style parliamentary democracy, cost-competitiveness and abundant supply of well qualified and well-trained human resources across functional areas that make it a preferred destination for investment, both as a source of manufacturing, and delivery of services and also as a market for the consumption of the goods and services generated as a consequence of such investment. Recent global developments have demonstrated that India’s strong fundamentals and robust domestic consumption levels make it a resilient economy that can withstand global economic slowdown and declining consumption levels. The world’s bank tries to track and measure one of the most important features of an economy – the ease with which it is possible to do business, trade and exchange. The government of India is very active and dedicated to increase rank of India for ease of doing business. They wanted to create corporate friendly business environment to create thousands of job for young Indian. At last it is very clear from this research that India is far behind then many south Asian countries i.e. Nepal, Bhutan, Maldives, Afghanistan, etc. in terms of paying tax indicator. These are comparatively very small economies than India however they perform better than a big economy like India.

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ABSTRACT

The importance of Doing Business Index indicators as a determinant of FDI has glimmered attention in determining their relationships. The present study intended to explore the relationships between Doing Business indexes and FDI. The study investigates the relationship between the foreign direct investment and six variables of doing business index of World Bank by using Johansen’s co-integration test, and Granger causality test. The Johansen’s co-integration test suggests that all the series under the study are found to be co-integrated of order one, indicating that there is a stable long-run equilibrium relationship in these series suggesting that the FDI has been co-integrated with the six variables under the study. The findings from Granger causality test suggest that all the six variables under the study of doing business index of World Bank does not Granger cause foreign direct investment in short run, however form the Johansen test of cointegration, it can be concluded that there is a long run relationship between the FDI and variables under the study.

Keywords: Doing Business Index, FDI, Co-integration Test, Causality Test

INTRODUCTION

Doing Business Index of World Bank is an essential means for assessing the business environment of a country. The large variety of parts covered by the indicators of regulation and the scales of countries, different intensities of capital permits the comparability of different business environments. It permits to establish a relationship between indicators of business environment and levels of economic growth, as well as between the levels of bureaucracy and the poverty, corruption, employment, access to credit and ease of establishing business. In turn, allows identifying the best practices in the countries better ranked that is where it is easier to do business. Finally, give the possibility to define a strategy of reforming the business environment, i.e. the functioning of institutions. Doing Business corresponds to an international instrument on "behaviour change" not only to motivate national investors but to attract foreign investors too (Djankov, Rafael, Florencio, & Andrei, 2002).

The International Monitory Fund (1993) in the Balance of Payment Manual defines FDI as “FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. Further, in case of FDI, the investor’s purpose is to gain an effective voice in the management of the enterprise.

This definition indicates that investment climate indicators as given in the Doing Business Database can be important candidates while explaining FDI inflows in a country. Countries with a climate in which firms feel more comfortable in terms of business friendliness should attract more foreign direct investments.

Specifically, FDI is an instrument, which is facilitating developing countries to break with their objective and organizational gaps within the beginning of new practices, together managerial and technological. The long-term character of FDI promotes a high compassion to the risk perception,
political and macroeconomic stability, as well as transparent legal regulations concerning foreign ownership and profit repatriation all are important factors of foreign investment decision making.

Given obvious benefits of FDI, one important question is what determines FDI and what type of country specific features can attract more FDI. In the literature, different factors are listed as possible determinants of FDI such as returns to investment, natural resources endowment, trade openness, financial openness, the size of countries, labour costs, level of human capital, macroeconomic and political determinants, taxes, as well as business friendliness (investment climate) in recipient countries.

The majority of earlier studies in this area report two groups of descriptive factors: gravity factors (regulation, proximity, market size) and factor endowments (Capital, Labour). Other factors that are found to have significant effect in this region is geographical proximity exactly at the present, barriers to trade, tax policy and tax incentives, labour costs and regional integration.

There is a growing literature that links regulation to local entrepreneurship and investment. For example, Alesina et al., (2005) show that regulatory reform of product markets, particularly entry liberalization, leads to an increase in investment in a sample of OECD countries. Using an early version of the entry costs component of the Doing Business data that we use in this paper, Klapper et al., (2006) find that costly entry regulations reduce the number of new firms created. Similarly, Barseghyan (2008) finds that higher entry costs as measured by the Doing Business data reduce output per worker via a reduction in total factor productivity. Finally, Bruhn (2011) shows that a reform of entry regulation in Mexico led to an increase in the number of businesses registered.

**LITERATURE REVIEW**

There are a couple of empirical studies focusing on the link between FDI and indicators of investment climate. Piwonski (2010), focusing on only one indicator of investment climate, shows that by increasing their country’s “Ease of Doing Business” rank one level, a government can bring in over $44 million USD as FDI. Morris and Aziz (2011) study the relationship between factors that affect conducting business and the inflows of FDI to Sub-Saharan Africa and Asian countries (57 countries in total). They focus on correlation coefficients between different variables between 2000 and 2005, but they do not include any regression analysis. When compared to our paper, Morris and Aziz (2011) focus on a limited time period and a limited number of analysis and countries. Still they have interesting outcomes. They find that two indicators, “registering property” and “trades across borders,” were related to FDI inflows in these two regions of the world. Their paper provides empirical support to the hypothesis that FDI is related to investment climate. Nnadozie and Njuguna (2011) investigate the link between investment climates, in particular the prevailing business regulations and FDI in the Africa region only. After running regressions which use business regulations as one of the independent variables, they find that business rules and regulations are important for FDI.

Lucas (1993) is the earliest attempt to examine the effects of the business environment on FDI that we are aware of. He finds that dummy variables capturing large changes in a country’s organisation are significant but acknowledges that it is difficult to know exactly what such variables are capturing. Gastanaga et al., (1998) use a 0–4 index of bureaucratic delay and find some evidence that it matters. However, their measure is only available for 22 countries and does not take account of the range of factors that the Doing Business variable does. The later critique can also be levelled at the finding of Busse and Hefeker (2007) (2007) of a significant coefficient on a 0–12 index that measures the institutional strength and quality of the bureaucracy.

The Doing Business data has been used to look at the effect of the business environment and regulation on FDI. Lawless (2009) finds that the tax complexity components of doing business have a significant effect on the existence of FDI but little effect on the level. Blonigen and Piger (2011) employ Bayesian model averaging (BMA) to sift through the mass of potential FDI determinants.
They find that the four Doing Business variables that they include have a low inclusion probability. These four variables are the time it takes to enforce contracts, register property, start a business and resolve insolvency. As we will see, they do not employ the vast majority of the business environment information available to them and the indicators that they do use are not those that one might expect to influence FDI the most, those pertaining to international trade. The finding of a similar BMA study, Eicher et al., (2011), that a generic host bureaucratic quality variable is a robust determinant gives us further reason to believe that the measures used in Blonigen and Piger (2011) are too restrictive a subset. Our paper therefore can be seen as building on these studies in that we use a richer measure of the regulatory environment and separate the effect of the ease of trading across borders from the general ease of doing business. Another recent paper with relevance to our work is (Jayasuriya, 2011). Jayasuriya’s work, which is concurrent with our own, establishes that higher Doing Business rankings attract more FDI and provides some evidence that some of the indicators matter while others do not.

Eifert (2009) focuses on individual components of the Doing Business Rankings and find improvements in the time taken to enforce contracts stimulates growth. However, Eifert (2009) fails to consider the aggregate impacts of all the Doing Business components. Conversely, Djankov, McLiesh and Ramalho (2006) do focus on aggregate impacts using cross-sectional analysis with fixed country effects. They show countries with a higher Doing Business Ranking in 2004 significantly influences growth. Surprisingly, Djankov et al., (2006) use as their dependent variable, the average GDP growth from 1993 to 2002 and estimate Doing Business Rankings using 2004 data (official rankings were not available until 2006). This approach could bias results as country rankings change over time and different results would be recorded when using data from alternative years.

Busse and Groizard (2008) use a separate set of fixed country effects when undertaking their cross-sectional analysis on the influences of selected components of the World Bank’s Ease of Doing Business measures on GDP growth. Like Djankov et al., (2006), they also artificially create a rankings system but do so by creating a dummy variable of the 20 most regulated economies. They find countries with lower levels of regulation are more likely to stimulate growth. While the results are encouraging, the creation of a dummy variable reduces the richness of the data available for analysis and the authors do not disaggregate between developed and developing countries.

Tarzi (2005) analyzed Nigeria, Indonesia, and India’s government efforts to attract FDI and concluded that firms are expecting to invest in the countries, where governments are controlling less their operational affairs. These are includes lower corruption, freer capital movement, lower corporate taxes, and permission to own majority stake in a local subsidy. The more procedure and time for operation, the more firms must ‘jump through hoops’ to satisfy the law. These massive numbers of government regulations also cost more for the firm which break and a restraint for FDI inflows into that country.

In light of this argument the aim of this paper is to evaluate whether developing countries like India with improving indicators of investment climate can attract more FDI inflows. The share of India in the world’s FDI inflows has been increasing dramatically in recent years, especially after the financial and economic crisis of 2008 and 2009.

**OBJECTIVES**

Based on the above discussion, the present study tries to investigate the long run equilibrium relationship between foreign direct investment and six variables of ease of doing business by considering the following model:

$$X_t = (FDI_t, SBC_t, DCP_t, GE_t, RP_t, PT_t, EC_t)'$$

Where, FDI is foreign direct investment, SBC is starting business cost (% of income per capita), DCP is dealing with construction permits cost (% of warehouse value), GE is general electric cost (% of income per capita), RP is registering property cost (% of property value), PT is paying tax (% profit), EC is enforcing contracts cost (% of claim) and $X$ is a $7 \times 1$ vector of variables.
**DATA & METHODOLOGY**

The aim of this paper is to investigate the relationship between foreign direct investment and six variables of ease of doing business. To accomplish the research objective ease of doing business data are obtained which comprises 171 data points for the analysis. Descriptions of variables and data sources are presented in Table 1.

<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Construction of Variable</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNFDI</td>
<td>Natural Logarithm of Foreign Direct Investment (US Dollar Million)</td>
<td>World Bank Website</td>
</tr>
<tr>
<td>LNSBC</td>
<td>Natural Logarithm of Starting a Business Cost (% of income per capita)</td>
<td>World Bank Website</td>
</tr>
<tr>
<td>LNDCP</td>
<td>Natural Logarithm of Dealing with Construction Permits Cost (% of warehouse value)</td>
<td>World Bank Website</td>
</tr>
<tr>
<td>LNGE</td>
<td>Natural Logarithm of Getting Electricity Cost (% of income per capita)</td>
<td>World Bank Website</td>
</tr>
<tr>
<td>LNRP</td>
<td>Natural Logarithm of Registering Property Cost (% of property value)</td>
<td>World Bank Website</td>
</tr>
<tr>
<td>LNPT</td>
<td>Natural Logarithm of Paying Taxes (% profit)</td>
<td>World Bank Website</td>
</tr>
<tr>
<td>LNEC</td>
<td>Natural Logarithm of Enforcing Contracts Cost (% of claim)</td>
<td>World Bank Website</td>
</tr>
</tbody>
</table>

The present study employs the time series data analysis technique to study the relationship between the FDI and SBC, DCP, GE, RP, PT and EC. In a time series analysis, the results might provide spurious results, if the data series are non-stationary. Thus, the data series must obey the time series properties i.e. the time series data should be stationary, meaning that, the mean and variance should be constant over time and the value of covariance between two time periods depends only on the distance between the two time period and not the actual time at which the covariance is computed. The most popular and widely used test for stationarity is the unit root test. The presence of unit root indicates that the data series is non-stationary. The standard procedures of unit root test namely the Augmented Dickey Fuller (ADF) (1979) (1981) is performed to check the stationary nature of the series. Assuming that the series follows an AR (p) process the ADF test makes a parametric correction and controls for the higher order correlation by adding the lagged difference terms of the dependent variable to the right hand side of the regression equation. In the ADF test null hypothesis is that data set being tested has unit root. This provides a robustness check for stationary. The unit root tests also provide the order of integration of the time series variables. In a multivariate context if the variable under consideration are found to be I (1) (i.e. they are non-stationary at level but stationary at first difference), but the linear combination of the integrated variables is I (0), then the variables are said to be co-integrated (Enders, 2004). The Augmented Dickey Fuller (ADF) (1979; 1981) is performed to check the stationary nature of the series. The complete model with deterministic terms such as intercepts and trends is shown in equation (1).

$$\Delta y_t = \alpha + \beta t + \gamma y_{t-1} + \delta_1 \Delta y_{t-1} + \cdots + \delta_{p-1} \Delta y_{t-p+1} + \epsilon_t.$$  \hspace{1cm} (1)

Where $\alpha$ is a constant, $\beta$ the coefficient on a time trend and $p$ the lag order of the autoregressive process. Lag length for VAR system is, selected based on minimum sequential modified LR test statistic. The vector auto regression (VAR) is commonly used for forecasting systems of interrelated time series and for analysing the dynamic impact of random disturbances on the system of variables. The VAR approach sidesteps the need for structural modelling by treating every endogenous variable in the system as a function of the lagged values of all of the endogenous variables in the system. The mathematical representation of a VAR is:

$$y_t = A_1 y_{t-1} + \cdots + A_p y_{t-p} + B x_t + \epsilon_t.$$  \hspace{1cm} (2)

where $y_t$ is a $k$ vector of endogenous variables, $x_t$ is a $d$ vector of exogenous variables, $A_1, \ldots, A_p$ and $B$ are matrices of coefficients to be estimated, and $\epsilon_t$ is a vector of innovations that may be contemporaneously correlated but are uncorrelated with their own lagged values and uncorrelated with all of the right-hand side variables.
Leg Length Criteria computes various criteria to select the lag order of an unrestricted VAR (Lütkepohl, 1991). The sequential modified likelihood ratio (LR) test is carried out as follows. Starting from the maximum lag, test the hypothesis that the coefficients on lag $l$ are jointly zero using the $\chi^2$ statistics:

$$LR = (T - m) \left\{ \log |\Omega_{l-1}| - \log |\Omega_l| \right\} - \chi^2(k^2)$$  

(3)

Where, $m$ is the number of parameters per equation under the alternative, note that we employ Sims’ (1980) small sample modification which uses $(T - m)$ rather than $T$. We compare the modified LR statistics to the 5% critical values starting from the maximum lag, and decreasing the lag one at a time until we first get a rejection.

With the non-stationary series, co-integration analysis has been used to examine whether there is any long run relationship exists. However, a necessary condition for the use of co-integration technique is that the variable under consideration must be integrated in the same order and the linear combinations of the integrated variables are free from unit root. According to Engel and Granger (1987), if the variables are found to be co-integrated, they would not drift apart over time and the long run combination amongst the non-stationary variables can be established. To conduct the co-integration test, the Engel and Granger (1987) or the Johansen and Juselius (1990) or the Johansen (1991) approach can be used. The Engel-Granger two step approaches can only deal with one linear combination of variables that is stationary. In a multivariate practice, however, more than one stable linear combination may exist. The Johansen’s co-integration method is regarded as full information maximum likelihood method that allows for testing co-integration in a whole system of equations. The Johansen methods of co-integration can be written as the following vector autoregressive framework of order $p$.

$$X_t = A_0 + \sum_{j=1}^{p} B_j X_{t-j} + e_t$$  

(4)

Where, $X_t$ is an $n \times 1$ vector of non-stationary $I(1)$ variables, $A_0$ is an $n \times 1$ vector of constants, $p$ is the maximum lag length, $B_j$ is an $n \times n$ matrix of coefficient and $e_t$ is a $n \times 1$ vector of white noise terms. The number of characteristic roots can be tested by considering the following trace statistic and the maximum eigenvalue test.

$$\lambda_{trace}(r) = - T \sum_{i=j+1}^{p} \ln(1 - \hat{\lambda}_i)$$  

(5)

$$\lambda_{max}(r, r + 1) = - T \ln(1 - \hat{\lambda}_{r+1})$$  

(6)

Where, $r$ is the number of co-integrating vectors under the null hypothesis, $T$ is the number of usable observations and $\hat{\lambda}_j$ is the estimated value for the jth ordered characteristic roots or the eigenvalue from the $\Pi$ matrix.

A significantly non-zero eigenvalue indicates a significant co-integrating vector. The trace statistics is a joint test where the null hypothesis is that the number of co-integration vectors is less than or equal to $r$ against an unspecified general alternative that there are more than $r$. Whereas, the maximum eigenvalue statistics test the null hypothesis that the number of co-integrating vectors is less than or equal to $r$ against the alternative of $r+1$ (Enders, 2004) (Brooks, 2002)

Further to examine dynamic relationship between variables, bi-variety Granger Causality test (Engel & Granger, 1987) is applied. The bi-variety regressions of Granger Causality Test are:
For all possible pairs of \((x, y)\) series in the group, the reported \(F\)-statistics are the Wald statistics for the joint hypothesis:

\[
\beta_1 = \beta_2 = \ldots = \beta_i = 0
\]

For each equation, the null hypothesis is that \(x\) does not Granger-cause \(y\) in the first regression and \(y\) does not Granger-cause \(x\) in the second equation.

**EMPIRICAL ANALYSIS**

The descriptive statistics for all the variables under study, namely, FDI, SBC, DCP, GE, RP, PT and EC are presented in Table 2. The value of skewness and kurtosis indicate the lack of symmetric in the distribution. Generally, if the value of skewness and kurtosis are 0 and 3 respectively, the observed distribution is said to be normally distributed. Furthermore, if the skewness coefficient is in excess of unity it is considered fairly extreme and the low (high) kurtosis value indicates extreme platykurtic (extreme leptokurtic). From the table it is observed that the frequency distributions of underlying variables are not normal. The significant coefficient of Jarque-Bera statistics also indicates that the frequency distributions of considered series are not normal except in case of LNSBC starting a business cost (% of income per capita) and LNGE getting electricity cost (% of income per capita).

Table 2: Descriptive Statistics of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>LNFDI</th>
<th>LNSBC</th>
<th>LNDPC</th>
<th>LNGE</th>
<th>LNRP</th>
<th>LNPT</th>
<th>LNEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>6.0880</td>
<td>2.5110</td>
<td>1.2518</td>
<td>5.9958</td>
<td>1.7072</td>
<td>3.6406</td>
<td>3.4187</td>
</tr>
<tr>
<td>Median</td>
<td>6.8077</td>
<td>2.5257</td>
<td>1.0647</td>
<td>6.1218</td>
<td>1.7918</td>
<td>3.6788</td>
<td>3.3979</td>
</tr>
<tr>
<td>Maximum</td>
<td>12.7595</td>
<td>5.5122</td>
<td>4.0763</td>
<td>9.7546</td>
<td>3.0634</td>
<td>5.3822</td>
<td>4.7575</td>
</tr>
<tr>
<td>Minimum</td>
<td>-9.0095</td>
<td>0.1823</td>
<td>0.0953</td>
<td>0.8755</td>
<td>0.0953</td>
<td>2.1282</td>
<td>2.3026</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>4.1474</td>
<td>1.3454</td>
<td>0.8599</td>
<td>1.8158</td>
<td>0.7266</td>
<td>0.4374</td>
<td>0.4830</td>
</tr>
<tr>
<td>Skewness</td>
<td>-2.1045</td>
<td>0.1043</td>
<td>0.6933</td>
<td>-0.1173</td>
<td>-0.5366</td>
<td>-0.1814</td>
<td>0.4634</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>8.2225</td>
<td>2.1672</td>
<td>2.7530</td>
<td>2.5252</td>
<td>2.6599</td>
<td>5.0914</td>
<td>3.3601</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>320.5548</td>
<td>5.2524</td>
<td>14.1339</td>
<td>0.8755</td>
<td>0.0953</td>
<td>2.1282</td>
<td>2.3026</td>
</tr>
<tr>
<td>Probability</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0109</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0296</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>171</td>
<td>171</td>
<td>171</td>
<td>171</td>
<td>171</td>
<td>171</td>
<td>171</td>
</tr>
</tbody>
</table>

Source: Author's Estimation

To check the stationarity of the underlying data series, we follow the standard procedure of unit root testing by employing the Augmented Dickey Fuller (ADF) test. The results are presented in Table 3. On the basis of the ADF test, all the series are found to be non-stationary at level with intercept. However, after taking the first difference these series are found to be stationary at 1, 5 and 10 percent significance level. Thus the stationary test indicates that all series are individually integrated of the order I(1).

Table 3: Result of Augmented Dickey-Fuller Unit Root Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Trend</th>
<th>Trend &amp; Intercept</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t-Statistic</td>
<td>Prob.*</td>
</tr>
<tr>
<td>D(LNFDI)</td>
<td>-11.5639</td>
<td>0.0000</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.4699</td>
<td>0.0104</td>
</tr>
<tr>
<td>5% level</td>
<td>-2.8788</td>
<td>0.0099</td>
</tr>
<tr>
<td>10% level</td>
<td>-2.5761</td>
<td>-1.3427</td>
</tr>
</tbody>
</table>

| D(LNSBC) | -9.6001 | 0.0000 | -9.5867 | 0.0000 |
| Test critical values: | | | | |
| 1% level | -3.4704 | -4.0150 | -2.5791 | 0.0000 |
| 5% level | -2.8790 | -3.4375 | -1.9428 | -1.9428 |
| 10% level | -2.5762 | -3.1429 | -1.6154 | -1.6154 |

| D(LNDCP) | -10.9012 | 0.0000 | -10.8673 | 0.0000 |
| Test critical values: | | | | |
| 1% level | -3.4702 | -4.0146 | -2.5791 | 0.0000 |
| 5% level | -2.8789 | -3.4373 | -1.9428 | -1.9428 |
| 10% level | -2.5761 | -3.1428 | -1.6154 | -1.6154 |
**Augmented Dickey-Fuller test statistic**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Test statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>D(LNGE)</td>
<td>-9.5334</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-9.4979</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-9.5445</td>
<td>0.0000</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.4707</td>
<td>0.0045</td>
</tr>
<tr>
<td>5% level</td>
<td>-2.8792</td>
<td>0.0045</td>
</tr>
<tr>
<td>10% level</td>
<td>-2.5762</td>
<td>0.0045</td>
</tr>
<tr>
<td>D(LNRP)</td>
<td>-12.0839</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-12.0490</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-12.1218</td>
<td>0.0000</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.4697</td>
<td>0.0045</td>
</tr>
<tr>
<td>5% level</td>
<td>-2.8757</td>
<td>0.0045</td>
</tr>
<tr>
<td>10% level</td>
<td>-2.5760</td>
<td>0.0045</td>
</tr>
<tr>
<td>D(LNPT)</td>
<td>-11.7154</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-11.6808</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-11.7424</td>
<td>0.0000</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.4707</td>
<td>0.0045</td>
</tr>
<tr>
<td>5% level</td>
<td>-2.8792</td>
<td>0.0045</td>
</tr>
<tr>
<td>10% level</td>
<td>-2.5760</td>
<td>0.0045</td>
</tr>
<tr>
<td>D(LNEC)</td>
<td>-9.8520</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-9.8200</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>-9.8731</td>
<td>0.0000</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.4707</td>
<td>0.0045</td>
</tr>
<tr>
<td>5% level</td>
<td>-2.8792</td>
<td>0.0045</td>
</tr>
<tr>
<td>10% level</td>
<td>-2.5760</td>
<td>0.0045</td>
</tr>
</tbody>
</table>


Source: Author's Estimation

The presence and the number of co-integrating relationships among the underlying variables are tested through the Johansen procedure i.e., Johansen and Juselius (1990) and Johansen (1991). Specifically, trace statistic and the maximum eigenvalue are used to test for the number of co-integrating vectors. The result of VAR leg order selection criteria are presented in the Table 4. Leg order selected for the study is based on LR criterion. The results of both trace statics and the maximum eigenvalue test statistics are presented in Table 5. The trace statistic indicates four co-integrating equations and the maximum eigenvalue statistics identify three co-integrating equations. The results show that long-run equilibrium relationship exists between the FDI and SBC, DCP, GE, RP, PT and EC.

**Table 4: VAR Lag Order Selection Criteria**

<table>
<thead>
<tr>
<th>Lag</th>
<th>LogL</th>
<th>LR</th>
<th>FPE</th>
<th>AIC</th>
<th>SC</th>
<th>HQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-1527.744</td>
<td>NA</td>
<td>0.355610*</td>
<td>18.83122*</td>
<td>18.88516*</td>
<td>18.88516*</td>
</tr>
<tr>
<td>3</td>
<td>-1435.652</td>
<td>66.29884</td>
<td>7.06E-01</td>
<td>19.50493</td>
<td>22.42786</td>
<td>20.69161</td>
</tr>
<tr>
<td>4</td>
<td>-1390.248</td>
<td>74.65204*</td>
<td>7.49E-01</td>
<td>19.54905</td>
<td>23.402</td>
<td>21.11331</td>
</tr>
<tr>
<td>6</td>
<td>-1331.254</td>
<td>39.11806</td>
<td>1.29E+00</td>
<td>20.02765</td>
<td>25.74065</td>
<td>22.34707</td>
</tr>
<tr>
<td>7</td>
<td>-1302.718</td>
<td>39.56523</td>
<td>1.74E+00</td>
<td>20.27874</td>
<td>26.92177</td>
<td>22.97574</td>
</tr>
<tr>
<td>8</td>
<td>-1265.695</td>
<td>48.15223</td>
<td>2.17E+00</td>
<td>20.42571</td>
<td>27.99875</td>
<td>23.50028</td>
</tr>
</tbody>
</table>

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Source: Author's Estimation

**Table 5: Result of Johansen's Co-integration Test**

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Trace Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.*</th>
<th>Max-Eigen Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.302987</td>
<td>227.2848</td>
<td>125.6154</td>
<td>0.0000</td>
<td>59.91796</td>
<td>46.23142</td>
<td>0.0010</td>
</tr>
<tr>
<td>At most 1 *</td>
<td>0.231256</td>
<td>167.3669</td>
<td>95.7536</td>
<td>0.0000</td>
<td>43.71587</td>
<td>40.07757</td>
<td>0.0187</td>
</tr>
<tr>
<td>At most 2 *</td>
<td>0.214153</td>
<td>123.651</td>
<td>69.8189</td>
<td>0.0000</td>
<td>40.00493</td>
<td>33.87687</td>
<td>0.0082</td>
</tr>
<tr>
<td>At most 3 *</td>
<td>0.167044</td>
<td>83.6407</td>
<td>47.85613</td>
<td>0.0000</td>
<td>30.34055</td>
<td>27.58434</td>
<td>0.0216</td>
</tr>
<tr>
<td>At most 4 *</td>
<td>0.122088</td>
<td>53.30522</td>
<td>29.79707</td>
<td>0.0000</td>
<td>21.61460</td>
<td>21.13162</td>
<td>0.0428</td>
</tr>
<tr>
<td>At most 5 *</td>
<td>0.108256</td>
<td>31.69022</td>
<td>15.49471</td>
<td>0.0001</td>
<td>19.01960</td>
<td>14.2646</td>
<td>0.0082</td>
</tr>
<tr>
<td>At most 6 *</td>
<td>0.073493</td>
<td>12.67132</td>
<td>3.841466</td>
<td>0.0004</td>
<td>12.67132</td>
<td>3.841466</td>
<td>0.0004</td>
</tr>
</tbody>
</table>

Trace test indicates 6 cointegrating eqn(s) at the 0.05 level
Max-eigenvalue test indicates 6 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values
Source: Author's Estimation

The co-integration results indicate that causality exists between the co-integrated variables but it fails to show us the direction of the causal relationship. The pair-wise Granger Causality test (1987) is performed between all possible pairs of variables to determine the direction of causality. The rejected hypotheses are reported in Table 6. The results show the bidirectional causality does not exists...
between the variables under the study except foreign direct investment granger causes enforcing contract cost (%of claim) in short run. The result of Granger causality test indicates that there is no short run causality exists between the six variables under the study of doing business index and foreign direct investment.

Table 6: Result of Granger Causality Test

<table>
<thead>
<tr>
<th>Null Hypothesis:</th>
<th>Obs</th>
<th>F-Statistic</th>
<th>Prob.</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNSBC does not Granger Cause LNFDI</td>
<td>167</td>
<td>1.09411</td>
<td>0.3614</td>
<td>Accept</td>
</tr>
<tr>
<td>LNFDI does not Granger Cause LNSBC</td>
<td>167</td>
<td>0.37905</td>
<td>0.8228</td>
<td>Accept</td>
</tr>
<tr>
<td>LNDPC does not Granger Cause LNFDI</td>
<td>167</td>
<td>1.31695</td>
<td>2.66E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNFDI does not Granger Cause LNDPC</td>
<td>167</td>
<td>1.12271</td>
<td>3.48E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNGE does not Granger Cause LNFDI</td>
<td>167</td>
<td>0.38421</td>
<td>8.20E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNFDI does not Granger Cause LNGE</td>
<td>167</td>
<td>0.60925</td>
<td>6.37E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNRPC does not Granger Cause LNFDI</td>
<td>167</td>
<td>0.81047</td>
<td>5.20E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNFDI does not Granger Cause LNRP</td>
<td>167</td>
<td>0.44428</td>
<td>7.76E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNFDI does not Granger Cause LNPT</td>
<td>167</td>
<td>0.8807</td>
<td>4.77E-01</td>
<td>Accept</td>
</tr>
<tr>
<td>LNEC does not Granger Cause LNFDI</td>
<td>167</td>
<td>0.25351</td>
<td>0.9072</td>
<td>Accept</td>
</tr>
<tr>
<td>LNFDI does not Granger Cause LNEC</td>
<td>167</td>
<td>2.9341</td>
<td>0.0225</td>
<td>Reject</td>
</tr>
</tbody>
</table>

Source: Author's Estimation

CONCLUSION

The aim of this paper is to investigate the relationship between the foreign direct investment in India and six independent variables of ease of doing business under the study using Johansen’s co-integration test and Granger causality test. The analysis used the data of ease business which is obtained from World Bank website. It is believed that, the selected six variables, among others, represent the factors deciding the ease of doing business in India.

This research paper presents evidence of significant relationships between the Doing Business Indexes and FDI. These findings also supporting the more general claim that governments that regulate well in one area, such as domestic business, tend to also regulate well in other areas, such as foreign investment.

To conclude, the Augmented Dickey Fuller test suggests that all the series are found to be non-stationary at level with intercept. However, after taking the first difference these series are found to be stationary at 1, 5 and 10 percent level of significance. The Johansen’s co-integration test suggests that all the series under the study are found to be co-integrated of order one, indicating that there is a stable long-run equilibrium relationship in these series suggesting that the foreign direct investment has been co-integrated with the six variables under the study of doing business index of World Bank. The findings from Granger causality test suggest that all the six variables under the study of doing business index of World Bank does not Granger cause foreign direct investment in short run, however form the Johansen test of cointegration, it can be concluded that there is a long run relationship between the FDI and variables under the study.

More definitive conclusions about the relationship between Doing Business indicators and FDI will require more refined research. One initial step could be to disaggregate FDI by sector: for example, to compare the effect of business regulations on manufacturing FDI with their effect on resource extraction FDI. If such research supports the association between regulatory quality as measured by Doing Business and the size of FDI, government officials and business analysts will have even stronger justification for claims that better Doing Business rankings should attract more FDI.

However, the limitations of the study should not be over looked. The present study is limited to only six selected variables. Inclusion of more variables with a longer time period may improve the results. A logical extension of the study can be done by including more variables and analysing it.
REFERENCES


ABSTRACT

The World Bank publication Doing Business identifies regulations affecting 11 areas in the life of a business: starting a business, employing workers, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. ‘Ease of Doing Business Index’ averages the country's percentile ranking on these 11 areas on the basis of number of procedures, the time taken to complete the procedures and the cost incurred to complete the procedures.

India is ranked 142 among 189 nations in the World Bank’s Ease of Doing Business 2015 which indicates that Doing Business in India is extraordinarily difficult. The government intends to change the regulatory environment and aims to be among the top 50 countries.

The paper attempts to examine reforms in regulatory environment at the central government and in state of Maharashtra in India.

Key Words: Ease of Doing Business Rank, Regulatory Framework, India, Maharashtra

1.1 INTRODUCTION

World Bank group’s flagship publication Doing Business 2015: Going Beyond Efficiency is the 12th in the series that measures the regulatory framework across the world (Doing Business 2015). World Bank has evolved a method to judge and rank nations by quantitative indicators on business regulations that give useful information about regulatory environment and business ethos. Doing Business publication analyses these quantitative indicators and presents ‘Ease of Doing Business Ranking’ across 189 economies—from Afghanistan to Zimbabwe—and over time. Singapore has been ranked the best country to do business for the ninth consecutive year, according to the annual survey Doing Business by the World Bank (BBC News Oct 2014). An economy’s success or failure is determined by the nuts and bolts of regulations, the laws that determine how easily a business can be started and closed and the efficiency with which the contracts can be enforced.

The yearly publication Doing Business has identified regulations affecting 11 areas in the life of a business; starting a business, employing workers, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (Doing Business Economic Rankings 2015). ‘Ease of Doing Business Index’ averages the country's percentile ranking on these 11 areas on the basis of number of procedures, the time taken to complete the procedures and the cost incurred to complete the procedures. The report recognizes critical role and responsibility of governments to provide an agile regulatory setup that enables ordinary people to put their skills and talents to the best possible use and facilitate the smooth and efficient functioning of businesses and markets. These regulations are truly examples of nuts and bolts that are rarely visible or in the limelight but play a critical role in impacting businesses. Their malfunctioning can thwart an economy’s progress and render the more visible policy instruments such as good fiscal and monetary policies less effective.

Government Regulations affect firms throughout their life cycle (See Exhibit 1). The simple and clear laws that require few procedures to comply without taking a long time at a lower cost create an enabling environment to do business. It does not mean that the regulations have to be repealed; no
modern economy can run efficiently without regulation. Having good business ethos does not mean an absence of regulation but a regulatory system that is transparent and quick.

1.1.1 Regulations affect Firms throughout the Life Cycle (See Graph 1)

a. At start up, the permissions required to start a business from various government departments and compliance to labour laws to employ workers.

b. In getting a location, besides buying or being allotted land from government the firm finds itself in dealing with construction permits, getting electricity and registering property.

c. In getting financing, since finance is the life blood of any business, it is also important for a business to understand the ease of getting credit and the laws that protect the investors.

d. In daily operations, once the business is running, it is necessary that there is clear definition about paying taxes to government at central, state and local level and the laws that govern the cross border trades.

e. When things go wrong, applying the basic tenets of free competitive markets is the condition of ‘free entry and free exit’. When things go wrong, it is important for businesses to have an easy exit from the business and the laws that enforce contracts and resolve insolvency.

Graph 1

2.1 INDIA’S RANK IN WB EASE OF DOING BUSINESS

India is ranked 142 among 189 nations in the World Bank’s Ease of Doing Business 2015 along with large number of African countries and below the neighboring countries of China (90), Nepal (108) Bhutan (125), Pakistan (128), and Sri Lanka (99). India is at respectable rank in just two parameters of getting credit (36) and protecting minority investors (7). Except these two parameters, India does not feature in top 100 in other parameters and what is worse, it is almost at the bottom in dealing with construction permits (184) and enforcing contracts (186) in company of Afghanistan, Libya and Central African Republic (Doing Business Economy Rankings 2015).

India is ranked at 142 simply means that Doing Business in India is extraordinarily difficult. Anyone who knows India knows of the jungle of rules that are archaic, long procedural delays where...
entrepreneurs move from pillar to post to get various approvals and large transactions costs for doing business. Hence, there is no surprise that India does poorly on this ranking. Kaushik Basu, senior vice president and chief economist of the World Bank was asked whether this ranking is a powerful tool or does it end up being an exercise in naming and shaming. His reply was pertinent; it is a powerful tool if one takes the spirit of this exercise and uses it to improve the efficiency of government bureaucracy with the risk that countries at times try to game the system and make changes only in the areas tracked by Doing Business. To a certain extent this is unavoidable. American universities do the same to improve their rankings (Kaushik Basu ET 2015).

2.1.1. It is India’s Turn NOW
Despite the hostile regulatory environment, India is considered a bright spot in the cloudy global horizon (Christine Lagarde 2015). The IMF forecast for India: the fastest growing economy in 2015 and 2016 (IMF 2015). India Story is in the air as India emerges as the third largest economy in Asia after China and Japan and 9th largest economy in the world (IMF 2015). It is believed that the industrial revolution was a game changer that divided the world into ‘Rich’ and ‘Poor’ countries. Today, the demographic factors have become the new game changers. It is the young and vibrant population of India that is driving the economic growth of the country and the world. India is crucial to the worldwide businesses as the emerging super power throws open large number of opportunities. India’s economic growth over the past two decades has put India among the league of top 10 economies with the third largest market size and second largest workforce in the world that no businesses can afford to ignore. It is India’s turn now (Arvind Subramanian 2009). To turn this potential into reality the regulatory framework in India needs an overhauling; the nuts and bolts of regulations are becoming the major reasons for the underperformance of the economy. The Economic Reforms of 1991 have changed the government policy towards liberalizing the economy to an extent. However, reforming the regulatory system is far from over. India’s model of economic development that hinges on two pillars; one, larger role of the government and two, harsher on regulating businesses has led to economic malfunction.

2.1.2. Government Mindset is Changing
There is a change in the mindset of the government. The slogan ‘Red tape to Red carpet’ attempts to boost investor confidence. Bureaucratic deadlock, an inefficient decision making process and a quagmire of approvals required to set up business of any kind led to decrease in confidence of investors (Narendra Modi 2014). The current government intends to change the regulatory environment and aims to be among the top 50 countries in the World Bank Ease of Doing Business Rank. The government is committed to cutting down bureaucratic costs in terms of procedures, time and money. It is expected to be one of the important measures that can singlehandedly boost India's growth.

The change in the mindset of the government is visible as it reposes faith in individual actions. It is based on the belief system that human being is inherently good and he or she has to be given full freedom to make choices. The essence of reforms is to respect and trust the citizens of the country including corporate citizens and give them freedom to self-certification of documents and processes. From students to entrepreneurs, there is a move towards self-certification. For misdeeds of a small number, we can't punish all the stakeholders. The industry of 'Red Tape' thrives on doubt. The road with 'Red Carpet' is built on trust. The problems of public administration will end if politicians learn how to say 'NO' and if bureaucrats know how to say 'YES' (Narendra Modi 2014).

The Department of Industrial Policy and Promotions (DIPP) said that India's overall ranking and the individual rankings in various parameters clearly show that India is in urgent need of reforms to unlock the huge economic potential of the nation. To realize India’s growth potential, the businesses at micro level need an efficient bureaucracy and rules of governance that facilitates entrepreneurship and creativity among businesses. Such enabling atmosphere for businesses to realize their full potential can lead to attracting higher investments, spurt in jobs, enhance living standards, promote economic growth and shared prosperity. It can also help in creating an environment in which standard
3.1 THE FRAMEWORK OF REFORMS

The Central government has rolled out a two-pronged strategy to cut the bureaucratic red-tape that businesses have to face in India. The first is getting states to commit to simplifying and rationalizing the regulatory environment at their end. The second step is giving specific instructions to the different arms of the Central government to cut inter-departmental wrangling on clearances. Significant improvements have been made in regulatory environment through deregulation, delicensing and simplification of procedures. The Government of India has taken up a series of measures to improve the Ease of Doing Business (Nandan Sharma, ET Bureau Feb 8, 2015).

The DIPP is working with industry by floating detailed questionnaire to understand their pain points so that remedial measures can be taken to remove difficulty in doing business. The DIPP has zeroed in on parameters including setting up a business (this would include allotment of land and obtaining construction permit); complying with environment procedures; complying with labour regulations and obtaining infrastructure related utilities. The emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective. The reforms also include doing away with the minimum paid-up capital for companies, single-step incorporation of companies, and reduced documentation for exports and imports and elimination of requirement of No Objection Certificate (NOC)/consent to establish for new electricity connection.

3.1.1 Creation of online platform – eBiz: in order to cut human interface and ensure that no entrepreneur has to go to the ministry or any other government office to file an application or make payment. This website has integrated 14 government services on a single window for obtaining clearances from various government agencies so that they can apply for all required approvals at one place online to cut red tape and improve transparency (Press Trust of India 2015). The 14 government services on a single window are:

1. The process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) from DIPP made online.
2. Certificate of Company's Incorporation, Declaration of Commencement of Business and Company Name from Ministry of Corporate Affairs (MCA) made online.
3. Employer registration with Employee’s State Insurance Corporation (ESIC) and Employee’s Provident Fund Organization (EPFO) and payment of ESIC and EPFO made online with 56 accredited banks.
4. The process of applying for environment and forest clearances has been made online.
5. Allotment of Directors’ Identification Number (DIN), Permanent Account Number (PAN), Tax deduction Account Number (TAN) made online.
6. Issue of Explosive license (PESO) made online.
7. RBI’s Foreign Collaboration-General Permission Route and Advance Foreign Remittance made online.
8. Importer Exporter Code (IEC) from Directorate General of Foreign Trade (DGFT) made online.
9. Proposals for foreign investment clearance to the Foreign Investment Promotion Board (FIPB) would be accepted in the digital form and the practice of submission of hard-copies is expected to be done away with.

By making these services online, 24X7, it has led to ease of filing applications and online payment of service charges. Besides, a single payment mechanism is implemented that splits and routes payment to the respective heads of account of Central, State or Local government agencies, along with generation of challans and MIS reports.

3.1.2 Application through single e-form INC 29, a five-in-one form introduced by Ministry of Corporate Affairs (MCA) eases the formalities of starting business in India. Application for Director Identification Number (DIN) for up to three directors, reservation of a name,
incorporation of company and appointment of directors of the proposed company through the integrated form (INC 29).

3.1.3 *Digitization and online processes for Special Economic Zone (SEZ) Developers:* Activities related to Developers and Units in SEZs were identified and timelines for completion of the said activities were prescribed and implemented. From 01.01.2015, only online applications for all activities (except for setting up of new SEZs) have been introduced from Developers and Units.

3.1.4 *Cross border trading simplified.* As part of efforts to improve the regulatory requirement for exports and imports, the number of mandatory documents required for export and import of goods has been reduced to three in each case from around 10 that were needed to fulfil official obligation. Measures have been taken by co-ordination of several ministries and departments to streamline the procedures (PTI 2015). Online application for issue of new IEC and payment of the required fee through net banking saves the businesses from visiting Regional Authority's office. Merging of Foreign Exchange Control Form with shipping bill and packing list with commercial invoice. Ministry of Shipping has dispensed with terminal handling receipt at the port by automating this activity. Mandatory documents required for export of goods from India now include Bill of Lading/Airway Bill; Commercial Invoice cum Packing List, and Shipping Bill or Bill of Export. Mandatory documents required for import of goods into India include now include Bill of Lading/Airway Bill; Commercial Invoice cum Packing List, and Bill of Entry.

4.1 ENABLING THE STATES TO EASE DOING BUSINESS.

Since much of the interface that investors have is primarily with state government departments, translating the central government policy of ‘ease doing business’ to state government is of immense importance. Several policy initiatives have been taken in this direction to improve the investment ecosystem at ground level (PTI 2015).

4.1.1. *Recommendation for good practices.* The DIPP has circulated a document with recommendations for good practices in various areas that could help states reform and enhance ease of doing business. States have been asked to take up at least five measures on priority —

- All returns to be filed on-line through a unified form.
- A check-list of required compliances to be placed on ministry or department’s web portal.
- All registers required to be maintained by the business to be replaced with a single electronic register.
- No inspection to be undertaken without the approval right from the top.
- For all non-risk, non-hazardous businesses, the introduction of a system of self-certification.

4.1.2. *Assessment of status on reforms.* DIPP has initiated a study to assess the status on reform parameters that are relevant to ease of doing business by circulating two sets of questionnaires. One, to all the states and second to industry. The key objective of the survey is to do a comparative study of states, availability of resources like land banks for industrial use, digitized land records at local municipality office and provision for e-filing for commercial disputes at district courts. The questionnaire to industry intends to collect the feedback and suggestion that need to be institutionalized to improve the investment eco-system.

4.1.3. *A framework for Ranking States.* DIPP released a framework to assess and rank states in terms of ease of doing business, a move aimed at triggering competition among states to attract investment. The key objectives of the assessment are to assess the implementation of various factors enabling ease of doing business in a state; and to do a comparative study of various states with regards to the implementation status. The states will be ranked on the basis of various parameters which include setting up a business such as allotment of land and obtaining construction permit, complying with environment procedures, complying with labour regulations and obtaining infrastructure related utilities.
4.1.4. **Benchmarking of “best practices”**: Leading states such as Maharashtra, Gujarat, Karnataka, Rajasthan, Punjab and Madhya Pradesh form the core of the Centre’s strategy to enable India to leapfrog its current rankings on the World Bank’s ‘Ease of Doing Business’ index. The effort is to showcase the reforms in these states to encourage the other states to emulate. Some of the best practices appreciated are

1. Maharashtra - single-window clearances model for industries
2. Gujarat - experience in land-related interventions and online mechanisms for environment clearances
3. Karnataka model in managing indirect taxes have been circulated among all the states for peer evaluation.
4. Rajasthan simplified labour laws and exempted MSMEs from certain labour law
5. Madhya Pradesh has adopted a unique approach. The state government is applying the five-point rule for improving the ease of doing business. The exercise helps to zero in on areas where there is a scope for improvement.

- Can you do away with the procedure?
- Can you give it to a third party?
- If not, can you make it online?
- If you have made it online, can you further simplify it?
- If you have put it online and simplified it, can you fix a timeline for it?

5.1 **EASE OF DOING BUSINESS IN MAHARASHTRA**

State of Maharashtra is the largest economy in India by GDP and the largest revenue generator state of India (States of India 2015). In terms of population, Maharashtra’s population is equal to population of Japan and twice as large as population of UK. In terms of area, Maharashtra’s area is equal to area of UK and Japan (Population of Maharashtra). Mumbai is capital of Maharashtra state which is also financial and commercial capital of India; with headquarter of India’s central bank, Reserve Bank of India. Bombay Stock Exchange is considered to be one of Asia’s fastest and oldest stock exchanges, and is among the ten largest exchanges of the world in terms of total market capitalization of listed firms (Business Today 2015).

Make in Maharashtra is an initiative started by Government of Maharashtra in concurrence with Make in India initiative of Government of India. Main objective of this government initiative is to create business friendly atmosphere by enhancing ease of doing business. The government initiatives intend to attract local and foreign investment to further industrialization in Maharashtra. Schindler’s Jürgen Tinggren said during World Economic Forum at Davos in 2015 that "Ease of doing business in Maharashtra is as fast as China (Devendra Fadanvis 2015). Maharashtra government is intending to attract Rs. 5 lakh crore (US$ 84 billion) of industrial investment across the state between 2014-19 period as part of this initiative that is likely to generate around 2 million jobs. Maharashtra has attracted maximum foreign inflows at $70 billion, 30 per cent of the total Foreign Direct Investment (FDI) inflows in India during April 2000 - November 2014.

5.1.1. **Framework of Reforms in Maharashtra**

Maharashtra Industrial and Economic Development Association (MIEDA) has initiated a website to provide authentic information about Maharashtra to potential business persons, government officials and foreign dignitaries who are keen to start business operations in this state of plenty (Doing Business in Maharashtra). The website clearly lists all the procedures that are required to start a business in Maharashtra with the time to complete and cost to complete the procedures. The Maharashtra government created an "e-platform" to monitor the movement of files related to setting up of new industries and investment in the state (NDTV.com 2014). Proposed interface will facilitate quick approval of applications for setting up industries in an effective and transparent manner. Those investing more than Rs.100 crores will have the facility of one window clearance under the Maharashtra Industry, Trade & Investment (MAITRI) Facilitation Cell.
1. MAITRI is a set-up of an Empowered Group of Secretaries of various key departments to give all the approvals required for new industries within 30 days.

2. MAITRI is administered by the Industries Department & serves as a single point of contact for Government to Business (G2B) services offered across the business cycle for setting up a new industrial unit in the state. It will provide all the critical investment-related information.

3. MAITRI aims to promote investments, facilitate business partnerships & trade in Maharashtra & would function as a clearing house for all investment related information and assist investors.

4. MAITRI will provide 31 critical investment related clearances from 15 departments that are needed to set up an industry in Maharashtra.

Maharashtra has been topping the chart in easing the business environment in India. The Maharashtra government had promised to reduce government permissions for industry from 75 to 25 under its Make in Maharashtra policy, the work is in progress. Some anecdotal examples of change:

1. Maharashtra has combined application for registration of state taxes while doing away with physical verification of documents pertaining to sales tax. A mobile app has been launched for payment of property taxes.

2. Reduced the days taken for getting electricity from 67 to 7 and construction permits from 162 to 60.

3. Started accepting online payments for electricity and cut down the processes from 7 to 3.

4. Certification by professional architect for low-risk building has been allowed and we are amending the Maharashtra Regional Town Planning (MRTP) act to reduce the fees charged for low-risk building

6.1 CONCLUDING REMARKS

The integrated efforts made by the central and state governments to cut the bureaucratic red-tape that businesses face in India is noteworthy. The intention is to simplify and rationalize the regulatory environment with the eye on improving India’s rank in the ‘Ease of Doing Business Index’. To repeat quote of Kaushik Basu again, ‘ranking is a powerful tool if one takes the spirit of this exercise and uses it to improve the efficiency of government bureaucracy with the risk that countries at times try to game the system and make changes only in the areas tracked by Doing Business’. The governments at the central and state level are doing efforts that are necessary to improve the business environment in India but the question remains whether they are sufficient to result into improved, transparent and hassle free business environment in India that help in unleashing the true potential of the country.

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EASE OF DOING BUSINESS RANKING REFLECTS THE GOODNESS OF THE ECONOMY: A MISCONCEPTION OR FACT?

Hitesh Gujarati
Research Associate,
Centre for Financial Services,
Gujarat Technological University
Research.cfs1@gtu.edu.in
9979960443

ABSTRACT

Governments and Regulatory bodies are focusing on the reforms to stimulate and maintain economic growth of their country. With this objective, they try to improve the regulatory framework to provide better business environment. Economic growth is affected by many factors and regulatory framework is one of them. Within this regulatory framework, World Bank Group has initiated Doing Business project which measures the business regulation.

This paper attempts to study the relation of Ease of Doing Business (EoDB) index with GDP Growth Rate and GDP Per Capita Growth Rate. The study aims to check whether the statement “Ranks in EoDB index reflects the goodness of the Economy” is a misconception or not? The finding of the study supports that it is a misconception and not a fact.

Keywords: EoDB Index, GDP Growth Rate, Business Regulations

INTRODUCTION

Economic growth always remains one of the top priority agendas for the governments in the global economic and political environment. Regulators try to provide better regulatory environment for various stake holders of the economy. It is true that every country may have different problems and challenges, and due to that initiatives which are taken up by regulatory bodies will be different. Because of this it is difficult to compare the regulatory mechanism by all the stakeholders and even by the regulators themselves. Without comparing with other country, the government may not decide whether the practice followed by them is best or yet there is a scope to improve.

Such need of comparing business regulation is satisfied by EoDB Index which is a result of the project known as “Doing Business” – Measuring Business Regulations” which is an initiative of World Bank Group. “The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle”[1]

“Doing Business” captures several important dimensions of the regulatory environment as it applies to local firms”, but “does not cover many important policy areas, and even within the areas it covers its scope is narrow.”[2] Over a period of time the EoDB index became very popular and stated attracting the attention of the various regulatory bodies and government across the globe. With the popularity, Index faced many criticisms. Over a period of time, many misconceptions were also developed by stakeholders. One of such misconception was that the better position in EoDB Index reflects the good economic situation of the country. Because of it, many regulatory bodies stated criticizing the Doing Business project and its methodology even though the aim and objectives of the projects are well defined by the World Bank Group.
Looking to the table 1, it is clear that most of the countries which have found their place in the list of top 10 economies by GDP, have been placed at much lower level in EoDB index. Because of such uneven ranking the stake holders have started criticizing the methodology of Doing Business project of World Bank Group.

Though the Economic growth and EoDB rankings are completely different from each other but due to the misconception, majority of world stated believing that better position in EoDB ranks will affect the economic growth positively. This paper is based on this misconception which is proved to be a wrong in the later part of the study.

OBJECTIVE

The major objective of the study is to check whether the statement “Ranks in EoDB index reflects the goodness of the Economy” is a misconception or not?

In line with the major objective, below listed minor objectives are part of this study.

- To study the relationship of Ease of Doing Business Ranks with GDP Growth Rate
- To study the relationship of Ease of Doing Business Ranks with GDP Per Capita Growth Rate.
- To check whether better EoDB ranking is essential for Economic growth or not.

RESEARCH METHODOLOGY

Data

Date used for this study i.e. GDP growth rate and GDP per capita growth rate are downloaded from the website of World Bank. The ranks provided by the “Doing Business” reports released by World Bank Group are taken from respective reports. Out of 189 countries, 169 are included in the study. Remaining 20 countries were not included due to non-availability of sufficient information and data.

Techniques of Analysis

The countries which were included in the study were ranked from 1 to 169 based on the already allocated ranks by Ease of Doing Business Index. Excluded countries were replaced by the ranks of subsequent country and new ranks were given. In case of GDP growth rate and GDP per capita growth rate, highest to lowest performing countries were ranked. Based on the allocated ranks, Spearmen’s rank correlation method was used for the purpose of analysis.

In case of EoDB and GDP, EoDB and GDP Per Capita were analysed with Spearmen’s Rank correlation method. Where, in the case of GDP and GDP Per Capita, Pearson Correlation method is used. SPSS (version 20) by IBM was utilized for analysis.

Time period

Years for which analysis was done were 2013 & 2014. In case of GDP growth rate and GDP per Capita growth rate data was downloaded from World Bank’s website. Whereas, DB2014 and DB2015 ranks were taken from respective reports. The World Bank Group released report in the beginning of

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<th>Rank</th>
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Source: $ - World Development Indicators. World Bank. (Ret. on 2 July 2015) @ - Doing Business Report 2015
the year i.e. the DB2015 report was released in the end of the year 2014 and DB2014 report was released in the end of the year 2013.

These reports are released in beginning of the year but the data which is included belongs to previous year i.e. DB2015 has data of 2014 and DB2014 has data of 2013. Hence these data are compared for the year 2013 and 2014. DB 2014 and DB2015 follow new methodology and due to that previous year’s data was not included for the study.

Sample

The Sample is the list of countries for which ranks are given in DB2015 report i.e. 189 countries. But the sample size was reduced to 169 countries because of non-availability of sufficient data for 20 countries from the same source.

Scope of the Study

Due to change in methodology by DB2014 and DB2015 the scope of the study is limited for the period of 2013 and 2014. The analysis is done with including GDP growth rate and GDP per capita growth rate. GDP is affected by many other factors, but in this study those factors are not included due to limited scope of the study.

LITERATURE REVIEW

“Multinational Enterprises (MNEs) are not always influenced by the ease of doing business factors in making investment decisions in African and Asian countries. A possible reason is that MNEs are making such decisions based on the vast markets Asian countries have to offer.” Rosetta Morris & Abdul Aziz, (2011). According to this large market size can influence the investment decision of MSEs.

Highlighting the importance of population Morris & Aziz (2011) has mentioned that “The countries with larger populations seem to be more attractive to MNEs simply because of their market potential.” And also conduced that researcher should include population while studying the investment decisions of MNEs. The research also promotes the idea that investment decision is affected by many other factors. Just improving Ease of Doing Business environment is not sufficient for attracting investors.

“Improving the business environment could stimulate corporate investment. I also confirm that India has considerable scope to improve its business environment. Specifically, priority areas include cutting the various costs of doing business and improving financial access. There is also some evidence that developing infrastructure, especially transport, could support corporate investment. Given the substantial variability in these policy areas across the country, India can learn from itself.” (Kiichi Tokuoka, 2013). This study focuses on corporate investment which could be affected by better business environment. But this does not mean that better business environment can improve economic growth.

Das (1999) selected Per Capita GDP as one of the variables for studying economic development. According to him, state level per capita GDP is most widely accepted and commonly available indicator. It means that GDP per capita is a widely accepted indicator hence in this study GDP per capita growth rate is also included apart from GDP growth rate. The reason for taking growth rate for the study is that it makes performance of all the economy on similar scale and gives clear picture of the economy.

Failure of proper policy implementation and execution by administrative authorities and corrupt political environment adversely affects the capacity of the economy to perform and to record better results in growth was conduced by Roy (2005). Hence it is clear that better political environment as well
as proper execution of the rules and regulations is very much important for the growth of the economy. Meaning by, if rules are properly implemented then it can positively affect economic growth. This does not mean that less or simple rules will promote economic growth.

Prasad (2008) in his study on Pacific Island Countries, has clearly mentioned that growth is simply an expansion of output whereas development is a process of transforming the structure of the economy. He also cited that Social objectives can contribute to economic growth and human capital. Intervention in basic social services requires two important factors. One is government resources and second is government capacity to implement social policies and deliver basic services. In other words we may say that the better government and policy execution is essential for human growth and economic development. This does not mean that simple and less rules and regulations will lead to human development and finally economic development of a region.

Shurchuluu (2002) has discussed and explained the world competitiveness formula and also mentioned that the world competitiveness formula provides a framework for countries to focus their attention of factors that will make a difference to their competitiveness. According to him, the factors mentioned as competitive assets are infrastructure, finance, technology and people. He also mentioned that productivity is the key to competitiveness. Hence it is clear that better infrastructure, sound financial system, advance use of technology and proper skill man power can improve the productivity. Here one important thing is that, growth is the result of many factors. One of them is sound financial system. Sound financial system can be based on the proper and specific rules and regulation. To maintain strong system, government has to implement certain policies, and following those policies will take some time to access financial resources.

“Doing Business does not measure all aspects of the business environment that matter to firms or investors—or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic stability, and corruption, labour skills of the population, underlying quality of institutions and infrastructure or the strength of the financial system. Doing Business focuses on 11 topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-size firm.” This implies that “Doing Business” does not cover other aspects which are essential for macroeconomic stability. It focuses on the some part of regulatory framework which affects the business environment.

Referring to the Doing Business (2015), it is clearly mentioned that “it is a common mistake of treating the ease of doing business ranking as an all-encompassing measure of an economy’s goodness.” It clearly indicates that EoDB rankings are not related with economic growth. But yet the mistake is done by various regulatory bodies of many countries. Is this a misconception or fact? This study will attempt to answer this question and with this objective the further analysis is carried out.

**ANALYSIS**

“Economies are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.” Meaning by the country which provides more favourable regulatory environment to the firms is ranked higher in the list. Other way of understanding is that the country which is lower is not able to provide favourable regulations to the local firms compared to the countries which are up in the list.

Distance to Frontier is the method by which countries are ranked based on the performance of the leading (frontier) country and distance from it on the basis of score. Here one thing which is to be notice is that, a country can be ranked lower not because it has poor regulatory environment, but other countries have better situation. Whereas GDP it is the absolute and sole performance of the country.
Based on the available ranking, policy makers are actively working to improvise the regulatory environment with the misconception that improvement in EoDB ranking will improve economic growth.

### Table 2

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Notes:

N1 New Zealand, Switzerland, Puerto Rico, Tunisia, Luxembourg, Oman, Vanuatu, Kuwait, Jamaica, Malta, Trinidad and Tobago, Belize, Papua New Guinea, Yemen Rep., Marshall Islands, Micronesia, Fed. Sts., Suriname, Taiwan, San Marino, Syrian Arab Republic are not included in this study due to unavailability of the sufficient data as on 19/09/2015.

N2 Ease of Doing Business ranks are released by World Bank Group in the beginning of the Year i.e. before the starting of the year. For example, Report of 2015 is released in the end of year 2014 and Report of 2014 is released in the end of the year 2013. Because of this reason rank correlation is done between the data of EoDB 2014 & EoDB 2015 with GDP growth rate of 2013 & 2014 respectively. Similar is the case for Per Capita GDP growth rate and EoDB ranking’s rank correlation.

Sources: @ Doing Business Report 2015 and 2014
$ http://www.worldbank.org
Relation of EoDB ranks with GDP growth rate:

As general assumption or belief about EoDB ranking is that improvement in EoDB ranking will improve economic growth meaning by it is positively related with each other. Hence below Hypothesis are tested with rank correlation.

H₀: EoDB ranking has significant relationship with GDP growth rate
H₁: EoDB ranking has no significant relationship with GDP Growth Rate

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Correlation is significant at the 0.05 level (2-tailed).

H₀: EoDB ranking has significant relationship with GDP growth rate
H₁: EoDB ranking has no significant relationship with GDP Growth Rate

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Correlation is significant at the 0.05 level (2-tailed).

Here it can be concluded that EoDB ranking has no significant relationship with GDP Growth Rate. The relationship which is present is also negative. This implies that the improvement in EoDB ranking will not improve economic growth rate or in other words we can say that higher rank in EoDB will not ensure economic growth of the economy.

Relation of GDP growth rate with GDP Per Capita growth rate:

GDP growth rate represents the growth in country’s annual output. But does it reflect the per capita income of the citizens. For this, many economist use GDP Per Capita Growth Rate. The main difference between GDP and GDP per capita is the inclusion of population in the calculation. GDP growth rate represents the change in the country’s production and GDP Per Capita Growth Rate represents the growth in per person GDP.

Let’s, check how closely GDP growth rate and GDP Per Capita Growth rate is related.

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**, Correlation is significant at the 0.05 level (2-tailed).

In both the cases, GDP and GDP Per Capita are highly correlated. Pearson Correlation Coefficient for GDP Growth Rate and GDP Per Capita Growth Rate 2013 and 2014 is 0.974 and 0.956 respectively.
With above finding we can say that if we replace GDP growth rate by GDP Per Capita Growth rate then it should have similar relationship with EoDB ranks as already tested earlier.

**Relation of EoDB ranks with GDP Per Capita growth rate:**

As per earlier tested relation of GDP growth Rate with EoDB ranks, the results are negative. If we replace GDP growth rate by GDP Per Capita Growth rate then also, the result should be same because GDP Growth Rate and GDP Per Capita Growth Rate are highly correlated. But as EoDB ranks are to be correlated with GDP per capita growth rate ranks, it may be possible that due to inclusion of population the ranks might get affected and result may be different. Based on existing finding our H₀ and H₁ are framed as below.

H₀: EoDB ranking has no significant relationship with Per Capita GDP growth rate  
H₁: EoDB ranking has significant relationship with Per Capita GDP Growth Rate

<table>
<thead>
<tr>
<th>Correlations</th>
<th>DB2014</th>
<th>PCGDP13</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho DB2014</td>
<td>1.000</td>
<td>-1.05</td>
<td>Here H₀ is accepted as p value is greater than 0.05 at 5% level of significance.</td>
</tr>
<tr>
<td>N</td>
<td>169</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>PCGDP13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spearman's rho PCGDP13</td>
<td>-.105</td>
<td>1.000</td>
<td>DB2014 ranks have no positive relation with GDP per capita growth rate of 2013.</td>
</tr>
<tr>
<td>N</td>
<td>174</td>
<td>169</td>
<td></td>
</tr>
</tbody>
</table>

H₀: EoDB ranking has no significant relationship with Per Capita GDP growth rate  
H₁: EoDB ranking has significant relationship with Per Capita GDP Growth Rate

<table>
<thead>
<tr>
<th>Correlations</th>
<th>DB2015</th>
<th>PCGDP14</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho DB2015</td>
<td>1.000</td>
<td>-.034</td>
<td>Here H₀ is accepted as p value is greater than 0.05 at 5% level of significance.</td>
</tr>
<tr>
<td>N</td>
<td>169</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>PCGDP14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spearman's rho PCGDP14</td>
<td>-.034</td>
<td>1.000</td>
<td>DB2015 ranks have no positive relation with GDP growth rate of 2014.</td>
</tr>
<tr>
<td>N</td>
<td>169</td>
<td>169</td>
<td></td>
</tr>
</tbody>
</table>

From the above, analysis it can be concluded that EoDB ranking has no significant relationship with GDP Per Capita Growth Rate. The relationship which is present is also negative. This implies that the improvement in EoDB ranking will not improve the per capita GDP or in other words we can say that higher rank in EoDB will not ensure the growth of per capita GDP of the country or economy or in other words it can be interpreted that better EoDB is not an essential condition for economic growth. Finally we can say that the better ranking in EoDB index reflects the goodness of the economy is a misconception.

**FINDINGS**

- EoDB Ranks are negatively correlated with GDP growth rate. i.e. DB2014 ranks and GDP growth rate of 2013 similarly DB2015 ranks and GDP growth rate of 2014 are negatively correlated.
- EoDB Ranks do not ensures the GDP growth rate of the country.
- EoDB ranks of DB2014 and DB2015 are negatively correlated with GDP Per Capita Growth Rate of 2013 and 2014 respectively.
- Better position in EoDB ranks does not have positive relation with GDP Per Capita Growth Rate.
• A country may be at lower position in EoDB rank but can still show better economic growth. Therefore we can say that, Better position in EoDB ranks is not essential condition for economic development or growth.

• Ranks given to a country in EoDB index reflects the goodness of the respective economy is a misconception. It just measures a part of business regulations.

CONCLUSION

From the above study, it can be concluded that EoDB rankings are given on the basis of study which includes a part of regulatory environment. We may even say that, it is a comparison of business regulatory environment provided by various countries. This method of ranking does not have much impact or correlation with economic growth. EoDB ranks indicate the business friendly regulatory environment of a country. Various governments and regulatory bodies which are working in the direction of improving EoDB ranks, must understand the actual purpose and scope of EoDB ranking and should not have misconception that better ranking of the country in EoDB will improve the economic growth. In future, further study can be carried out, if data available for more years than included in this study.

The regulatory bodied should notice that, EoDB ranking do not promotes deregulations but it promotes efficient practice of implementing existing laws and making compliance procedure faster. Hence, government should not remove key provisions of the law but can improve on the procedure part so that main purpose of having regulation is fulfilled and simultaneously better regulatory environment is also provided.

REFERENCES


WEB REFERENCE


EASE OF DOING BUSINESS AND ITS INFLUENCE ON FOREIGN DIRECT INVESTMENT IN INDIA

Rajesh K Sadhwani
Assistant Professor
Indukaka Ipcowala Institute of Management, CHARUSAT
rajeshsadhwani.mba@charusat.ac.in

ABSTRACT

The purpose of this research paper is to understand the influence of country’s ease of doing business on foreign direct investment in India, as ease of doing business reflects the country’s business regulatory environment. The ease of doing business index created by World Bank group is examined to understand the influence on the foreign direct investments. Distance to frontier and various factors are used to measure the business environment and regulation defined by World Bank group which are examined to verify the influence on foreign direct investment inflow in the country. Comparative ranking and distance to frontier is also analysed in this paper to understand relative ranking of India, as these are compared with South Asian nations and selected developing nations. The paper also analyse the government efforts to improve ease of doing business ranking which slipped recently to 142 among 189 nations in the World Banks’s ease of doing business 2015 study. The study shows that there is influence of ease of doing business on foreign direct investment inflow in India. Some of the factors defined by World Bank are observed to be influencing on foreign direct investments significantly, while other do not. The study shows India is behind in ease of doing business ranking compared to its South Asian peers except Afghanistan and Bangladesh.

Keywords: Foreign direct investment, distance to frontier, ease of doing business etc.

1 INTRODUCTION

Ease of doing business represents the regulatory environment for local entrepreneur of the country, the relative measurement of the same becomes important, to understand the overall ease of doing business across the world, the world bank measures the same with Ease of Doing Business index which directly measures the relative performance of the country with respect to other countries of the world and hence represents the comparative regulatory environment of 189 countries.

The ease of doing business ranking created by World Bank group compares economies with one another, while the distance to frontier score benchmarks the economy with respect to regulatory best practice which shows the absolute distance to the best performing economy on overall and each doing business indicator. The ease of doing business ranking shows how much the regulatory environment has changed relative to other economy, while the distance to frontier score indicates how much the regulatory environment for local entrepreneur in an economy has changed over a period of time.

The Ease of Doing Business index is based on the ten factors determined by World Bank group are as follows,

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Minority Investors
7. Paying Taxes
8. Trading Across Borders
9. Enforcing Contracts
10. Resolving Insolvency
Foreign direct investments is the key indicator for economic development of the country. The FDI flow in India has significantly improved after 1991 policy changes. The recent FDI flows in the country indicates the high robust fundamental and economy development in country also the consumption story of the country says the same thing.

Graph 1 Total FDI Flow in India

![Total FDI Flow in India](image)

Source: RBI’s Bulletin July, 2015 & RBI’s Statistics and Department of Industrial Policy and Promotion

Recent reports published by World Bank group survey indicates India stands far behind at 142. The study was conducted for 189 countries. India seen behind of its Asian peers and against many of emerging countries. However the new government of the country is observed to take new measurements to improve ease of doing business in the world ranking which are largely expected to yield soon. The EDB considered to be important to attract the investment in the country. Hence, it becomes very important to understand the World Bank’s ease of doing business indicators which are considered vital by most of multinational companies while taking investment decision.

2 OBJECTIVES

The objectives of the research are, to understand the influence of the ease of doing business indicators on foreign direct investment in India and to examine the comparative ease of doing business ranking of India against its Asian peers.

3 RESEARCH METHODOLOGY

Sample and Data collection: The research is carried out through secondary data sources. Ease of doing business rank and distance to frontier is taken as a benchmark to understand India’s overall regulatory environment. The data are collected from world banks statistics, United Nations Conference on Trade and Development website, Reserve bank of India bulletins & publications, Department of Industrial policy and promotion of India and sources from government website of India and some other authenticated sources are used for data collection.

Research tools: coefficient of correlation between world banks ease of doing business distance to frontier and foreign direct investments are used here to understand the relationship. Comparative
analysis, graphical representation are used to understand the pattern of FDI flow data and EDB indicators, the same has been adopted to compare India’s performance against other countries. Limitations: World Bank’s Ease of doing business indicators are considered as standard as measure of the regulatory environment in the country, while observing influence on the FDI. The methodology of calculation of ranking and distance to frontier of indicators is not discussed here. The outcome of the research are limited to developing country like India and results may vary from country to country.

4 LITERATURE REVIEW

In order to understand the influence of business environment, regulations and policy affecting foreign direct flows various literature has been reviewed where Morris and Aziz in 2011 research published ease of doing business and FDI inflow to sub-Saharan Africa and Asian countries concluded a direct positive correlation between overall index of ease of doing business and FDI for Asian and sub-Saharan African countries. Whelen and Gillanders in 2010 showed the ease of doing business is good for economic growth and development of the country. Piwonski and Ramirez in 2010 showed that there is significant relationship between ease of doing business indicators of the country and FDI. A research work published in 2011 by Jayasuriya concludes that higher ranking of Doing Business attracts more FDI and gives the evidence that some indicators of Doing Business affects while other do not. The same can be observed in this research that indicates that getting electricity, getting credit, paying taxes and trading across borders distance to frontier are negatively correlated with foreign direct investments, others are not. The reports of World Bank’s ease of doing business 2015 and world investment reports 2015 by United Nations Conference on trade and Development are closely reviewed.

5 ANALYSIS

Ease of Doing Business ranking and distance to frontier for the country presented by World Bank group shows India has declined by two places in doing business ranking to 142 in 2015 from 140 in 2014. While distance to frontier has also increased to 53.97 in 2015 from 52.78 in 2014. The overall performance in terms of indicators can be observed as given below,

<table>
<thead>
<tr>
<th>Topics</th>
<th>DB 2015 Rank</th>
<th>DB 2014 Rank</th>
<th>DB 2015 DTF</th>
<th>DB 2014 DTF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a Business</td>
<td>158</td>
<td>156</td>
<td>68.42</td>
<td>65.54</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>184</td>
<td>183</td>
<td>30.89</td>
<td>29.7</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>137</td>
<td>134</td>
<td>63.06</td>
<td>62.55</td>
</tr>
<tr>
<td>Registering Property</td>
<td>121</td>
<td>115</td>
<td>60.4</td>
<td>60.4</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>36</td>
<td>30</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
<td>7</td>
<td>21</td>
<td>72.5</td>
<td>65.83</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>156</td>
<td>154</td>
<td>55.53</td>
<td>65.44</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>126</td>
<td>122</td>
<td>65.47</td>
<td>64.89</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>186</td>
<td>186</td>
<td>25.81</td>
<td>25.81</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>137</td>
<td>135</td>
<td>32.6</td>
<td>32.43</td>
</tr>
<tr>
<td>Overall</td>
<td>142</td>
<td>140</td>
<td>53.97</td>
<td>52.78</td>
</tr>
</tbody>
</table>

Dealing with construction permits indicator show it takes almost 186 days and 25 procedures to complete all permissions. This eventually drags its rank in that category to 184 out of 189 countries. Getting credit indicator shows fairly better than most of the countries in the world. While starting a business takes almost 26 days and almost 12 procedures to complete taking its distance to frontier to 68.42 in year 2015 which also worsen compared to previous year of 65.54. Protecting minority investors India has improved further in 2015 and stands at rank 7 in that particular category among list of 189 countries. But overall picture shows the poor performance of the country as distance to frontier is very high 53.97 and it has declined further in recent year from 52.78. Which worries policy makers of the country.

The increased in the FDI flow is observed through past many years since year 2001. In 2006 a drastic growth of 155 is noted due to change in FDI policy. In latest financial year FDI is seen near to USD 44.29 billion. The overall increased in FDI flow is observed in country which clearly indicates the
improved confidence of foreign investors and multinational companies. The foreign direct investment inflow and growth in previous years can be observed as given in table 2.

<table>
<thead>
<tr>
<th>Financial Year (April-March)</th>
<th>FDI Inflow in India (Amount US$ million)</th>
<th>Total FDI</th>
<th>% Growth over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2001</td>
<td>4029</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001-2002</td>
<td>6130</td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>2002-2003</td>
<td>5035</td>
<td></td>
<td>-18</td>
</tr>
<tr>
<td>2003-2004</td>
<td>4322</td>
<td></td>
<td>-14</td>
</tr>
<tr>
<td>2004-2005</td>
<td>6051</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>2005-2006</td>
<td>8961</td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>2006-2007</td>
<td>22826</td>
<td></td>
<td>155</td>
</tr>
<tr>
<td>2007-2008</td>
<td>34843</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td>2008-2009</td>
<td>41873</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>2009-2010</td>
<td>37745</td>
<td></td>
<td>-10</td>
</tr>
<tr>
<td>2010-2011 (P)</td>
<td>34847</td>
<td></td>
<td>-8</td>
</tr>
<tr>
<td>2011-2012 (P)</td>
<td>46556</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>2012-2013 (P)</td>
<td>34298</td>
<td></td>
<td>-26</td>
</tr>
<tr>
<td>2013-2014 (P)</td>
<td>36046</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>2014-2015 (P)</td>
<td>44291</td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>2015-16 (P) (April - June 2015)</td>
<td>12362</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative Total (April 2000 - June 2010)</strong></td>
<td><strong>380215</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Source: RBI’s Bulletin July, 2015 & RBI’s Statistics and Department of Industrial Policy and Promotion

The increase in flow has continued till date after 2006. The overall inflow has increased by 7.64% on CAGR basis from 2006 to 2015 The government of India has recently open up the FDI in various sector, which will improve the overall FDI in the country, it already resulted in USD 12.36 billion in first quarter of financial year starting April 2015. This has also exited government of India to move forward in improving ease of doing business.

Foreign direct investment has increased substantially since year policy changes in 2006 and recent action taken by new government in India has translated rise in FDI in first quarter of financial year of 2015-16, which is expected to grow more subsequently. Recent initiative by government like opening up FDI in various sectors, Make in India initiative are expected result fruitful in order to attract foreign investment in Country.

**Foreign direct Investment and Distance to Frontier**

Graph 2 Comparison between Foreign direct Investment and Distance to Frontier

The above graph indicates that whenever distance to frontier has reduced the overall foreign direct inflows in the country has increase simultaneously. In year 2011 Indian attracted USD 46556 million in FDI and in the same year distance to frontier was 50.76. On other hand FDI inflow in the country decrease near to US Dollar 34.2 billion and 36.0 billion respectively in year 2012 and 2013 as its distance to frontier also increase to 53.08 and 53.41 in that years. While in subsequent year DTF increased and it affect negatively on FDI flow. The overall correlation also observed to be at -0.09 suggesting when distance to frontier increases the foreign direct investment reduces, the influence of the ease of doing business influences foreign direct investment in country. The same can be seen in graph 3 given below,
It can be clearly infer from above graph that Shri Lanka, Pakistan, Bhutan and Maldives are better positioned in overall ease of doing parameter not only that but Sri Lanka and Nepal has improved substantially in ease of doing business as regulatory environment, investment friendly environment and quick procedures are favourable to do business. India is far behind of these countries as Sri Lanka ranked to 99, Pakistan 128, Nepal 108 and Maldives 116 are seen to be more business friendly. Not only that Indian also observed behind of its most of its emerging economies peers to do business due time consumed in procedure taking permission and many other factors making India a tough country to do business with only Bangladesh and Afghanistan are behind India which are ranked 173 and 183 respectively in recent 2015 ranking amongst south Asian countries.

6 FINDINGS

The indicators of doing business such as getting electricity, getting credit, paying taxes and trading across borders distance to frontier are highly negatively correlated with foreign direct investments. While others are not. Overall correlation between ease of doing business distance to frontier and foreign direct investment stands to -0.09 while individual indicators like getting electricity -0.52 getting credit -0.49, paying taxes -0.11 trading across borders stands at -0.74 indicates high degree of correlation with foreign direct inflows in the country. This shows the direct linked of regulatory procedures, time consumed and cost involved to attracting FDI in country. While other indicators such as starting a business, dealing with construction permits, registering property in the country, enforcing contract and resolving insolvency are positively correlated with distance to frontier. Also the analytical graphs shows as rank improves, distance to frontier decrease it influence the FDI in country. The correlation has improved in recent years.

7 CONCLUSION

With the help of the above research following can be concluded,

- The overall regulatory environment in the country has influence on the foreign fund inflow and ease of doing business is directly correlated with the foreign direct investment in India. There are some indicators which directly influencing FDI in country are getting electricity, getting credit, paying taxes and trading across borders. The ease of doing business indicators proves to be important indicator to forecast overall FDI trend in the country.
So far ease of doing business is considered the regulatory environment of India is far behind that of its South Asian peers, resulting in ease of doing business ranking in 2015 in in the list of 189 countries. Only Bangladesh and Afghanistan are behind of the India in South Asian Counties, while Sri Lanka, Pakistan Nepal Maldives and Bhutan are in better position in ease of doing business ranking and distance to frontier.

REFERENCES

ABSTRACT

This paper attempts to study the Ease of doing business scores among BRICS countries and identifies the position of each country of the emerging economies vis a vis others. It also undertakes the correlation among the EODB scores and GDP per capita ranking. Later Distance to frontier scores for BRICS countries is discussed and based on the findings parameters for improvement are identified. Certain micro and macro level measures are recommended for the overall improvement of EODB score by the authors.

Keywords: ease of doing business, distance to frontier, BRICS, GDP per capita

INTRODUCTION

Human needs have prevailed since the times humans have prevailed on this planet. Inability to self-satisfy all the needs of one’s self gave rise to the inter-dependency of humans on each other. Survival instincts motivated the ability to exploit this in an enterprising manner. This was the genesis of business – an enterprising venture to satisfy others’ needs by creating, making and offering something of value; to be exchanged for another unit of value. Civilizations prospered on their ability to carry out successful trade with rest of the world. The first recorded global trade venture was the Silk Route which spanned across Europe and Asia, as early as 500 B.C. History is replete with examples of how kingdoms, monarchies and regions had embarked on to enterprising ventures for trade and business. Continents were discovered and trade routes were evolved due to the trader’s instincts to explore and trade to the farthest corners. From the era of the Romans, The Vikings, the Spaniards, the Portuguese and the Africans to the formation of the Hanseatic League in Europe, the East India Trading Companies of Britain, France and Portugal; international trade and business grew more professional in nature with the transition from a monarchical structure to a more legitimized trading entity. The initial ventures of these companies into foreign markets began in the 19th century, and today, the world is considered as one large, single market under the idea of global trade.

Interdependency of nations has made international and domestic trade and business, a necessity. Businesses don’t just satisfy the need for consumption, they generate employment, help in productive deployment of resources, enable a nation to earn vital foreign exchange and ultimately contribute to a nation’s strength and sovereignty. A business entity is an economic concern first, and thus is subject to and governed by the principles of economics – macro and micro. Businesses thus are attracted to or repelled by such economic forces. An environment conducive for a business to grow and thrive is one in which the economic factors provide a favourable set of opportunities. Apart from the forces of economics, institutional determinants like policies, laws, regulations, tax structures and infrastructural determinants like availability of factors of production, power & energy resources, transportation, etc. also add to the favourability of an environment for conducting and expanding business.

On the Independence Day, the honourable Prime Minister Mr. Narendra Modi gave a new slogan – ‘Stand up India, Start-up India’. Thus, to make the nation stand on its feet, private entrepreneurship is the backbone. Be it creating a small start-up, or attracting a multi-billion dollar FDI for a Greenfield investment, the business climate needs to be conducive. A globally acknowledged base for measuring the conduciveness of a nation’s business environment is the Ease of Doing Business index, compiled in the Doing Business Report prepared and released by the World Bank every year from 2004 onwards.
Ease of Doing Business: The Doing Business15 is the 12th annual report from the World Bank Group, which gives a comprehensive and comparative perspective of business regulations in 189 economies. The DB15 report is updated as on July 2014. The report measures a nation’s business environment on 10 parameters which reflect the efficiency and quality of regulations impacting the business environment. The study is carried out in the largest business city of a country, with some exceptions where more than one city is covered in the survey. For instance, the DB survey for India was conducted in Mumbai and Delhi. DB15 also introduces a percentile metric – the Distance to Frontier score (DTF) which has been discussed later in the paper.

OBJECTIVES

The objective of this paper is to have a comparative analysis of the EODB status of India vis-à-vis its counterparts in the BRICS group. The rationale for doing so is that, BRICS as an acronym represents the most attractive ‘emerging’ economies – economies which show a lot of promise on delivering on their development agendas. Thus, it goes without saying that the five BRICS nations would be healthily competing amongst themselves to ensure and portray the best business environment to attract investments. The paper also attempts to identify a relationship between the EODB and the GDP per capita of an economy. The underlying assumption is that a healthy business environment should lead to a growth in GDP and GDP per capita.

RESEARCH METHODOLOGY

The research is purely exploratory in nature and relies on secondary data to explore and identify probable relationships between variables. The key variables of the study are EODB ranks, GDP, GDP per capita, GDP per capita ranks, DTF scores, and the parameters which are used in calculating the EODB scores. As the paper pertains to EODB, the frame for the secondary data has been the Doing Business reports released by the World Bank (2012 – 2015). The study attempts to develop a longitudinal approach to identify trends and movements, which in this case would be improvements or deteriorations in the parameters of business policy and regulations. Data for GDP was obtained from the World Bank reports.

LITERATURE REVIEW

The primary literature reviewed pertained to EODB reports published by the World Bank. Several researchers have attempted to explore multiple dimensions using EODB as a base.

In the paper on FDI and EODB, Bayraktar (2011) correlated FDI flows into a nation with its EODB ranks. For many of the EODB parameters, there was a negative correlation between EODB ranks and FDI inflows.

Alemu (2013) examined the influence of good governance infrastructure on ease of doing Business in 41 African countries. The study revealed that government effectiveness, political stability, rule of law, regulatory quality, and absence of corruption are robust determinants for creating conducive business atmosphere, taking into account other factors such as human capital, physical infrastructure and the level of development of a country.

Saleh (2013) studied the impact of Doing Business indicators on the GDOP growth of Egypt. The study revealed some important findings, like the positive effect of credit markets on GDP growth.

However, an in-house panel set up by the World Bank advised that the World Bank should refrain from announcing EODB rankings, as they are misleading. The panel referred that the objective of the report was to enhance knowledge on policy.
ANALYSIS:

The primary task of the paper is to explore the trends in EODB and its constituent parameters of the BRICS nations.

Table: 1 EODB snapshot of Brazil (2012 – 15)

<table>
<thead>
<tr>
<th>Brazil (rank)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall DB Rank</td>
<td>126</td>
<td>130</td>
<td>116</td>
<td>120</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>120</td>
<td>121</td>
<td>123</td>
<td>167</td>
</tr>
<tr>
<td>Dealing with permits</td>
<td>127</td>
<td>131</td>
<td>130</td>
<td>174</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>51</td>
<td>60</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>Registering Property</td>
<td>114</td>
<td>109</td>
<td>107</td>
<td>138</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>98</td>
<td>104</td>
<td>109</td>
<td>89</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>79</td>
<td>82</td>
<td>80</td>
<td>35</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>150</td>
<td>156</td>
<td>159</td>
<td>177</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>121</td>
<td>123</td>
<td>124</td>
<td>123</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>118</td>
<td>116</td>
<td>121</td>
<td>118</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>136</td>
<td>143</td>
<td>135</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: World Bank Doing Business Reports

Brazil lags behind other South American nations like Columbia and Peru. But the sheer size of its population has portrayed Brazil to be a potential emerging market. It has however failed to make any significant progress in its EODB standings. The best performing indicators are getting electricity and protecting minority shareholders’ rights. On both fronts, it has made commendable progress in four years. However, it has deteriorated sharply on starting a business indicator. As we shall see later in the paper, this is the indicator on which the most improving nations make the biggest changes. And Brazil has deteriorated its position on this vital indicator. This would certainly make investors and entrepreneurs wary of setting up a new business in Brazil.

Table: 2 EODB snapshot of China (2012 – 15)

<table>
<thead>
<tr>
<th>China (rank)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall DB Rank</td>
<td>91</td>
<td>91</td>
<td>96</td>
<td>90</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>151</td>
<td>151</td>
<td>158</td>
<td>128</td>
</tr>
<tr>
<td>Dealing with permits</td>
<td>179</td>
<td>181</td>
<td>185</td>
<td>179</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>115</td>
<td>114</td>
<td>119</td>
<td>124</td>
</tr>
<tr>
<td>Registering Property</td>
<td>40</td>
<td>44</td>
<td>48</td>
<td>37</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>67</td>
<td>70</td>
<td>73</td>
<td>71</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>97</td>
<td>100</td>
<td>98</td>
<td>132</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>122</td>
<td>122</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>60</td>
<td>68</td>
<td>74</td>
<td>98</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>16</td>
<td>19</td>
<td>19</td>
<td>35</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>75</td>
<td>82</td>
<td>78</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: World Bank Doing Business Reports

China has made starting a business easier by eliminating both the minimum capital requirement and the requirement to obtain a capital verification report from an auditing firm. The worst performing indicator for China across the years has been dealing with construction permits. This relates to the time and procedures related to the setting up of new warehouses and premises for a new business.
Table: 3 EODB snapshot of India (2012 – 15)

<table>
<thead>
<tr>
<th>India (rank)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall DB Rank</td>
<td>132</td>
<td>132</td>
<td>134</td>
<td>142</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>166</td>
<td>173</td>
<td>179</td>
<td>158</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>181</td>
<td>182</td>
<td>182</td>
<td>184</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>98</td>
<td>105</td>
<td>111</td>
<td>137</td>
</tr>
<tr>
<td>Registering Property</td>
<td>97</td>
<td>94</td>
<td>92</td>
<td>121</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>40</td>
<td>23</td>
<td>28</td>
<td>36</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>46</td>
<td>49</td>
<td>34</td>
<td>7</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>147</td>
<td>152</td>
<td>158</td>
<td>156</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>109</td>
<td>127</td>
<td>132</td>
<td>126</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>182</td>
<td>184</td>
<td>186</td>
<td>186</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>128</td>
<td>116</td>
<td>121</td>
<td>137</td>
</tr>
</tbody>
</table>

Source: World Bank Doing Business Reports

India’s improvement came in the form of a considerable reduction in the registration fees for starting a business. Procuring electricity in Mumbai\(^1\) became less costly due to the lowering of security deposit. The best parameter on which India scores the highest amongst all the BRICS nations is protection of the interests of minority investors. The regulations apply to the country as a whole. The rankings improved because enhanced protection measures were put in place; like greater disclosure of conflicts of interests by board members and additional safeguards for shareholders of privately held firms.

Table: 4 EODB snapshot of Russia (2012 – 15)

<table>
<thead>
<tr>
<th>Russia (rank)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall DB Rank</td>
<td>120</td>
<td>112</td>
<td>92</td>
<td>62</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>111</td>
<td>101</td>
<td>88</td>
<td>34</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>178</td>
<td>178</td>
<td>178</td>
<td>156</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>183</td>
<td>184</td>
<td>117</td>
<td>143</td>
</tr>
<tr>
<td>Registering Property</td>
<td>45</td>
<td>46</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>98</td>
<td>104</td>
<td>109</td>
<td>61</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>111</td>
<td>117</td>
<td>115</td>
<td>100</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>105</td>
<td>64</td>
<td>56</td>
<td>49</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>160</td>
<td>162</td>
<td>157</td>
<td>155</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>60</td>
<td>53</td>
<td>55</td>
<td>65</td>
</tr>
</tbody>
</table>

Amongst all the BRICS nations, the one to display the largest positive change over the years has been the Russian Federation, and that a tremendous turnaround in its EODB rankings. While it was ranked 120 in 2012, its latest rank in 2015 is 62, almost covering half the distance. It drastically improved upon the parameter of starting a business by eliminating the requirement to deposit the charter capital before company registration, as well as the requirement of notifying the tax authorities before opening a bank account. Vladimir Putin has publicly declared his intention of attaining an EODB rank of 20.

\(^1\) The two cities surveyed in India were Mumbai and Delhi.
Incredibly, S. Africa has shown the worst deterioration amongst the BRICS nations in its EODB rankings for the period 2012 - 2015. Amongst all parameters, the strongest decline has been in getting credit. It however improved on enforcing contracts and resolving insolvency.

Table 5: EODB snapshot of South Africa (2012 – 15)

<table>
<thead>
<tr>
<th>S. Africa (rank)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall DB Rank</td>
<td>35</td>
<td>39</td>
<td>41</td>
<td>43</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>44</td>
<td>53</td>
<td>64</td>
<td>61</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>31</td>
<td>39</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>124</td>
<td>150</td>
<td>150</td>
<td>158</td>
</tr>
<tr>
<td>Registering Property</td>
<td>76</td>
<td>79</td>
<td>99</td>
<td>97</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>1</td>
<td>1</td>
<td>28</td>
<td>52</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>44</td>
<td>32</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>144</td>
<td>115</td>
<td>106</td>
<td>100</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>81</td>
<td>82</td>
<td>80</td>
<td>46</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>77</td>
<td>84</td>
<td>82</td>
<td>39</td>
</tr>
</tbody>
</table>

Table 6 provides a snapshot of EODB and indicators for the latest report. India is the strongest on two parameters – protecting investor rights and getting credit. The policies of financial inclusion and a developed and liberate financial system have born sweet fruits. However, the question of obtaining credit only arises when the entrepreneur has decided that he wants to start the business. And India has a dismal position there. Russia and South Africa are perceived to be the countries where it is easier to start a business. India performs worst among BRICS countries on 2 parameters namely, (i) Enforcing contracts and (ii) Dealing with construction permits. India needs to develop a mechanism by which scores on these parameters improve.

The business prosperity and overall size of an economy would have a considerable bearing on its GDP. But it would be unfair to compare nations on absolute GDP data only, as the EODB ranks only take into account the overall efficiency and quality of policies and regulations. Thus, it is a better practice to use GDP per capita – the amount of GDP contributed by each
unit of the population. Thus, the paper attempted to explore if a relation exists between EODB ranks and GDP per capita. The GDP per capita of 180 (2013) and 187 (2014) nations was available, and the EODB scores of these nations were available as well. The nations were ranked from highest to lowest on GDP per capita amount. The two rank data were then subjected to Spearman’s rank correlation.

The Spearman’s rank correlation between the Ease of Doing Business Rank and the GDP per capita rank for the year 2014 is a strong .752 which is strongly significant at p=.000. This is significant enough to reveal a relationship between EODB and GDP. (Refer Table -7)

The Spearman’s rank correlation between the Ease of Doing Business Rank and the GDP per capita rank for the year 2013 is a strong .609 which is strongly significant at p=.000. (Refer Table -8)

This correlation clearly indicates that EODB and GDP per capita are interrelated and hence improving one also improves the other. So policy framework has to be so designed that the steps taken to improve EODB ultimately increases GDP per capita and improvement in GDP per capita improves EODB

<table>
<thead>
<tr>
<th>Correlations</th>
<th>EODB Rank - 2014</th>
<th>GDP Per Capita Rank - 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
</tr>
<tr>
<td>GDP Per Capita - 2014 Rank</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>180</td>
<td>180</td>
</tr>
</tbody>
</table>

Table 7 Rank correlation between GDP per capita and EODB ranks - 2014

<table>
<thead>
<tr>
<th>Correlations</th>
<th>EODB RANK-2013</th>
<th>GDP PER CAPITA RANK - 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
</tr>
<tr>
<td>GDP PER CAPITA RANK - 2013</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>187</td>
<td>187</td>
</tr>
</tbody>
</table>

The Spearman’s rank correlation between the Ease of Doing Business Rank and the GDP per capita rank for both the years 2013 and 2014 for the 5 BRICS nations is only .300, reflecting a poor relationship between them. (Refer Table 9 & 10) Brazil acts as a major outlier with a vast difference in ranking of EODB and GDP per capita scores. India ranks 142 on both scores for the year 2014. The reason for a weak correlation may be because of the (i) small
sample size (only 5 countries) and (ii) vast differences in the population of India and China on one end and South Africa, and Russia on the other extreme and Brazil in between.

Table: 9 Rank correlation between GDP per capita and EODB ranks – 2013 - BRICS

<table>
<thead>
<tr>
<th>Correlations</th>
<th>EODB_13</th>
<th>GDPPP_13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho EODB_13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.300</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.624</td>
</tr>
<tr>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Spearman's rho GDPPP_13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.300</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.624</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Table: 10 Rank correlation between GDP per capita and EODB ranks – 2014 - BRICS

<table>
<thead>
<tr>
<th>Correlations</th>
<th>EODB_14</th>
<th>GDPPP_14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho EODB_14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.300</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.624</td>
</tr>
<tr>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Spearman's rho GDPPP_14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.300</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.624</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Distance to Frontier: World Bank’s Doing Business 2015 introduced a new metric – the Distance to Frontier score – a benchmarking effort to depict the gap between each economy’s performance and the best performance (amongst all economies) on each indicator. While simple EODB rankings do not show how far apart economies are, DTF removes this handicap. World Bank’s Doing Business 2015 identified 21 economies that improved the most across at least 3 of the 10 topics included to measure the Distance to Frontier score. India is among those 21 economies. Amongst these 21 economies, it further identified 10 which improved the most in performance of EODB indicators. India failed to make it to the list of final 10. Tajikistan topped the list, the others being Benin, Togo, Côte d’Ivoire, Senegal, Trinidad and Tobago, the Democratic Republic of Congo, Azerbaijan, Ireland and the United Arab Emirates. Eight of the top 10 improvers carried out reforms to make ‘Starting a business’ easier. The next parameter which saw the most improvement was ‘getting credit’ – 7 nations improved upon it. 6 improvers improved upon property registration and protection of minority shareholders’ rights.

India ranks very poor on the parameter of (i) dealing of construction permits (DTF score 30.89), (ii) enforcing contracts (DTF score 25.81) and (iii) resolving insolvency (DTF score 32.60). It is strong though on protection of investor rights (DTF score 72.5). The major hurdle area is the time parameter in all these 3 parameters- 185.9 days, 1420 days and 1570 days respectively. Thus, this is a major finding that in order to improve DTF scores, policy making should focus towards enablers of business start-ups.
India is the farthest from the frontier amongst all the BRICS nations. Even South Africa, having deteriorated in the EODB rankings is the closest to the DTF (ideal score of 100). So India needs to improve its DTF scores on at least the above mentioned 03 parameters where its score is worst among the 10 parameters listed for EODB.

**FINDINGS:**

The paper made an attempt to explore the EODB ranks of BRICS nations, of which India is also a part. The data shows the overall and relative standings of each BRICS nation on the 10 parameters. The trend from 2012 to 2015 revealed that where Russia has been the best improver, South Africa has deteriorated the most. India has more or less neither advanced nor deteriorated on its standings. It was also revealed that each nation has been focusing on different parameters for regulating business. India has made credit availability easy, whereas Russia has ensured that setting up a new business gets less complicated and cumbersome.

Rank correlations depict that the conduciveness of the business environment, indexed by EODB scores can have a relationship with the GDP of an economy. The correlations were significant for two years, for around 180 countries. However, the correlations were not validated in the case of BRICS nations. This needs to be explored further.

A preliminary analysis of DTF scores reveals the ‘distance’ an economy has to travel, compared to the best economies in the world. Again, among BRICS nations, India is the worst performer. This revelation should have significant impact on policy making.

**RECOMMENDATION:**

Based on the table no. 6 and 11 we can recommend that India needs to do better on at least 3 parameters where it is worst than its counterparts in BRICS countries. This paper attempts to highlight certain policy modifications based on recent practices in these 3 parameters. Although few of the states in the union of India may be following few/many of these suggestions, still it needs to be done by all the states so that there is an overall increase in the GDP per capita.

**A. Enforcing Contracts:**

(i) Provision for set up of specialised courts for handling commercial disputes
(ii) Enough man power (at least 80% of total vacancy) in these courts
(iii) Encourage usage of IT for e filling of cases, e summons by courts, online payments, publishing of e cause list and issue of digitally signed court orders

**B. Dealing with Construction Permits:**

(i) Usage of GIS to give information on land and other infrastructure for industrial use
(ii) Defining timelines for providing the necessary permissions and adhering to them
(iii) Provision for online assessment of building plan
(iv) Provision for a single combined team for all the utilities like construction, electricity, water, drainage, gas (fuel) and issue of a single certificate for all utilities

---

<table>
<thead>
<tr>
<th>Nation</th>
<th>DTF Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>58.01</td>
</tr>
<tr>
<td>Russia</td>
<td>66.66</td>
</tr>
<tr>
<td>India</td>
<td>53.97</td>
</tr>
<tr>
<td>China</td>
<td>62.58</td>
</tr>
<tr>
<td>South Africa</td>
<td>71.08</td>
</tr>
</tbody>
</table>
C. Starting a Business:

(i) Availability of an online system for all the NOCs required for any type of industry

(ii) Provision for a single point of contact for starting the business

(iii) Declaration of time bound delivery of services for starting a business

The recently released World Bank report citing the state of Gujarat as the best business friendly state in the country is another dimension for research, as to how each state can serve a unique combination of parameters to make businesses feel comfortable and secure. In order to improve the overall scenario of EODB in the country on a macro level (1) there has to be an audit from a good performing state representative for processes being implemented by the poor-performing ones and recommend process improvements; (2) sharing of technology on automation of submission and processing of documents; and (3) conducting a series of workshops for effective and timely implementation of policies of state as well as central governments for industrial growth.

CONCLUSION:

The World Bank’s Ease of Doing Business metric has become a global barometer measuring the environment for business in the global economies. EODB scores should not be used to compete with nations. Rather, these scores give an insight into the policies being adopted by nations to improve their business environments. A thorough analysis of peer group nations like BRICS nations can manifest into dynamic, focused and relevant decision making at all levels impact business and trade. As is evident, India needs to make paradigm changes in all major parameters which the global economy deems significant and relevant to a healthy business climate. The paper could have dwelled in detail on each parameter, but that would have exceeded the boundaries of the paper. However, it could be a vital dimension for further research. There is a need to explore how and which changes are contributing to improving EODB ranks and DTF scores, and whether and how those changes can be incorporated into the Indian business-scape.

REFERENCES:

ABSTRACT

The Department of Industrial Policy and Promotion (DIPP) on 8th June 2015, released a framework to assess and rank states in terms of ease of doing business (EODB), a move aimed at triggering competition among states to attract investment. The key objectives of the assessment are to assess the implementation of various factors enabling ease of doing business (EODB) in a state; and to do a comparative study of various states with regards to the implementation status. The states were ranked on the basis of various parameters which include setting up a business (1), allotment of land and obtaining construction permit (2), complying with environmental procedures (3), complying with labour regulations (4), obtaining infrastructure-related utilities (5), registering and complying with tax procedures (6), carrying out inspections (7) and enforcing contracts (8). The key objective of the DIPP’s survey is to assess the implementation of various factors enabling ease of doing business in a state. India is currently ranked 142nd among 189 nations in the World Bank’s Ease of Doing Business 2015 study. With the exception of two parameters (getting credit and protecting minority investors), India does not feature in the top 100 in the remaining parameters. The efforts aim at bringing India into the top 50 ranks in the ease of doing business in the next three years. Improved ranking will help in attracting both domestic and foreign investments. The current paper aims to conduct an exploratory evaluation of ranking methodology used by World Bank Group and its associated firms. It also tries to explore scope for improvements in the current research methodology and related pros and cons of each parameter used for ranking the states and union territories. The ruling party based assessment of each state is also done for checking the effect of governance on EODB. At the end the researcher suggests key areas of improvement for the next round of ranking Indian states and union territories on Ease of Doing Business (EODB).

Keywords: Indian States Rankings, Business Reforms, Governance, Ease of Doing Business, World Bank Group etc.
competition among states to attract investment. The key objectives of the assessment are to assess the implementation of various factors enabling ease of doing business (EODB) in a state; and to do a comparative study of various states with regards to the implementation status. The states will be ranked on the basis of various parameters which include setting up a business such as allotment of land and obtaining construction permit; complying with environment procedures; complying with labour regulations and obtaining infrastructure related utilities. DIPP shall also obtain inputs through a separate questionnaire from industry with regards to factors enabling ease of doing business (EODB) in the state. The DIPP is validating the responses of states on its questionnaire in order to give them ranking in terms of EODB. The DIPP has received response from 25 states and union territories including Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Odisha, Maharashtra, Karnataka, and Rajasthan. “These responses are being validated by the DIPP’s team for ranking the states,” Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Lok Sabha. Eleven states and union territories including Arunachal Pradesh, Jammu and Kashmir, Manipur, Daman and Diu have not yet responded to the 285 questions of the DIPP.

The key objective of the DIPP’s survey is to assess the implementation of various factors enabling ease of doing business in a state. India is currently ranked 142nd among 189 nations in the World Bank’s Ease of Doing Business 2015 study. With the exception of two parameters (getting credit and protecting minority investors), India does not feature in the top 100 in the remaining parameters. The efforts aim at bringing India into the top 50 ranks in the ease of doing business in the next three years. Improved ranking will help in attracting both domestic and foreign investments. In an attempt to encourage competition among states to formulate easier business rules, the DIPP is gearing up to release the ease of doing business ranking of states on 31 August. Its key objectives include assessing the implementation of various factors enabling the ease of doing business in a state and carrying out a comparative study of various states on the status of implementation. “We have sent queries to state governments seeking clarification where their response and our field surveys do not match. We hope to release the report on 31 August,” a DIPP official said, speaking on condition of anonymity.

DIPP has finalized eight areas in which states will be ranked: setting up a business (1), allotment of land and obtaining construction permit (2), complying with environmental procedures (3), complying with labour regulations (4), obtaining infrastructure-related utilities (5), registering and complying with tax procedures (6), carrying out inspections (7) and enforcing contracts (8). The move is also likely to encourage states to carry out reforms such as in land acquisition and labour laws, which the centre is finding it difficult to push through due to lack of enough strength in the upper house of Parliament. Finance minister Arun Jaitley recently said that the states that wanted speedy development could take the lead in framing such laws, with the centre’s backing. “If the centre fails to approve this (land acquisition bill) with consensus, then it should be left to the states. Those states which want to develop fast can suggest their own state legislation and the centre (would) approve that state legislation. An overwhelming section gave this kind of suggestion,” he said, after a NITI Aayog meeting.

DIPP has received responses from all the state governments and a study is currently on to evaluate and rank the business-friendliness of the states, DIPP Secretary Amitabh Kant said in Kolkata. The ranking would be an annual exercise, he added. Ajai Dua, former DIPP secretary, however, said the release of the state rankings could have repercussions. “States who don’t have a historical industrial culture, the ranking could evoke strong reaction from them. A survey on the extent of improvement or the delta factor to measure incremental progress rather than mere ranking would have made more sense,” he said.

2. OBJECTIVES OF CURRENT RESEARCH

In the current paper, the researcher intends to evaluate the efficiency of existing researcher methodology used by DIPP in association with World Bank Group, KPMG, FICCI, and CII. The current paper aims to conduct an exploratory evaluation of ranking methodology used by World Bank Group and its associated firms. It also tries to explore scope for improvements in the current research
methodology and related pros and cons of each parameter used for ranking the states and union territories. The ruling party based assessment of each state is also done for checking the effect of governance on EODB. At the end the researcher suggests key areas of improvement for the next round of ranking Indian states and union territories on Ease of Doing Business (EODB).

3. ASSESSMENT OF STATE IMPLEMENTATION OF BUSINESS REFORMS

In 2014, the Prime Minister of India, Shri Narendra Modi, requested the World Bank Group to support India’s efforts to enhance India’s competitiveness and increase manufactured exports. The growth of business in India requires concerted action on several fronts – infrastructure, capital markets, trade facilitation and skills – but the stark reality is that India remains a difficult place to do business. A disproportionately high regulatory burden is borne by businesses in India today.

This assessment, the first of its kind, has been conducted to take stock of reforms implemented by States in the period January 1 to June 30, 2015. Data was collected through a structured questionnaire that was completed by each State and UT Government. The responses were validated through a series of in-depth workshops with State Government representatives, and the collection of supporting evidence on each of the parameters of the questionnaire. The evidence collected consists of rules, notifications, circulars, website screenshots and a variety of other documents provided by the State Government or found online to prove conclusively that the State meets the requirements of the assessment. Following the completion of the data collection and State visits, the data was evaluated in detail jointly to ensure that the same yardstick was applied to measure progress for all States.

The results of the assessment indicate that States have wholeheartedly embraced the challenge placed upon them to focus on further streamlining the regulatory burden on business in India. To quote one of the Chief Secretaries, “The study provides a good benchmark for initiating work towards enabling/facilitating ease of doing business. Sustained and time bound efforts would need to be undertaken to make this a long-term success”.

The assessment has also given rise to competition among States and UTs to undertake reforms. The high priority given to this initiative is indicated by the support and ownership of the reform agenda at the highest levels of State Government. We hope that this report will allow States to understand how they have performed, but, more importantly, to learn about some good practices already being implemented across India that can be readily customized and adopted. Most States have expressed an interest to not only compete, but also to collaborate and learn from each other’s experience.

On a long journey, these are the first steps in the right direction. There are still a multitude of reforms that need to be undertaken and implemented effectively. On average, only 32% of the proposed reforms have been implemented across the country. The implementation of reforms regarding inspection and enforcement of contracts, which necessitate medium term actions, stands at less than 20%.

This report contains detailed analysis on each of the 285 questions studied in the assessment, and outlines which States are leading on each. The report further provides a two page summary on each State, with highlights on their achievements as well as indications on where they need to focus going forward.

4. RESEARCH METHODOLOGY OF RANKING

This involved evaluation of responses for all the 32 States/UTs based on the observations made during State visits and review of the supporting material provided. The observations noted by the Study team were reviewed during a 2-day long workshop exercise with World Bank representatives. The responses, observations were reviewed against the criteria/ vision for each of the questions across the 8 areas of the assessment framework and the State’s response was updated, wherever required.
This step involved computation of the overall and area-wise implementation status for all the 32 States/UTs. The implementation status (which would reflect the percentage of factors enabling ease of doing business, implemented in the State/UT) for an area was computed as:

\[(\text{Number of questions in the area for which the response is “Yes”}) / ([\text{(Total number of questions in the area)} - \text{(Number of questions in the area for which the response is “Not applicable”)})] * 100\%.

The first step in the study involved development of an assessment framework. For the purpose of the same, the following key principles were adopted:

- **Measurability**: The factors enabling ease of doing business should be defined in a manner that enables ‘measurement’ of the implementation status.
- **Comparability across States**: Factors identified for enabling ease of doing business should be comparable across States. In case a particular factor is not relevant for implementation in a State, the same would not be considered for assessment of implementation status in the State.

A draft of the assessment framework was prepared (based on the 98-point reform framework) and shared with States/UTs in April 2015 to obtain their feedback and inputs. The framework was designed to capture the implementation status of various factors enabling ease of doing business across the 8 areas given in the table.

### 5. OVERALL RESULTS

This report contains detailed analysis on each of the 285 questions studied in the assessment, and outlines which States are leading on each. The report further provides a two page summary on each State, with highlights on their achievements as well as indications on where they need to focus going forward.

In the long run, effective reform involves a sustained and knowledge-based process that requires benchmarking, consultation and sharing of information. This report is inspired by the notion that “What gets measured gets done”, and is therefore intended to trigger a participatory and knowledge-driven reform process.

The assessment reveals that States are at very different levels of implementation of the 98-point action plan. The implementation status of each State has been converted to a percentage, and, on the basis of this total percentage, World Bank Group and KPMG have calculated the State rankings as shown in the table below.

#### Table 1: RANK of INDIAN STATE on EODB

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Score</th>
<th>Rank</th>
<th>State</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gujarat</td>
<td>71.14%</td>
<td>17</td>
<td>Himachal Pradesh</td>
<td>23.95%</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Pradesh</td>
<td>70.12%</td>
<td>18</td>
<td>Kerala</td>
<td>22.87%</td>
</tr>
<tr>
<td>3</td>
<td>Jharkhand</td>
<td>63.09%</td>
<td>19</td>
<td>Goa</td>
<td>21.74%</td>
</tr>
<tr>
<td>4</td>
<td>Chhattisgarh</td>
<td>62.45%</td>
<td>20</td>
<td>Puducherry</td>
<td>17.72%</td>
</tr>
<tr>
<td>5</td>
<td>Madhya Pradesh</td>
<td>62.00%</td>
<td>21</td>
<td>Bihar</td>
<td>16.81%</td>
</tr>
<tr>
<td>6</td>
<td>Rajasthan</td>
<td>61.04%</td>
<td>22</td>
<td>Assam</td>
<td>14.84%</td>
</tr>
<tr>
<td>7</td>
<td>Odisha</td>
<td>52.12%</td>
<td>23</td>
<td>Uttarakhand</td>
<td>13.36%</td>
</tr>
<tr>
<td>8</td>
<td>Maharashatra</td>
<td>49.43%</td>
<td>24</td>
<td>Chandigarh</td>
<td>10.04%</td>
</tr>
<tr>
<td>9</td>
<td>Karnataka</td>
<td>48.50%</td>
<td>25</td>
<td>Andaman and Nicobar Islands</td>
<td>9.73%</td>
</tr>
<tr>
<td>10</td>
<td>Uttarak Pradesh</td>
<td>47.37%</td>
<td>26</td>
<td>Tripura</td>
<td>9.29%</td>
</tr>
<tr>
<td>11</td>
<td>West Bengal</td>
<td>46.90%</td>
<td>27</td>
<td>Sikkim</td>
<td>7.23%</td>
</tr>
<tr>
<td>12</td>
<td>Tamil Nadu</td>
<td>44.58%</td>
<td>28</td>
<td>Mizoram</td>
<td>6.57%</td>
</tr>
<tr>
<td>13</td>
<td>Telangana</td>
<td>42.45%</td>
<td>29</td>
<td>Jammu and Kashmir</td>
<td>5.93%</td>
</tr>
<tr>
<td>14</td>
<td>Haryana</td>
<td>40.66%</td>
<td>30</td>
<td>Meghalaya</td>
<td>4.38%</td>
</tr>
<tr>
<td>15</td>
<td>Delhi</td>
<td>37.35%</td>
<td>31</td>
<td>Nagaland</td>
<td>3.41%</td>
</tr>
<tr>
<td>16</td>
<td>Punjab</td>
<td>36.73%</td>
<td>32</td>
<td>Arunachal Pradesh</td>
<td>1.23%</td>
</tr>
</tbody>
</table>

Source: Assessment of State Implementation of Business Reforms. September 2015
### AREA WISE RESULTS (TOP 5 STATES)

#### Table 2: Areas Wise Ranking of Top 5 Indian States of EODB

<table>
<thead>
<tr>
<th>Area 1: Setting up a business</th>
<th>Area 2: Allotment of Land and Obtaining Construction Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. No.</td>
<td>State</td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>1</td>
<td>Punjab</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Pradesh</td>
</tr>
<tr>
<td>3</td>
<td>Chhattisgarh</td>
</tr>
<tr>
<td>4</td>
<td>Odisha</td>
</tr>
<tr>
<td>5</td>
<td>Rajasthan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area 3: Complying with environment procedures</th>
<th>Area 4: Complying with labour regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. No.</td>
<td>State</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1</td>
<td>Gujarat</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Pradesh</td>
</tr>
<tr>
<td>3</td>
<td>Rajasthan</td>
</tr>
<tr>
<td>4</td>
<td>Punjab</td>
</tr>
<tr>
<td>5</td>
<td>Madhya Pradesh</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area 5: Obtaining infrastructure related utilities</th>
<th>Area 6: Registering and complying with tax procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. No.</td>
<td>State</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1</td>
<td>Maharashtra</td>
</tr>
<tr>
<td>2</td>
<td>Gujarat</td>
</tr>
<tr>
<td>3</td>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>4</td>
<td>Delhi</td>
</tr>
<tr>
<td>5</td>
<td>Andhra Pradesh</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area 7: Carrying out inspections</th>
<th>Area 8: Enforcing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. No.</td>
<td>State</td>
</tr>
<tr>
<td>--------</td>
<td>----------------</td>
</tr>
<tr>
<td>1</td>
<td>Jharkhand</td>
</tr>
<tr>
<td>2</td>
<td>Gujarat</td>
</tr>
<tr>
<td>3</td>
<td>Andhra Pradesh</td>
</tr>
<tr>
<td>4</td>
<td>Chhattisgarh</td>
</tr>
<tr>
<td>5</td>
<td>Rajasthan</td>
</tr>
<tr>
<td>6</td>
<td>Delhi</td>
</tr>
</tbody>
</table>

Source: Compiled from Assessment of State Implementation of Business Reforms. September 2015

### 7. COMBINED ANALYSIS OF TOP 5 INDIAN STATES

<table>
<thead>
<tr>
<th>RANK</th>
<th>STATE</th>
<th>Overall Score</th>
<th>Setting up a business</th>
<th>Land allocation &amp; obt. Constr. permit</th>
<th>Environment compliance</th>
<th>Labour compliance</th>
<th>Obtaining utilities come.</th>
<th>Tax regis. And compliance</th>
<th>Carrying out inspections</th>
<th>Enforcing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gujarat</td>
<td>71</td>
<td>35</td>
<td>72</td>
<td>100</td>
<td>76</td>
<td>75</td>
<td>75</td>
<td>72</td>
<td>33</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Pradesh</td>
<td>70</td>
<td>79</td>
<td>62</td>
<td>85</td>
<td>100</td>
<td>60</td>
<td>90</td>
<td>62</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Jharkhand</td>
<td>63</td>
<td>15</td>
<td>45</td>
<td>48</td>
<td>100</td>
<td>28</td>
<td>81</td>
<td>72</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Chhattisgarh</td>
<td>62</td>
<td>78</td>
<td>45</td>
<td>49</td>
<td>100</td>
<td>29</td>
<td>79</td>
<td>73</td>
<td>23</td>
</tr>
<tr>
<td>5</td>
<td>Madhya Pradesh</td>
<td>62</td>
<td>60</td>
<td>72</td>
<td>67</td>
<td>70</td>
<td>75</td>
<td>83</td>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher from Assessment of State Implementation of Business Reforms. September 2015
8. CLUSTERING OF STATES ON RANKING

To assist in understanding the results and in analysing the detailed data in the subsequent chapters, we have placed States into four groups:

- **Leaders**: States with an overall implementation status of 75% and above. This assessment revealed that no States had attained this status.
- **Aspiring Leaders**: States with an overall implementation status between 50% and 75%. 7 States were found to be within this group: Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Odisha and Rajasthan.
- **Acceleration Required**: States with an overall implementation status between 25% and 50%. 9 States were found to be within this group: Delhi, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal.
- **Jump Start Needed**: States with an overall implementation status between 0% and 25%. 16 States were found to be within this group: Andaman and Nicobar, Arunachal Pradesh, Assam, Bihar, Chandigarh, Goa, Himachal Pradesh, Jammu and Kashmir, Kerala, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Tripura and Uttarakhand.
9. RULING PARTY WISE COMPARISON OF EODB RANKING

<table>
<thead>
<tr>
<th>S. No.</th>
<th>State Name</th>
<th>Name of Chief Ministers</th>
<th>From (DD/MM/YY)</th>
<th>SCORE (EODB)</th>
<th>RANK (EODB)</th>
<th>AVG. of Score</th>
<th>AVG. of Rank</th>
<th>Party Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Delhi</td>
<td>Arvind Kejriwal</td>
<td>14.2.15</td>
<td>37.35</td>
<td>15</td>
<td>37.35</td>
<td>15</td>
<td>AAP</td>
</tr>
<tr>
<td>2</td>
<td>Tamil Nadu</td>
<td>J. Jayalalithaa</td>
<td>23.5.15</td>
<td>44.58</td>
<td>12</td>
<td>44.58</td>
<td>12</td>
<td>AIADMK</td>
</tr>
<tr>
<td>3</td>
<td>Puducherry</td>
<td>N. Rangaswamy</td>
<td>16.5.11</td>
<td>17.72</td>
<td>20</td>
<td>17.72</td>
<td>20</td>
<td>AINRC</td>
</tr>
<tr>
<td>4</td>
<td>West Bengal</td>
<td>Mamata Banerjee</td>
<td>20.5.11</td>
<td>46.9</td>
<td>11</td>
<td>46.9</td>
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<td>ATC</td>
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<tr>
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<td>Odisha</td>
<td>Naveen Patnaik</td>
<td>5.3.00</td>
<td>52.12</td>
<td>7</td>
<td>52.12</td>
<td>7</td>
<td>BJD</td>
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<tr>
<td>6</td>
<td>Gujarat</td>
<td>Anandiben Patel</td>
<td>8.11.14</td>
<td>71.14</td>
<td>1</td>
<td>71.14</td>
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<tr>
<td>7</td>
<td>Jharkhand</td>
<td>Raghubar Das</td>
<td>28.12.14</td>
<td>63.09</td>
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<tr>
<td>8</td>
<td>Chhattisgarh</td>
<td>Raman Singh</td>
<td>7.12.03</td>
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<td>4</td>
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<tr>
<td>9</td>
<td>Madhya Pradesh</td>
<td>Shivraj Singh Chauhan</td>
<td>29.11.05</td>
<td>62</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Rajasthan</td>
<td>Vasundhara Raje</td>
<td>13.12.13</td>
<td>61.04</td>
<td>6</td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>Maharashtra</td>
<td>Devendra Fadnavis</td>
<td>31.10.14</td>
<td>49.43</td>
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<td></td>
</tr>
<tr>
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<td>Haryana</td>
<td>Manohar Lal Khattar</td>
<td>26.10.14</td>
<td>40.66</td>
<td>14</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>13</td>
<td>Goa</td>
<td>Laxmikant Parsekar</td>
<td>8.11.14</td>
<td>21.74</td>
<td>19</td>
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<td></td>
</tr>
<tr>
<td>14</td>
<td>Tripura</td>
<td>Manik Sarkar</td>
<td>1.3.98</td>
<td>9.29</td>
<td>26</td>
<td>9.29</td>
<td>26</td>
<td>CPI(M)</td>
</tr>
<tr>
<td>15</td>
<td>Manipur</td>
<td>Okram Ibobi Singh</td>
<td>2.3.02</td>
<td>N.A.</td>
<td>N.A.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Karnataka</td>
<td>Siddaramaiah</td>
<td>13.5.13</td>
<td>48.5</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Himachal Pradesh</td>
<td>Virbhadra Singh</td>
<td>25.12.12</td>
<td>23.95</td>
<td>17</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Kerala</td>
<td>Oommen Chandy</td>
<td>18.5.11</td>
<td>22.87</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Assam</td>
<td>Tarun Kumar Gogoi</td>
<td>17.5.01</td>
<td>14.84</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Uttar Pradesh</td>
<td>Harish Rawat</td>
<td>1.2.14</td>
<td>13.36</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Mizoram</td>
<td>Pu Lalthanhawla</td>
<td>7.12.08</td>
<td>6.37</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Meghalaya</td>
<td>Mukul Sangma</td>
<td>20.4.10</td>
<td>4.38</td>
<td>30</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Arunachal Pradesh</td>
<td>Nabam Tuki</td>
<td>1.11.11</td>
<td>1.23</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Bihar</td>
<td>Nittish Kumar</td>
<td>24.11.05</td>
<td>16.41</td>
<td>21</td>
<td>16.41</td>
<td>21</td>
<td>J D (U)</td>
</tr>
<tr>
<td>25</td>
<td>Nagaland</td>
<td>T R Zeliang</td>
<td>24.5.14</td>
<td>3.41</td>
<td>31</td>
<td>3.41</td>
<td>31</td>
<td>NPF</td>
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<tr>
<td>26</td>
<td>Jammu and Kashmir</td>
<td>Mufti Mohammad Sayeed</td>
<td>1.3.15</td>
<td>5.93</td>
<td>29</td>
<td>5.93</td>
<td>29</td>
<td>PDP, BJP</td>
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<tr>
<td>27</td>
<td>Punjab</td>
<td>Parkash Singh Badal</td>
<td>1.3.07</td>
<td>36.73</td>
<td>16</td>
<td>36.73</td>
<td>16</td>
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<tr>
<td>28</td>
<td>Sikkim</td>
<td>Pawan Kumar Chamling</td>
<td>12.12.94</td>
<td>7.23</td>
<td>27</td>
<td>7.23</td>
<td>27</td>
<td>SDF</td>
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<td>Akhillesh Yadav</td>
<td>15.3.12</td>
<td>47.37</td>
<td>10</td>
<td>47.37</td>
<td>10</td>
<td>SP</td>
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<td>30</td>
<td>Andhra Pradesh</td>
<td>N.Chandrababu Naidu</td>
<td>8.6.14</td>
<td>70.12</td>
<td>2</td>
<td>70.12</td>
<td>2</td>
<td>TDP</td>
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<tr>
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<td>Telangana</td>
<td>K Chandrasekhar Rao</td>
<td>2.6.14</td>
<td>42.45</td>
<td>13</td>
<td>42.45</td>
<td>13</td>
<td>TRS</td>
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<tr>
<td>32</td>
<td>Chandigarh</td>
<td>Union Territory</td>
<td>-</td>
<td>10.04</td>
<td>24</td>
<td>9.88</td>
<td>24.5</td>
<td>U.T.</td>
</tr>
</tbody>
</table>

Figure 2: The graphic above attempts to summarize the race to 100% implementation status (Source: Compiled from Assessment of State Implementation of Business Reforms. September 2015)
Looking at the above data, we can find the average combined score is 53.94 and ranking is 7.5 for BJP ruling states the same is 16.93 and 22.37 respectively for the INC ruling states. It is observed that BJP ruling states have effectively implemented the Central Government’s guidelines, whereas other states are still working on it and hence the ranking of BJP ruled states is highest among all other political parties.

10. THE WAY FORWARD

It is encouraging to note that many States have responded eagerly to DIPP’s 98-point action plan with ambitious reform initiatives. The efforts of the last one year are just the first steps in the right direction. We hope that the central and State governments would continue with these efforts in the future in their efforts to make India an attractive destination for investment.

One of the intended objectives of this report is to recognize States and UTs that have achieved some transformative reforms. Another is to share knowledge, on two levels. First, to share knowledge on the state of reforms, through measurement and benchmarking, so that States may understand what they need to do going forward; and second, share knowledge of what others have done, so that States can understand how. We hope that this report will assist in building bridges between States. We are encouraged by the stand of DIPP and the World Bank Group who stand ready to facilitate this exchange of knowledge, including from other countries, if required.

There are two important points for States to consider in reform efforts going forward:

1) The Action Plan announced in 2014 does not cover all areas of importance; hence, further actions will need to be identified in stages, in addition to acting on unfinished actions;

2) It is important to assess implementation on the ground, based on feedback from businesses.

11. THE NEXT SET OF REFORMS

We understand that DIPP will soon disseminate to States an action plan for the next set of reforms. This plan should contain the following additional features:

1) Recommendations may be supplemented where feasible with knowledge on best practices, both global and local;

2) Each recommendation should have a clear vision of a desirable end goal; this vision should be communicated to States at the outset of the reform process so that there is a shared objective. The vision may be discussed in consultation with businesses, to ensure that reforms are targeted at their needs and priorities;

3) DIPP may engage with State Governments on a broader and regular dialogue to discuss the reform action plan, agree on key next steps and monitor the progress of reforms.

4) We are hopeful that the central and State governments will move in unison to make India an easier place to do business.

12. QUESTIONNAIRE & MEASUREMENT

The questionnaire had “Yes”, “No” and in certain cases “Not Applicable” type of responses. ‘Yes’ response implied that the respective enabling factor has been implemented in the State. A ‘No’ response implied that the enabling factor is yet to be implemented in the State. A ‘Not Applicable’ response implied that the enabling factor is not relevant for implementation in the State.
Subsequently, the inputs received were analyzed and wherever appropriate, changes were made to improvise and finalize the assessment framework. As part of the framework, every factor enabling ease of doing business, from a reform standpoint, was considered equally important and hence was treated with equal weightage.

13. SUGGESTIONS FOR IMPROVEMENTS IN NEXT ROUND OF RANKINGS

As already discussed earlier most of the question were of “Yes”, “No” and “Not Applicable” type, which can measure only the status of implementation of business reform policies in India states, in coming years it will become a point of parity and each and every state will look same on the overall ranking chart. Hence the researcher suggests to measure the effectiveness of implementation, which can be measured in terms of its performance vis a vis other states. Say for example a factor called “Allotment of land and obtaining construction permit” shall be measured in terms of no. of days it takes to allot a land and obtain a construction permit for business. Hence, shorter the duration higher is the performance on that factor compared to other states of India. Instead of using nominal data (Yes / No), the ranking shall try to use metric data, which can help in quantifying the performance on particular factor/variable. It is observed by the researcher that all the questions were asked to policy makers of each state and not the actual audience (businesses/industries), who is capable of evaluating the effectiveness/efficiency of each policy/regulation. Hence, it is proposed by the researcher that in coming years this ranking may involve existing/newly-set-up industries/businesses to find out the real rankings of Indian states on the ease of doing business. The current ranking is just a self-assessment on certain list of questions, which were either implemented or not implemented but is not a comprehensive ranking. Hence, researcher strongly suggests to collect the real data from industry through consulting or market research agency, which can directly collect the data from business houses / industries and can keep the confidentiality of the data to prevent it from any unauthorised access. Then and then only the real picture of ease of doing business will be seen by the policy makers as well as by the industrialists. The state rankings can also be useful for existing/new entrepreneurs within India and overseas, as they can make an informed decision for setting up a new business in states with higher rankings.

REFERENCES

Abstract

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia’s first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. SEZ Act was formed with the objective of generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities, and development of infrastructure facilities. It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

Gujarat acts as a Gateway to the rich northern and central hinterland of India; connecting them via road, rail and air thereby providing immense trading opportunities. A strong Economy with the SDP rising at an average growth rate of 10.1% since 2005 to 2013, more than the national average. Gujarat achieved an annual growth rate of 9.51% during the 11th plan (2007-2012). Ranked 1st in India for “Economic freedom among states” Economic freedom of the states of India 2013.

The stated purpose is to study various benefits availed for establishing SEZ/SEZ units & its approval mechanism and special advantages in Gujarat for SEZ Start up illustrating performance of some successful SEZs.

Keywords: SEZ, Approval Mechanism, Special Advantage to SEZ, Investments, employment opportunities

INTRODUCTION

A Special Economic Zone (SEZ) is a specified, delineated and duty-free geographical region that has different economic laws from those of the country in which it is situated. In some countries, such a region is even treated as deemed foreign territory. An SEZ is a trade capacity development tool, with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment and technology. Today, there are more than 3000 SEZs operating in 100 countries, which account for over US$ 600 billion in export and about 68 million jobs (World Bank, 2008). By offering privileged terms, SEZs attract investment and boost the development of improved technologies and infrastructure.

Most developing countries in the world have recognized the importance of facilitating international trade for the sustained growth of their economies and increased contribution to GDP of their nations. As part of its continuing commitment to liberalization, the Government of Indi (GoI) has also, since the last two decade adopted a multi-pronged approach to promote foreign investment in India. The GoI has pushed ahead with reforms and has made several policy changes to achieve this objective.

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia’s first EPZ set up in Kandla in 1965. With a view to overcome...
the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes. To instil confidence in investors and signal the Government’s commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, a comprehensive draft SEZ Bill prepared after extensive discussions with the stakeholders. A number of meetings were held in various parts of the country both by the Minister for Commerce and Industry as well as senior officials for this purpose. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The draft SEZ Rules were widely discussed and put on the website of the Department of Commerce offering suggestions/comments. Around 800 suggestions were received on the draft rules. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. The main objectives of the SEZ Act are: (a) generation of additional economic activity (b) promotion of exports of goods and services; (c) promotion of investment from domestic and foreign sources; (d) creation of employment opportunities; (e) development of infrastructure facilities; It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities. The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically. All decisions of the Board of approvals are with consensus. The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

OBJECTIVES

The present paper explores the Indian policy framework for an SEZ and details the procedure to be followed in establishing an SEZ, and a Unit in an SEZ. It further discusses the various incentives available to an SEZ and an SEZ Unit, and special advantage of Gujarat and citing performance of some successful SEZs.

RESEARCH METHODOLOGY

The data and information has been collected from various literatures and websites.

SALIENT FEATURES: THE SEZ ACT, 2005

Setting Up of an SEZ and an SEZ Unit-Regulatory Framework

The Ministry of Commerce and Industry lays down the regulations which govern setting up and administering of the SEZs. Central Government is involved in notifying SEZs and in overseeing their functioning, while the State Governments play a significant role in the development of SEZs in their respective States by stipulating the conditions to be adhered to by an SEZ and granting the necessary approvals. The policy framework for SEZs has been enacted in the SEZ Act and the supporting procedures are laid down in SEZ Rules.

The provisions under the SEZ Act and the SEZ Rules, inter alia, cover the following aspects:
i. Constitution of authorities and bodies for regulating the SEZs and SEZ Units
ii. Permissible services and manufacturing activities in SEZs
iii. Criteria and procedure for setting up of SEZs and SEZ Units
iv. Obligations on the part of SEZs and SEZ Units
v. Dispute Resolution
vi. Facilities and Incentives to the Developer of SEZs and to SEZ Units

Constitution of Administrative Authorities and Bodies for Regulating the SEZs and SEZ Units

The SEZ Act provides for the constitution of the following authorities and bodies to regulate the SEZs and SEZ Units:

1. Board of Approval
2. SEZ Authority
3. Development Commissioner
4. Approval Committee

Criteria and Procedure for Setting up an SEZ and an SEZ Unit

Procedure to set up an SEZ

Application

An SEZ can be set up by the Central or State Government, the public or the private sector including a foreign company or jointly in the form of a consortium (a) for manufacturing goods, (b) for rendering services, or (c) as a free trade and warehousing zone. The types of SEZs along with their minimum area requirements prescribed under the SEZ Rules have been shown below in Table 1

<table>
<thead>
<tr>
<th>Type of SEZ</th>
<th>Minimum Area Requirement</th>
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<tbody>
<tr>
<td>Multiproduct</td>
<td></td>
</tr>
<tr>
<td>1. Manufacture/rendering services of two or more goods/services in a sector or goods/services falling in two or more sectors</td>
<td>1000 hectares contiguous and vacant area</td>
</tr>
<tr>
<td>2. Exclusively for services</td>
<td>100 hectares</td>
</tr>
</tbody>
</table>
| 3. Set up in the specified states-Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttarakhand, Sikkim, Jammu and Kashmir, Goa, Union Territory | 200 hectares or more
|                                                 | Requirement of contiguous area can be decided by the Board on a case-to-case basis       |
|                                                 | At least 25% shall be a processing area                                                  |
| Sector Specific                                 |                                                                                         |
| 1. Specific sector/port/airport                  | 100 hectares                                                                             |
| 2. Exclusively for electronic hardware, software, ITES | 10 hectares                                                                             |
| 3. Exclusively for bio-tech, non-conventional energy, gem and jewellery sector | 10 hectares                                                                             |
| 4. Set up in the specified states-Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttarakhand, Sikkim, Jammu and Kashmir, Goa, Union Territory and sectors not covered under categories 2 & 3 above | 50 hectares
|                                                 | At least 50% shall be processing area                                                  |
| Free Trade and Warehousing                      | No minimum area requirement, but maximum area cannot exceed 25% of the processing area |
| 1. When not set up as a part of Multiproduct SEZ | 40 hectares                                                                             |
| 2. When set up as a part of Sector Specific SEZ  | No minimum area requirement                                                             |

Prepared as per SEZ Rules, 2006 incorporating Amendments till May, 2009
(http://sezindia.nic.in/writereaddata/rules/SEZRulesincorporatingallamendments.pdf)

A person who wishes to set up an SEZ ("Developer") should submit a proposal in the form of an application before the Board or directly to the State Government after identifying the area. The State Government then forwards the application to the Board along with its recommendations within 45 days, or the Board may grant approval subject to the applicant obtaining the concurrence of the State Government. A State Government intending to set up an SEZ may directly forward the application to the Board after identification of the area. Further, the Central Government can directly notify the SEZ, without any application being made to the Board or reference to the State Government.

The application submitted to the Board by the Developer should contain the following details: name, address and status of the Developer (whether individual/private company/State Government/NRIs, etc.), and should be accompanied by a project report covering the following particulars:
Location of the proposed SEZ with details of existing infrastructure and infrastructure proposed to be established

- Its area and distance from the nearest seaport / airport / rail / road etc.
- Financial details, including proposed investment, mode of financing and viability of the project
- Details of foreign equity and repatriation of dividends, etc., if any
- Whether the SEZ will allow only certain specific industries or will be a multi-product SEZ

Criteria for approval of SEZ

Proposals for setting up SEZ would be governed by the following criteria:

- Generation of additional economic activity
- Promotion of export of goods and services
- Promotion of investments from domestic and foreign sources
- Creation of employment opportunities
- Development of infrastructural facilities
- Maintenance of sovereignty and integrity of India and security of the States

The Board may approve, reject or modify the proposal for the establishment of the SEZ. The Board also has the power to cancel the approval, provided the applicant is given an opportunity to be heard before cancellation.

After the Board of Approval has scrutinized the application, it forwards the application to the Central Government, which reviews it and grants a Letter of Approval (“Letter”) if the application is found satisfactory.

The Letter has a validity of 3 years within which time the applicant has to effectuate the proposal and start operations. However, the Board may grant a further extension for up to 2 years on a case-by-case basis. The applicant/Developer has to then submit the documentation of the land so acquired for the purpose of setting up the SEZ to the Central Government, for the Central Government to declare it as an SEZ.

After the approval has been granted, the Developer is required to submit all details to commence the authorized operations, and to apply for the exemptions, drawbacks and concessions. The SEZ will be demarcated into the processing and non-processing areas. The Developer can allot land in the processing area to individual Units. The Developer is not permitted to sell the non-processing area in an SEZ; however the Developer may allot such land for business and social purposes. Further, the Developer is required to execute a bond-cum-legal undertaking, with regard to the proper utilization of the goods.

The Developer/Co-Developer should hold a minimum of 26% equity in the entity (i.e. special purpose vehicle or separate entity) that is proposing to create business, residential or recreational facilities in the SEZ.

Further, the Developer has to sign an undertaking that it will be governed by the following local laws:

- Area planning
- Sewerage disposal
- Pollution control
- Industrial and labour laws

The SEZ Authority constituted under the SEZ Act is duty-bound to undertake measures for the development, operation and management of the SEZ for which it is constituted, including the development of infrastructure, and promotion of exports from the SEZ, and to review the functioning and performance, etc. of the SEZ.
Procedure to set up an SEZ Unit

Application

To set up an SEZ Unit, copies of project proposal are required to be submitted to the Development Commissioner who will forward the proposal to the Approval Committee. The Approval Committee shall consist of Development Commissioners, Officers from State and Central Government and also a representative of the Developer as a Special Invitee.

A consolidated application form is required to be submitted for the following approvals:

- Allotment of Land / Industrial Sheds in SEZ
- Registration-cum-Membership certificate
- Annual permission for sub-contracting
- Allotment of Import Exporter Code Number
- Power connection
- Water connection
- Registration with Central Pollution Control Board
- Building approval
- Sales Tax registration
- Approval from the Inspectorate of Factories
- Pollution control clearance wherever required
- Any other approval as may be required from the State Government, or as prescribed or sought by the State Government

If an industrial enterprise is operating in both the Domestic Tariff Area (“DTA”) and an SEZ, then both the Units shall have different identities though they do not need to be separate legal entities.

To set up an Offshore Banking Unit (“OBU”), approval from the Reserve Bank of India (“RBI”) is required. Further, if the Unit is to be set up in an International Financial Services Center (“IFSC”), approval from Central Government is also required. However, only one IFSC is permitted per SEZ.

Criteria for approval of an SEZ Unit

The approval of a proposal for an SEZ Unit is based on the fulfilment of certain conditions which inter-alia requires that:

- the SEZ Unit achieves positive net foreign exchange (“NFE”) to be computed cumulatively for a period of 5 years from commencement of production. NFE means excess value of exports and deemed exports over the value of imports/expenses

- The availability of space and infrastructure support has been applied for and is confirmed by the Developer

A single point clearance system has been provided to the Units in the SEZ under State laws / rules. Proposals for setting up Units in SEZs other than those requiring an industrial license may be granted approval by the Development Commissioner within 15 days. Proposals for setting up Units in SEZs requiring an industrial license may be granted approval by the Development Commissioner after clearance of the proposal by the Board and Department of Industrial Policy and Promotion within 45 days. Once granted, an approval is valid for 5 years.

The Approval Committee, however, has the power to cancel the approval granted to the SEZ Unit. Any challenge to the order of the Approval Committee with respect to the grant of approval to the SEZ Unit should be made before the Board of Approval within 45 days of communication of such order. Further, the concerned Development Commissioner shall give the possession of the space in the SEZ to the entrepreneur only after the issue of the Letter.
Exit Mechanism
The SEZ Unit may opt out of an SEZ with the approval of the Development Commissioner. Such exit is subject to the payment of applicable duties and taxes on the imported or indigenous capital goods, raw materials, components, consumables, spares and finished goods in stock. If the SEZ Unit has not achieved positive NFE, the exit shall be subject to penalty. The SEZ Unit shall continue to be treated as an SEZ Unit till the date of the final exit.

Obligations of an SEZ /SEZ Unit
- SEZ Units shall be required to achieve positive NFE. For this purpose, a legal undertaking is required to be executed by the Unit with the Development Commissioner
- The Unit is required to provide periodic reports to the Development Commissioner and Zone Customs
- The Unit is required to maintain proper accounts and furnish details regarding the value of imports, exports, etc. to the Development Commissioner on a quarterly basis
- The Unit is also required to execute a bond with the Zone Customs for its operations in the SEZ

Dispute Resolution
The SEZ Act provides that designated Courts shall try any suit of civil nature arising in the SEZ and from notified offences committed in an SEZ. Appeals against the Orders of designated Courts shall be filed before the High Court within 60 days from the date of communication of decision. Till such time as the designated Courts are set up, any dispute of civil nature arising between two or more entrepreneurs or two of more Developers or between an entrepreneur of a Unit and a Developer in the SEZ, shall be referred to Arbitration under the provisions of Arbitration and Conciliation Act, 1996.

Facilities and Incentives available to an SEZ/ SEZ Unit
Income-tax benefits
As per the Income-tax Act, 1961 (“ITA”), the following are the key tax benefits to be provided to SEZs and SEZ Units:
Benefits to SEZ Developers
- 100 per cent of the profits of the Developer arising from the business of developing an SEZ, notified after April 1, 2005 under the SEZ Act, shall be deducted from taxable income (Section 80-1AB of the ITA). This deduction can be claimed at the option of the assessee for any 10 consecutive years out of 15 years beginning from the year in which the SEZ has been notified by the Central Government. If a Developer who sets up an SEZ after April 1, 2005, transfers the operation and maintenance of the SEZ to another Developer, the transferee is entitled to the above deduction of profit for the remaining period
- With regard to a Developer who is entitled to claim an exemption under Section 80-IA of the ITA, the Developer can claim an exemption for the remainder unexpired exemption period under Section 80-IA, and thereafter it can claim the 10 year tax exemption available to such Developer under Section 80-IAB
- The Developers of SEZ are not required to pay Minimum Alternate Tax (Section 115-JB(6) of the ITA)
- No dividend distribution tax shall be paid by a Developer engaged in developing, operating and maintaining an SEZ (Section 115-O (6) of the ITA)

Benefits to SEZ Units
- The Units set up in an SEZ which have begun to manufacture / provide services during the financial year beginning April 1, 2005 will get the following exemptions (Section 19AA of the ITA):
  - 100% exemption of profits and gains from business for the first 5 years
  - 50% exemption on profits and gains from business for the next 5 years
  - 50% exemption to the extent that such amounts are re-invested in the SEZ Special Reserve Account
If the SEZ Unit has already availed of benefits for 10 years under Section 10A of the ITA, the above exemptions are not available. Further, when a Free Trade Zone (“FTZ”) or an Export Processing Zone (“EPZ”) is converted into an SEZ, the Units, which have already availed of the 10-year tax exemption in an FTZ or EPZ, cannot avail of the Section 10AA exemptions.

b) Losses falling under the heads “Profits and Gains from Business or Profession” and “Income from Capital Gains” can be carried forward / set off as long as such loss is related to the business of the SEZ Unit (Section 10AA(6) of the ITA)

c) Capital Gains on transfer of assets in case of shifting of an industrial undertaking from an urban area to an SEZ shall be exempt, provided that 1 year before, or 3 years after the transfer (i) machinery / plant was purchased for the business of the industrial undertaking in the SEZ, (ii) building or land was acquired or building was constructed in the SEZ, (iii) the original asset was shifted and the establishment was transferred to the SEZ and (iv) the assessee incurred such other expenses as are notified by the Central Government (Section 54GA of the ITA)

d) Interest income received by a non-resident or a person who is not ordinarily resident in India, on a deposit made in an OBU situated in an SEZ, and shall be exempt from total income (Section 10(15)(viii) of the ITA

e) No tax deduction shall be made by the OBU from interest paid (Section 10(15)(viii) of the ITA):
   (i) on deposits made on or after April 1, 2005 by a non-resident or a person not ordinarily resident in India; or
   (ii) on borrowings on or after April 1, 2005 from a non-resident or a person not ordinarily resident in India

f) The gross total income of an assessee having an OBU or an assessee being a Unit of an IFSC shall be deductible to the extent of 100% for 5 consecutive years from the year of grant of permission under the Banking Regulation Act / SEBI / other relevant law and 50% for the next 5 years (Section 80LA of the ITA).

It further defines the exempted “income”, which is:

• Income from an OBU in an SEZ
• Income from business referred to in the Banking Regulation Act, 1949, or any other Unit which develops, develops and operates, or develops, operates and maintains an SEZ
• Income from an approved unit of an IFSC

g) Exemption from Securities Transaction Tax available to taxable securities transaction entered into by a non-resident through the IFSC

Other Benefits

Customs and Excise

• Exemption from Customs Duty: SEZ Units may import or procure from the domestic sources, duty free, all their requirements of capital goods, raw materials, consumables, spares, packing materials, office equipment, DG sets etc. for implementation of their projects in the SEZ without requiring any license or specific approval
• Goods imported/procured locally which are duty-free could or should be utilized within the approval period of 5 years
• Domestic sales by SEZ Units will be exempt from Special Additional Duty
• Domestic sale of finished products, by-products is permitted on payment of applicable Customs duty
• Domestic sale of rejects, waste and scrap is permitted on payment of applicable customs duty on the transaction value
• Exemption from applicable excise duty on goods brought in from the DTA to an SEZ

FDI

• 100% FDI under the automatic route is allowed in the manufacturing sector in SEZ Units, except for arms and ammunition, explosives, atomic substances, narcotics and hazardous chemicals, distillation and brewing of alcoholic drinks and cigarettes, cigars and manufactured tobacco substitutes
• Exemption from the applicability of Press Note 2 (2005)

Banking / Insurance / External Commercial Borrowings

• Setting up OBUs has been allowed in SEZs. External Commercial Borrowings by SEZ Units up to US$ 500 million a year is allowed without any maturity restrictions
• Freedom to bring in export proceeds without any time limit
• Flexibility to keep 100% of export proceeds in an EEFC account and freedom to make overseas investments with it
• Commodity hedging permitted
• SEZ units allowed to 'write-off' unrealized export bills

Central Sales Tax

• Exemption from Central sales tax on inter-state sale or purchase of goods
• Exemption from other Central enactments, which are specified in Schedule 1 of the SEZ Act

State Taxes

• The respective State Governments may for the purpose of giving effect to the provisions of the SEZ Act, notify policies for Developers and SEZ Units and take suitable steps for the enactment of any law for granting exemption from state taxes, levies and duties to a Developer or an entrepreneur

Service Tax

• Exemption from Service Tax to the Developer and the SEZ Units to carry on authorized operations in the SEZ. Service tax exemption granted only to Units in the DTA providing services to a Developer or a Unit.

Labour laws

• All labour laws as applicable within the country apply in an SEZ

Stamp duty

• No stamp duty is chargeable in respect of any instrument executed, by, or, on behalf of, or, in favour of, the Developer, or Unit or in connection with the carrying out of the purposes of the SEZ

Sub-Contracting

• SEZ Units may sub-contract part of their production or production process through Units in the DTA or through other EOU / SEZ Units
• SEZ Units may also sub-contract work from the DTA exporters, and export from the SEZ
• Units can be set up to provide manufacturing services to overseas entities subject to certain conditions

Transaction incentives with DTA

• Supplies from a DTA to an SEZ to be treated as physical export. A DTA supplier would be entitled to:
  ✓ Drawback / DEPB
  ✓ Exemption from Central Sales Tax
  ✓ Exemption from State Levies
  ✓ Income-tax benefit as applicable to physical export under Section 80 HHC of the ITA
SPECIAL ADVANTAGE IN BUSINESS START UP IN GUJARAT
Situated in west coast of India, Gujarat is one of the leading industrialized states in the country. Its geographical area of about 2 lakh sq.km accounts for 6% of the total area of India. With a coastline of 1600 km, it is well connected to all major port-based trade routes, such as USA, Canada, Europe, Australia, China, Japan, Korea, Gulf & African countries and other major trade cities of the world by air route.

Gujarat contributes more than 7.5% to India’s GDP and 18% to India’s fixed capital. More than 10% of the of the country’s factories are in Gujarat while its manufacturing sector contributes 28% to its GSDP. Inspite of the global economic meltdown, Gujarat achieved an annual GSDP growth of 10% in 2005-13 which is more than the national average in the same period.

Under Gujarat SEZ Rules, 2005 (made under Gujarat SEZ Act, 2004) there will be single window clearance and the unit will be required to make an application in Common Application Form for obtaining clearances and approvals under section 10 (1) of the Act.

To facilitate the Industries further under this Rule, there is provision of for Self certification and consolidated Annual Return for compliance of Labour Laws. The units in SEZ will be required to file annually Consolidated Annual Report (CAR) to Development Commissioner, SEZ. The units in SEZ will not be required to file periodically separate returns.

As a pro-industrial policy recently amendment to Industrial Dispute Act 1947 has been made by GoG and the has sent for the Centre's approval where, companies in SEZ units are allowed to lay off workers without the government's sanction, i.e. Easing 'hire and fire' provisions at special investment regions and export-oriented industrial units. Firms in these will be allowed to retrench without prior permission, irrespective of the size of the factory. However, they will get retrenchment compensation and will get wages equivalent to 60 days of work a year, against 45 at present.

SUCCESSFUL SEZS IN GUJARAT:
In Gujarat, there are many functional SEZs, KASEZ & SURSEZ are amongst them. They are in the process of carrying out expansion and improvement in infrastructure facilities. The Central Government has provided grant under Critical Infrastructure Fund to Kandla as well as Surat SEZs.

KASEZ
With strategic Location, host of incentive & Facilities together with services of two major sea Ports, KASEZ offer an attractive destination for international trade. Admittedly, KASEZ is the most business like location in India’s most business like state. Situated on the Gulf of Kutch on the west coast of Gujarat at a distance of mere 9 Kms from Kandla port and 60 Kms from Adani Port Mundra. It was Asia’s first Export Processing Zone (EPZ) and today it is considered as India’s largest multi-product functional SEZ encompassing 1000 acres with 185 performing units as on 30-09-2014.

<table>
<thead>
<tr>
<th>Statistical Information of KASEZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENT, EMPLOYMENT &amp; EXPORTS IN KANDLA SPECIAL ECONOMIC ZONE AS ON 30/09/2014</td>
</tr>
<tr>
<td><strong>INVESTMENT</strong></td>
</tr>
<tr>
<td>GOVT INVESTMENT OF KASEZ</td>
</tr>
<tr>
<td>PRIVATE INVESTMENT/UNIT</td>
</tr>
<tr>
<td>FOREIGN DIRECT INVESTMENT</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
<tr>
<td><strong>EMPLOYMENT</strong></td>
</tr>
<tr>
<td>NO. OF UNITS</td>
</tr>
<tr>
<td>EMPLOYMENT</td>
</tr>
<tr>
<td><strong>EXPORTS</strong></td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2011-12)</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2012-13)</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2013-14)</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (1-04-2014 to 30-09-2014)</td>
</tr>
<tr>
<td>DTA SALES (1-04-2014 to 30-09-2014)</td>
</tr>
</tbody>
</table>

SURSEZ
Surat Special Economic Zone is a multi-product Zone encompassing 49.90 hectares. All types of non-polluting industries are invited to set up units in the Zone. A Manufacturing, Trading and Service unit can be set up in the Zone. At present more than 120 units are operating and exporting to various countries all across the globe.

Statistical Information of SURSEZ

<table>
<thead>
<tr>
<th>INVESTMENT, EMPLOYMENT &amp; EXPORTS IN KANDLA SPECIAL ECONOMIC ZONE AS ON 31/03/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENT</td>
</tr>
<tr>
<td>GOVT INVESTMENT OF KASEZ</td>
</tr>
<tr>
<td>PRIVATE INVESTMENT/UNIT</td>
</tr>
<tr>
<td>FOREIGN DIRECT INVESTMENT</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>EMPLOYMENT</td>
</tr>
<tr>
<td>NO. OF UNITS</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>EXPORTS</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2004-05)</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2005-06)</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2006-07)</td>
</tr>
<tr>
<td>PHYSICAL EXPORTS (2007-08)</td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce & Industry, Department of Commerce, Government of India

CONCLUSION

The establishment of the SEZs has undoubtedly helped to increase the volume of national trade. Further, a large amount of foreign investment has found its way not only into the export trade, but also into infrastructure construction and commerce. Foreign companies have been encouraged to establish their presence in the territories and the export industry has grown. Advanced foreign technology has been brought in with the inflow of foreign investment. All these factors have contributed to the growth of the Indian economy. The enactment of the SEZ Act and its implementation should enable the Govt of India to fulfil its agenda of economic reforms as the multiplier effects on the economic activities triggered by SEZ materialize. The challenge now is whether India through its SEZs can leverage its cost advantage and huge knowledge base and break the hold of China in manufacturing by making India the preferred destination for doing business.

References:
EASE OF DOING BUSINESS AND FOREIGN DIRECT INVESTMENT: RELATIONSHIP ASSESSMENT

Dr Kishor Bhanushali
Associate Professor
Unitedworld School of Business
E-mail: kishorkisu@gmail.com

Abstract

The success of globalization model depends on the freedom of movement of factors of production. With the advent of technological development, movement of capital has become very quick, but controlled by the government regulations and socio, economic, and environmental factors in both, home and host, countries. With new economic paradigm in place the role of government is reduced to providing suitable environment where private sector is at their ease to do business without much hurdle from government. Ample literature is available on factors that affect the foreign capital flow in any country both in the form of FDI and FII. Present paper is an attempt to access the relationship between ease of doing business and foreign direct investment. Using various world development indicators and ease of doing business ranking of World Bank, paper attempts to establish the relationship between FDI flows in country with various parameters of ease of doing business. Country, focusing on attracting FDI should focus more on construction permits, protection of minority interest, contract enforcement and insolvency resolution. Government action in the areas of making detail credit information more transparent, reducing labour costs, resolving insolvency procedure real outcome based, reducing the number of procedures to start business, reducing the cost of electricity, and registration of property.

Keywords: Ease of doing business, foreign direct investment, globalization, world development indicators

INTRODUCTION:

The growth of any country in current globalized world, to larger, extent, depends on the growth of private sector. A thriving private sector—with new firms entering the market, creating jobs and developing innovative products—contributes to a more prosperous society. Private sector is expecting the rule that encourage firm to start up new businesses implementing new ideas and support the growth of the firm without much market distortions. Governments play a crucial role in supporting a dynamic ecosystem for firms. They set the rules that establish and clarify property rights, reduce the cost of resolving disputes and increase the predictability of economic transactions. Without good rules that are evenly enforced, entrepreneurs have a harder time starting and growing the small and medium-size firms that are the engines of growth and job creation for most economies around the world. Doing Business measures the rules and regulations that can help the private sector thrive—because without a dynamic private sector, no economy can provide a good, and sustainable, standard of living for people (World Bank 2015). The mobilization of international resources in the form of FDI is also important for the development of countries. FDI along with supporting financial resources also helps the country in development of technology, creating employment opportunities and increasing foreign exchange reserves. FDI is a much studies phenomenon by both empirically and theoretically minded economists. There are enough empirical studies about the relationship between FDI and economic development (Admas 2009, Borensztein, De Gregorio & Lee 1998, Alfaro 2009). Mahmoud (2010) and Tambula (2004) focused on the positive relationship between FDI and female employment and poverty alleviation. FDI as a source of economic development become even more important for capital deficient emerging markets (Masron and Abdullah 2010).
RESEARCH OBJECTIVES:

The main objectives of the paper are:
1. To study the pattern of global foreign direct investments with specific reference to major countries of the world.
2. To study the relationship between Foreign Direct Investment and Ease of Doing Business
3. To identify the significance of individual indicators of ease of doing business index that influence Foreign Direct Investment

METHODOLOGY

Methodology for the research includes the use of Doing Business ranking data of World Bank report Doing Business 2015: Going Beyond Efficiency and FDI data from the World Development Indicators. Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars. Data were first adjusted for the availability for both the indicators viz. doing business and FDI. Final data set has 184 (out of 189) countries included in doing business ranking. In order to remove the nonlinearity of FDI data, data were transformed into logarithmic form. Appropriate correlation and regression were performed to test the relationship between Doing Business Ranking and FDI.

\[
\rho = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2} \sqrt{\sum (y_i - \bar{y})^2}}
\]

Where \( x \) = net FDI inflow

\( y \) = Ease of doing business indicator

Linear regression model was used to check the impact of doing business on net FDI inflow.

\[ Y' = a + b_1 x_1 + b_2 x_2 + \ldots + b_n x_n \]

Analysis is performed at three level viz. aggregate ranking, indicators ranking and variable ranking.

LITERATURE REVIEW

The amounts of FDI that any country can attract depend on many factors including socio-legal environment, market size, technological development, infrastructure etc. Nnadozie and Njuguna (2011) investigated the relationship between investment climate and FDI in African region. Agosin and Machado (2007) in their study highlighted market size, market growth, and educational level of domestic workforce as most important indicators of FDI. The study by Nunnenkamp & Spatz (2002) concluded that multinational corporations are more looking towards the cost saving factor that market size as their choice of destination. The country level study by Tarzi (2005) for Nigeria, Indonesia and India concluded that companies are more likely to invest in countries where government controls are least in the form of free mobility of capital, no corruption, and low corporate taxes. The studies done by Bergstrand & Egger 2007, Walsh & Yu 2010 clearly indicate that variable like GDP growth, GDP per capita, real exchange rate, inflation tax rate and openness of the economy are main factor that attract FDI. Some of the studies, especially Knack & Keefer 1995, Masron & Abdulla 2010 Ghosh 2007, Stein & Daude 2007 attempt the establish the correlations between institutional variable like labour flexibility, infrastructure quality, financial market, efficiency of legal system, control of corruption, effectiveness of government and judiciary, strong property and legal rights etc. and FDI inflow. Abdul A., Morris R. (2011) found that two factors, “registering property” and “trading across borders”, were found to be related to FDI over all six years of the study (2000-2005) for the combined
sample. Also, several factors were found to be related to FDI received by SSA and Asian countries during various years. Lawless (2009) in the attempt to examine the effects of the business environment on FDI find that the tax complexity components of doing business have a significant effect on FDI. Doing Business helps mobilize policy makers to reduce the cost and complexity of government procedures and to improve the quality of institutions. Such change serves the underprivileged the most—where more firms enter the formal sector, entrepreneurs have a greater chance to grow their businesses and produce jobs, and workers are more likely to enjoy the benefit of regulations such as social protections and safety regulations (World Bank 2014). Recent work by Jayasuriya (2011) established that higher Doing Business ranking attract more FDI and provide evidences that some of the indicators are matters while other do not matter much to attract FDI. The cross countries correlations show higher FDI inflow in countries with better performance on Doing Business indicators. In term of exact amount of FDI which a country can attract by improving the doing business ranking Piwonski (2010) shows that by increasing their country’s Ease of Doing Business ran one level, a government can bring in over $44 million USD as FDI. The results of the study by Andersons and Adrian Gonzalez (2013) suggest that on average across economies, a difference of 1 percentage point in regulatory quality as a measured by Doing Business distance to frontiers scores is associated with a differences in annual FDI inflows of $250 -500 million.

World Bank data and study on Doing Business highlight the important role of the government and government policies in the day-to-day life of domestic small and medium-size firms. The main objectives if the exercise in to encourage regulations that are designed to be efficient, accessible to all who use them and simple in implementation. Simple, transparent and easy implementable regulations provide an entrepreneur an opportunity to compete on an equal footing and to innovate and expand instead of considering regulations as a burdensome. Doing Business is a tool that governments can use to design sound policies for the creation of firms and jobs. But this tool should not be used in isolation. Doing Business provides a rich opportunity for benchmarking by capturing key dimensions of regulatory regimes. Nevertheless, the Doing Business data are limited in scope and should be complemented with other sources of information (World Bank 2015). The report finds that entrepreneurs in 123 economies saw improvements in their local regulatory framework last year. Tajikistan, Benin, Togo, Côte d’Ivoire, Senegal, Trinidad and Tobago, the Democratic Republic of Congo, Azerbaijan, Ireland and the United Arab Emirates are among the economies that improved the most in 2013/2014 in areas tracked by Doing Business. Together, these 10 top improvers implemented 40 regulatory reforms making it easier to do business. Sub-Saharan Africa accounts for 5 of the 10 top improvers in 2013/14. The region also accounts for the largest number of regulatory reforms making it easier to do business in the past year—75 of the 230 worldwide. More than 70% of its economies carried out at least one such reform (World Bank 2015).

**ANALYSIS**

Global economic order requires free flow of foreign capital across the borders without much government interference. Global flow of FDI across the countries depends on various factors including global economic development, inflation, terrorism, global cooperation, individual national policies, role of regional blocks and groups etc. UNCTAD estimated that global foreign direct investment (FDI) inflows declined by 8% to an estimated US$1.26 trillion due to fragility of the global economy, policy uncertainty, and geopolitical risks. FDI flows to developed countries dropped by 14% to an estimated US$511 billion, significantly affected by a large divestment in the United States.
FDI flows to the European Union (EU) reached an estimated US$267 billion; this represents a 13% increase on 2013, but is still only one-third of the 2007 peak. Flows to transition economies more than halved reaching US$45 billion as regional conflict, sanctions on the Russian Federation, and negative growth prospects deterred foreign investors (especially from developed countries) from investing in the region. Developing economies saw their FDI reaching a new high of more than US$700 billion, 4% higher than 2013, with a global share of 56%. At the regional level, flows to developing Asia were up; those to Africa remained flat, while FDI to Latin America declined.

The analysis of top ten economies which are considered as hottest destinations for FDI, China top the list with an estimated $128 billion. The United States fell to the 3rd largest host country followed by Singapore, Brazil and United Kingdom. Among the top five FDI recipients in the world, four are developing economies.

The analysis of change in estimated FDI inflows by region (table 1) shows FDI inflows to the European Union (EU) rose by 13% to an estimated US$267 billion. Among the largest economies, the United Kingdom saw its inflows rise to an estimated US$61 billion, helped by rising reinvested earnings and cross-border M&As. The biggest lost in FDI was for Northern American region and transition economic where change has been more than 50 percentages in the reverse side when compared to 2013 level.

### RESULTS

Various studies have indicated that the amount of FDI an individual country can attract depends on the ease of doing business ranking. The multinational companies and capitalist are looking at ease of doing business at different countries and would prefer to park their fund where there is minimum government interference. The results of present study also support the significant relationship between ease of doing business ranking and FDI inflow ($r = -0.499 \ p < .05$). Linear regression analysis was used to test if the ease of doing business ranking significantly predicted FDI inflow. The results of the regression indicated that ease of doing business ranking predict nearly 25 percent variation in FDI inflow ($R^2 = .249$, $F (1,172) = 56.272$, $p<0.01$.)

The correlation between indicators of ease of doing business and FDI inflow is presented in table 2. All the components of doing business are significantly correlated with FDI except one i.e. dealing with construction permits. Within different components, Resolving Insolvency, Protecting Minority Investors, and Getting Credit are highly correlated as compared to other components.
Table 2

<table>
<thead>
<tr>
<th>Correlations FDI and Doing Business Ranking</th>
<th>Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing Business Ranking</td>
<td>-.499**</td>
<td>0.00</td>
</tr>
<tr>
<td>Starting Business</td>
<td>-.251**</td>
<td>0.00</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>-.01</td>
<td>0.91</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>-.154*</td>
<td>0.04</td>
</tr>
<tr>
<td>Registering Property</td>
<td>-.343**</td>
<td>0.00</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>-.427**</td>
<td>0.00</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
<td>-.485**</td>
<td>0.00</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>-.234**</td>
<td>0.00</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>-.372**</td>
<td>0.00</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>-.393**</td>
<td>0.00</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>-.533**</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

In order to check the impact of individual indicators of ease of doing business, following multiple linear regression equation was formed. The results of the analysis are as table 3.

\[
\text{(Ln)NFDI} = a + b_1\text{(SB)} + b_2\text{(DCP)} + b_3\text{(GE)} + b_4\text{(RP)} + b_5\text{(GC)} + b_6\text{(PMI)} + b_7\text{(PT)} + b_8\text{(TAB)} + b_9\text{(EC)} + b_{10}\text{(RI)} + \epsilon
\]

Where:
- \(\text{(Ln)NFDI}\) = Net FDI Inflow
- SB = Starting a Business
- DCP = Dealing with Construction Permits
- GE = Getting Electricity
- RP = Registering Property
- GC = Getting Credit
- PMI = Protecting Minority Investors
- PT = Paying Taxes
- TAB = Trading Across Borders
- EC = Enforcing Contracts
- RI = Resolving Insolvency
- \(\epsilon\) = Error Term

Among various indicators of ease of doing business, not all indicators are important towards attracting FDI. Four indicators Protecting Minority Investors, Dealing with Construction Permits, Enforcing Contracts, and Resolving Insolvency has significant impact on FDI inflow.

Table 3

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>9.611</td>
<td>.426</td>
<td>22.539</td>
<td>.000</td>
</tr>
<tr>
<td>Starting Business</td>
<td>.007</td>
<td>.004</td>
<td>.168</td>
<td>2.020</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>.007</td>
<td>.003</td>
<td>.164</td>
<td>2.216</td>
</tr>
<tr>
<td>Registering Property</td>
<td>-.004</td>
<td>.003</td>
<td>-.008</td>
<td>-.099</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>-.005</td>
<td>.004</td>
<td>-.111</td>
<td>-1.359</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
<td>-.010</td>
<td>.004</td>
<td>-.234</td>
<td>-2.707</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>.001</td>
<td>.003</td>
<td>.016</td>
<td>.199</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>-.007</td>
<td>.004</td>
<td>-.160</td>
<td>-1.736</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>-.008</td>
<td>.003</td>
<td>-.185</td>
<td>-2.370</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>-.010</td>
<td>.004</td>
<td>-.227</td>
<td>-2.471</td>
</tr>
</tbody>
</table>

FDI AND EASE OF DOING BUSINESS VARIABLES

The analysis of ease of doing business variable under each indicator shows significant correlation between FDI and variables like depth of credit information index, labour tax and contributions, outcome of resolving insolvency, number of procedures for starting business, extent of disclosure in
FINDINGS & CONCLUSION

The amount of FDI that an individual country can attract to large extent depends on the ease of doing business in respective country. There is significant correlation between ease of doing business ranking and FDI inflow. The analysis of relationship between net FDI inflow and indicators of doing business shows that not all indicators are equally important. Country focusing on attracting FDI should focus more on construction permits, protection of minority interest, contract enforcement and insolvency resolution. Government action in the areas of making detail credit information more transparent, reducing labour costs, resolving insolvency procedure real outcome based, reducing the number of procedures to start business, reducing the cost of electricity, and registration of property.

REFERENCES


ABSTRACT

The paper sheds light on the formalities and process leading to new enterprise formation and identifies its impact on business start-ups. Starting a business is an act of faith. Many entrepreneurs invest and risk their personal savings in business plans. Starting a new business involves multiple unavoidable obstacles and long procedures.

An attempt has been made in this paper to help the new entrepreneurs to know about the procedures and formalities, which are required to start a new business in the state of Gujarat. Gujarat has been selected for the study because of its high economic growth and industrial development, policy incentives; rich labour pool and facilitating infrastructure.

The paper will focus on the procedures for starting a business in Gujarat and the corresponding time and cost associated with it.

Keywords: Starting a business, Procedure, Formalities, Gujarat
to start a business, the greater the number of registered firms. There is also a significant relationship between the cost of starting a business (as a percentage of gross national income) and business density. For every 10% point decrease in entry costs, density increased by about 1% point.

**Why Gujarat?**

The main focus of the study is on Gujarat state. Following are the reasons for selecting Gujarat as a preferred destination for starting a business.

- Gujarat attracted cumulative FDI worth US $11 billion from April 2000- March 2015 and is the second highest recipient of FDI in India after Maharashtra.
- Gujarat is very strong in the petroleum sector and is considered the petroleum capital of India. The state has the most developed gas pipeline network in the country, supplying piped natural gas to nearly 5,72,661 domestic households, 8,070 commercial establishments, 2,415 industrial customers and 183 CNG stations.
- Gujarat annually accounts for approximately 21% share of the total dairy output worth US $11 billion contributed by the top 20 states in India.
- The state is the world’s largest producer of processed diamonds, accounting for 72% of the world’s processed diamond share and 80% of India’s diamond exports. Approximately 8 out of every 10 diamonds in the world are processed and polished in Surat.
- Gujarat contributed about 31.3% and 60% to India’s cotton production and total cotton exports respectively in 2014-15, making it the largest producer and exporter of cotton in the country.
- With one major port and 44 non-major ports, Gujarat has the highest number of operational and commercial cargo ports in India.

**OBJECTIVES**

To examine the factors likely to motivate an individual to establish a business in Gujarat. The main objective of this study is to identify the factors important in serving as either barriers or which triggers to business start-up.

To study the procedures, formalities, time and cost associated with starting and new business, this will help the new entrepreneurs to take their decision in selecting the location for starting their own business.

**RESEARCH METHODOLOGY**

The study has been done on the secondary data collected from Government websites, Government publications, survey reports etc. The main source of data collection is the secondary data from the research report of Government as well as private institutions.

**LITERATURE REVIEW**

**Indian brand equity foundation report 2015:**
High economic growth and Industrial development: Average annual gross state domestic product (GSDP) growth rate from 2004-05 to 2014 – 15 was about 12.11 %

Gujarat has achieved the distinction of being one of the most industrially developed states. Accounting for 5% of the total Indian population, Gujarat contributes about a quarter to India’s goods exports. Policy Incentives: The state government has framed policies in almost all key sectors such as industry, power, ports, roads, agriculture and minerals. Gujarat’s industrial policy, 2015, offers attractive incentives and concessions for prospective investors.
Facilitating Infrastructure: Gujarat has successfully developed world-class infrastructure. There are 45 ports, 18 domestic airports and one international airport. The state also has an extensive road and rail network. A 2,200 km gas grid supplies gas to the industrial areas.

Rich labour pool: Gujarat has a good educational infrastructure with premier institutes in management, fashion, design, infrastructure planning and pharmaceuticals.

There are industries training institutes in each district to train manpower for the shop floor level. The state government has undertaken many initiatives to encourage innovation in the education sector.

**Vibrant Gujarat 2015 Report:**
10th largest economy in the world by nominal GDP and 4th largest by purchasing power parity (PPP). Recorded the highest growth rates in the mid – 2000s. One of the fastest growing economies in the world (GDP growth was more than 5% in 2012-13). 15% of the world’s population, 550 million people less than 25 years. Exports from Gujarat based special economic zones (SEZ) contributed more than 66% of the overall exports by Indian SEZs

**CII – KPMG in India survey, 2014:**
Starting and business in India involves getting a host of clearances and permits. Approvals related to environment clearances, land procurement, construction permits, industrial safety permits and power connection are top five obstacles in starting a business in India. As per the survey results, about 50% of the respondents have highlighted major challenges in obtaining environment clearances. More than one-third of the respondents rated land approvals as the major obstacle in starting a business. 80% of respondents feel that the time taken and number of departments to be visited to obtain clearances is not reasonable. 69% respondents feel that numbers of forms required to be filled for clearances are not reasonable. 78% of respondents feel that number of windows/ministries one has to visit is not reasonable and 51% said that approvals required for starting a new business is not realistically placed.

**Gujarat Industrial Policy- 2015, report:**
The government of Gujarat is introducing the concept of promoting start-ups at the idea stage. The state needs to strengthen scientific and technology ecosystems that would further motivate start-ups. The main objective of this policy is to promote individual innovators take up projects which will help them increase their income besides leading to a phenomenon of scaling-up innovation bottom-up. As a result, many of these start-ups would be transform new knowledge or new ideas for products and processes into tangible, marketable application start-ups are likely to bring in new solutions and challenge-established paradigms.

The state Government will be actively promoting innovations/ start-ups especially by facilitating sustenance allowance etc. For promotion of start-ups, preincubation co-working space will be established, aligned with industries and further accelerators will be developed. The state Government will promote incubation center associated with various institutions to encourage research and innovation.

**ANALYSIS**

Gujarat is the land for Dynamic and versatile industrialists and entrepreneurs. With availability of vast natural resources, excellent skilled manpower, support of government and its proactive nature, Gujarat attracts global investors in all sectors. Thus for any new company formation and incorporation Gujarat provides all the necessities and luxury too. The government strategies and planned projects have led to vibrant growth in the state. The overall development in the state has made commencement of new businesses easier. Hence government has also laid policies to make public limited (Ltd.) company registration and other company’s registration easy.
Gujarat is preferred for new industry commencement because besides other facilities like power, roads, townships, water supply and sanitation, industrial parks, urban transport, Gujarat also has ports to make import export possible through sea route. The port sides attract related industries to set up there.

The Gujarat government has identified some special economic zones and special investment regions in the state to ease the new entrepreneurs, which are trying to set their business in Gujarat.

**Special Investment regions in Gujarat**

The Government of Gujarat enacted the SIR act in 2009 with the objective of creating large size investment regions and industrial areas in the state of Gujarat and develops them as global hubs of economic activity supported by world class infrastructure. Gujarat is the only state in the country to enact such an Art. GIDC is setting up 11 special investment regions in Gujarat catalysing unprecedented economic growth in the state.

It enables the State Government to establish, develop, operate and regulate SIRS. The Government is empowered to declare an Investment Regions or an Industrial Area. A SIR has a minimum area of 100 sq. km (10,000 hectare). An industrial area has a minimum area of 50 sq. km (5,000 hectare). A 4 tier administrative mechanism set up for establishment, operations, regulations and management of SIR.

<table>
<thead>
<tr>
<th>Region</th>
<th>Area (sq. km)</th>
<th>Proposed Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aliyabet</td>
<td>169</td>
<td>Entertainment (eco zone, film city, amusement zone, golf course), aquaculture and marine engineering.</td>
</tr>
<tr>
<td>Dholera</td>
<td>879</td>
<td>Knowledge based industries (biotechnology, IT/ITES, education and training), light manufacturing (textiles, electronics, leather, toys, and ceramic), and engineering.</td>
</tr>
<tr>
<td>Halol – Savli</td>
<td>122</td>
<td>Engineering, automobile ancillaries, engineering plastics, electrical and electronics.</td>
</tr>
<tr>
<td>PCPIR</td>
<td>453</td>
<td>Refinery downstream products, high performance chemicals, pigments and coating products, nanotechnology, bio-refineries, and mineral resource based products.</td>
</tr>
<tr>
<td>Santalpur</td>
<td>186</td>
<td>Agro based (spices and seed processing, vegetable and fruit processing, dairy, cotton ginning), contract farming, solar power, logistics.</td>
</tr>
<tr>
<td>Hazira</td>
<td>195</td>
<td>Chemical and petrochemical industry, port and port based industries and heavy engineering</td>
</tr>
<tr>
<td>Changodar</td>
<td>319</td>
<td>Agro based, steel &amp; metal, plastic, Pharmaceutical and Oil &amp; Gas</td>
</tr>
<tr>
<td>Anjar</td>
<td>630</td>
<td>Port and port based industries, Mineral &amp; Agro based and Engineering.</td>
</tr>
<tr>
<td>Navlakhi</td>
<td>182</td>
<td>Ceramic, Engineering &amp; automobiles, food processing and electronics, textile and chemical and petrochemicals.</td>
</tr>
<tr>
<td>Pipavav</td>
<td>154</td>
<td>Logistics based industries, pre-cast structure and textile – only spinning.</td>
</tr>
<tr>
<td>Simar</td>
<td>78</td>
<td>Auto and auto components, heavy engineering, electronics Engineering plastics and AgrianPharma biotechnology.</td>
</tr>
<tr>
<td>Okha</td>
<td>196</td>
<td>General manufacturing, pharmaceutical, CRO, Biotechnology and Biopharma, Auto and auto ancillaries, mineral based and tourism.</td>
</tr>
<tr>
<td>Sanand-Viramgam</td>
<td>177</td>
<td>General manufacturing, pharmaceutical, CRO, Biotechnology and Bio-pharma, Auto and auto ancillaries, Mineral based industries, Tourism.</td>
</tr>
</tbody>
</table>

Source: Gujarat Industrial Development Corporation

<table>
<thead>
<tr>
<th>Region</th>
<th>Area (in hectare)</th>
<th>Proposed Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dahej SEZ, Vagra, Bharuch</td>
<td>1,732</td>
<td>Multi-product</td>
</tr>
<tr>
<td>Gandhinagar Electronic SEZ</td>
<td>28</td>
<td>EHTP</td>
</tr>
<tr>
<td>Mega IT projects SEZ, Gandhinagar</td>
<td>22</td>
<td>IT/ITES</td>
</tr>
<tr>
<td>Bio-Tech park SEZ, Vadodara</td>
<td>15</td>
<td>Bio-Tech</td>
</tr>
<tr>
<td>Surat Apparel Park SEZ</td>
<td>56</td>
<td>Apparel</td>
</tr>
<tr>
<td>Ahmedabad Apparel Park SEZ</td>
<td>38</td>
<td>Apparel</td>
</tr>
</tbody>
</table>

Source: Gujarat Industrial Development Corporation

**Special Economic Zones (SEZ)**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the SEZ</th>
<th>Type of SEZ</th>
<th>Area (in hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dahod SEZ, Vagra, Bharuch</td>
<td>Multi-product</td>
<td>1,732</td>
</tr>
<tr>
<td>2</td>
<td>Gandhinagar Electronic SEZ</td>
<td>EHTP</td>
<td>28</td>
</tr>
<tr>
<td>3</td>
<td>Mega IT projects SEZ, Gandhinagar</td>
<td>IT/ITES</td>
<td>22</td>
</tr>
<tr>
<td>4</td>
<td>Bio-Tech park SEZ, Vadodara</td>
<td>Bio-Tech</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Surat Apparel Park SEZ</td>
<td>Apparel</td>
<td>56</td>
</tr>
<tr>
<td>6</td>
<td>Ahmedabad Apparel Park SEZ</td>
<td>Apparel</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Gujarat Industrial Development Corporation

SEZ are specially designed duty free enclaves for the purpose of trade, operations, duty and tariffs. These zones are self-contained and integrated, having their own infrastructure and support services. Apart from providing state-of-the-art infrastructure and access to a large well trained and skilled work force,
the SEZ also provides enterprises and developers with a favourable and attractive framework of incentives.

Procedure for starting a business in Gujarat:

Starting a business is an act of faith. Many entrepreneurs invest and risk their personal savings in business plans they believe in. Starting a new business involves multiple unavoidable obstacles, but excessive bureaucracy should not be one of them—because entrepreneurship matters for economies’ economic performance. In fact, there is a positive relationship between entrepreneurship, growth and job creation.

To convert the business plan into reality, and individual has to undergo several steps for registration of their business. For different types of registration different cost and time is associated with the same. Following steps are required to register a new company in Gujarat.

**A roadmap of doing business in Gujarat**

![Roadmap Diagram]

According to above chart, it takes almost 4 to 5 months to complete all the formalities of registering a new company.

**Cost of setting up business in Gujarat**

<table>
<thead>
<tr>
<th>Cost Parameter</th>
<th>Cost estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td></td>
</tr>
<tr>
<td>Land (US $ per hectare)</td>
<td>95,312</td>
</tr>
<tr>
<td>Labour cost (US $/man year)</td>
<td>1,592.4</td>
</tr>
<tr>
<td>Employee cost (US $/man year)</td>
<td></td>
</tr>
<tr>
<td>Software developers</td>
<td>6,383</td>
</tr>
<tr>
<td>Team leads</td>
<td>14,893</td>
</tr>
<tr>
<td>Architects</td>
<td>21,276</td>
</tr>
<tr>
<td>Project Managers</td>
<td>31,915</td>
</tr>
<tr>
<td>Common Heads</td>
<td></td>
</tr>
<tr>
<td>Cost of capital (Prime lending rate, percent)</td>
<td>10.57</td>
</tr>
<tr>
<td>Electricity (US cents/Kwh)</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>9.49</td>
</tr>
<tr>
<td>Industrial</td>
<td>9.29</td>
</tr>
</tbody>
</table>

Source: www.ibef.org
### Tax Framework at Gujarat

<table>
<thead>
<tr>
<th>Dividends</th>
<th>Distribution tax</th>
<th>16.99%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Profits</td>
<td>Domestic Company</td>
<td>33.99% (Net Basis)</td>
</tr>
<tr>
<td></td>
<td>Foreign Company</td>
<td>43.26% (Net Basis)</td>
</tr>
<tr>
<td>Interest</td>
<td>21.63%</td>
<td></td>
</tr>
<tr>
<td>Royalty/FTS</td>
<td>10.82% (gross basis)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>43.26% (Net Basis)</td>
<td></td>
</tr>
<tr>
<td>Capital Gains</td>
<td>Short Term</td>
<td>43.26% (Net Basis)</td>
</tr>
<tr>
<td></td>
<td>Long Term</td>
<td>21.63% (Net Basis)</td>
</tr>
</tbody>
</table>

Source: Vibrant Gujarat 2015 report

### Steps involved in starting business in India

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Procedure</th>
<th>Time to complete</th>
<th>Cost to complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Obtain director identification number (DIN) online from the ministry of corporate affairs portal (National)</td>
<td>1 day</td>
<td>INR 100</td>
</tr>
<tr>
<td>2</td>
<td>Obtain digital signature certificate online from private agency authorized by the ministry of corporate affairs (National)</td>
<td>3 days</td>
<td>INR 1,500</td>
</tr>
<tr>
<td>3</td>
<td>Reserve the company name online with the registrar of companies (ROC) (National)</td>
<td>2 days</td>
<td>INR 500</td>
</tr>
<tr>
<td>4</td>
<td>Stamp the company documents at the state treasury (state) or authorized bank (private)</td>
<td>1 day</td>
<td>INR 1,300 (INR 200 for MOA + INR 1,000 for AOA for every INR 500,000 of share capital or part thereof + INR 100 for stamp paper for declaration form 1)</td>
</tr>
<tr>
<td>5</td>
<td>Get the certificate of incorporation from the registrar of companies, Ministry of corporate affairs (National)</td>
<td>5 days</td>
<td>INR 14,133</td>
</tr>
<tr>
<td>6</td>
<td>Make a seal (Private)</td>
<td>1 day</td>
<td>INR 350 (cost depends on the number of seals required and the time period for delivery)</td>
</tr>
<tr>
<td>7</td>
<td>Obtain a Permanent Account Number (PAN) from an authorized franchise of agent appointed by the National securities Depository Ltd. (NSDL) or the Unit trust of India (UTI) investors services Ltd, as outsourced by the Income Tax Department (National)</td>
<td>7 days</td>
<td>INR 67 (INR 60 application fee + 12.36% service tax + INR 5 for application form, if not downloaded)</td>
</tr>
<tr>
<td>8</td>
<td>Obtain a Tax Account Number (TAN) for income taxes deducted at source from the Assessing office in the Mumbai Income tax department</td>
<td>7 days</td>
<td>INR 57 (INR 50 application fee + 12.36% service tax)</td>
</tr>
<tr>
<td>9</td>
<td>Register with the office of Inspector, Shops, and Establishment Act (State/ Municipal)</td>
<td>2 days</td>
<td>INR 6,500 (INR 5000 + stamp duty INR 100)</td>
</tr>
<tr>
<td>10</td>
<td>Register for Value – Added Tax (VAT) at the commercial Tax office (State)</td>
<td>12 days</td>
<td>INR 5,100 (registration fee INR 5000 + stamp duty INR 100)</td>
</tr>
<tr>
<td>11</td>
<td>Register for Profession Tax at the Profession Tax office (state)</td>
<td>2 days</td>
<td>No Cost</td>
</tr>
<tr>
<td>12</td>
<td>Register with Employees’ Provident Fund Organizational (National)</td>
<td>12 days</td>
<td>No Cost</td>
</tr>
<tr>
<td>13</td>
<td>Register for medical insurance at the regional office of the employees’ state insurance corporation (National)</td>
<td>9 days</td>
<td>No Cost</td>
</tr>
</tbody>
</table>

Source: www.ibef.org

### Timelines for approvals and clearances

<table>
<thead>
<tr>
<th>Department</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of allotment order</td>
<td>15 days</td>
</tr>
<tr>
<td>Possession of Plot/Shed</td>
<td>7 days</td>
</tr>
<tr>
<td>Building plans approval</td>
<td>15 days</td>
</tr>
<tr>
<td>Grant of water connection</td>
<td>10 days</td>
</tr>
<tr>
<td>Urban Land ceiling permission</td>
<td>10 days</td>
</tr>
</tbody>
</table>

Source: www.ibef.org

### Cost of doing business in Madhya Pradesh

<table>
<thead>
<tr>
<th>Cost Parameter</th>
<th>Cost Estimate</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Industrial land (per sqft)</td>
<td>US $ 4.8 – 28.7</td>
<td>Industry Sources</td>
</tr>
<tr>
<td>Residential rent (per month for 1,200 sq. ft. apartment)</td>
<td>US $ 200 – 750</td>
<td>Industry sources</td>
</tr>
<tr>
<td>Commercial rent (persqft per month)</td>
<td>US $ 0.7 – 3.2</td>
<td>Industry Sources</td>
</tr>
<tr>
<td>Power cost (per Kwh)</td>
<td>Industrial: 8-12.4 US cents</td>
<td>Madhya Pradesh electrical regulatory commission</td>
</tr>
<tr>
<td>Labour cost (Minimum wages per day)</td>
<td>US $ 3.73</td>
<td>Labour department, Madhya Pradesh Government</td>
</tr>
</tbody>
</table>

Source: www.ibef.org
Advantage of Starting a Business in Gujarat:
The above comparison of the cost and timeline suggest that, it is easy to start a business in Gujarat as compared to Maharashtra and Madhya Pradesh, in terms of time and cost as well. Even to provide further advantage to start business in Gujarat, Ministry of corporate governance has integrated 5 different types of registration at one place and with only 1 form submitting it online. This has reduced the number of days one has to spend for finishing all the formalities of starting a business in Gujarat.

INC – 29
The INC – 29, a 5 – in -1 form for company registration, combines the application for DIN allotment, name reservation, incorporation and even PAN & TAN, while making the process cheaper. As the entire incorporation process is in a single form, correct filing could mean approval in 48 hours, the government claims. If you’re an entrepreneur, you should be impressed. Relative to the old process, it has the potential to save a lot of time, if properly implemented.

Earlier form filling:
1. Applications for obtaining a DIN – DIR – 3
2. Approving the name of the company – INC – 1
3. A separate form for registration of the company (with MOA & AOA) – INC – 7
4. Form INC – 22 for sharing details about registered office – INC – 22
5. A separate form DIR12 which should be sent to every director – DIR -12

Now Form filling:
INC – 29 will provide following services through a single e-form:
- Allotment of Director Identification Number;
- Name of a company; and
- Incorporation of a company.

Findings
- From the study it is visible that starting a business in Gujarat is much more convenient as compared to other states of India like Maharashtra and Madhya Pradesh as shown here.
- Time taken to start a business in Gujarat is less and the procedure is fast as compared to other states of Gujarat.
- The government has launched the critical infrastructure project (CIP) scheme to facilitate the upgrading of infrastructure in existing estates. Assistance is given for upgrading infrastructure facilities of the industrial estate including construction of approach road, by-pass road, over bridge on road and rail facilities specific to the industrial area.
- The state government has sanctioned INR 1,433.54 crore under the CIP schemes for 187 projects in 184 estates.
• Labour compliance, SEZ act, Gujarat: The Gujarat SEZ act, 2004 has made key provisions with respect to the appointment and termination of labour for units established in SEZs. The concept of ‘fixed term employment’ introduced by SEZ act has helped in accounting for the least manpower days lost due to labour strife, among comparable industrial states. Gujarat’s manpower days lost accounts for 0.6% of the total loss across India, less than comparable industrial states.

• Skill development: With a goal of providing employment to the youth, the Directorate of Employment & Training started imparting skill development training to youth through village cluster training centres in villages, under the Swarnim Gujarat Gramya Kaushalya Vardhan Kendra (KVK) yojana. 940 training institutes and one lakh candidates have been registered in the GSDM.

• ACTUniv is one of the partner organisations of Gujarat Knowledge society in terms of training locations, skill sets required, training infrastructure, trainers and third party assessment of their courses.

CONCLUSION
Gujarat is the only state in India to emerge ‘Investor Friendly’ even in World Economy Downturn. Gujarat emerges to be an industrial hub with India’s most industrialized state. Gujarat pays a 27% tax of India. With Vibrant Gujarat Summits, it is evident that Gujarat has the highest success rate of projects implemented in the country.

Gujarat’s Industrial Policy 2009 is geared for catalysing Robust, sustainable and Inclusive growth. The industry in Gujarat has evoked new models of development. Enhancing IRs and SIRs while traversing through product clusters, Industrial Estates, Industrial parks and SEZ, these phases have met with success and co-exist as Gujarat plunges to expansion with business growth. Increasing industry activity in Gujarat has led to vast business resources and immense prosperity for the people of Gujarat.

To further improve the procedure of starting a business in Gujarat, the Gujarat Government may needs to make the procedure online. They can encourage the new entrepreneurs by reducing the minimum capital required for registering a new company.

SUGGESTIONS
• Single window act should be formed so that they can adopt a single window clearance mechanism in order to fast track all permissions, concessions, exemptions and relaxations for establishing operations of an enterprise in the state of Gujarat.

• Single window agency should aim to co-ordinate all legal approvals necessary for the setting up of a business.

• Decrease the time taken to grant approval. A single–window clearance agency to the concerned authorities in case of delays, could do escalation.

• Simplify applications by introducing a combined application form (CAF) instead of several different forms for various departments. Orissa has one common form, which is accepted by all the departments.

• Prepare a design and implementation plan for e-enablement of labour systems facilitating online registrations, returns filings, license applications, exemptions and tracking of applications.

• Wider and effective adoption of deemed approval principle.

• Moving away from department centric approach to business centric approach and make everything available at one place.

• Needs to improve the labour reforms so that easy availability of labours should be there.

• Access to funds for Micro Small and Medium Enterprises (MSME).

REFERENCES:
EASE OF DOING BUSINESS
AN EFFICIENCY ANALYSIS: GOVERNMENT VS PRIVATE SECTOR

Chandramani P Singh
Income Tax Officer
CBDT (CCA-Gujarat)
Email Id: cpsingh3@gmail.com

Abstract

This paper evaluates performance differences between government sector and private sector enterprises in India for the period from 1993–94 to 2009-10. The results establish that enterprises owned by the central government and state governments are less efficient than mixed or private sector enterprises, while mixed sector enterprises are less efficient than those in the private sector in terms of ease of doing business. The results contradict extant evidence finding no performance differences between government-owned and private firms in India. There have, however, been inter-temporal efficiency gains for the sector as a whole, perhaps resulting from reforms undertaken towards improving government-owned enterprises’ performance and ease of doing business.

Keywords: Government sector, Private sector, performance, efficient, ease of doing business

1. Introduction

Considerable disquiet about the performance of the government-owned sector of Indian industry has been expressed by writers who have been senior policy-makers and academics. Yet, extant comparative evidence points to no significant differences in the performance of private versus state-owned firms.

What is the true picture? If the government-owned sector is as efficient as the private sector, then the large amount of effort being currently devoted to privatization and reforms is of no avail, since the efficiency gains are unlikely to be material. Conversely, the authors expressing disquiet may have substantive reasons for doing so, and contemporary empirical research could be flawed. The resolution of such a conundrum, then, has to be based on evidence, and this paper reports the results of a study evaluating comparative efficiency patterns among segments of Indian industry owned by different categories of investors. Comparative efficiency assessment is also important for another reason. Research shows that the evolution of modern industry, the capabilities developed within industry and the efficiency with which these capabilities have been utilized have been a major force in shaping the growth and economic strength of modern nations. The state-owned sector accounts for a substantial part of employment and capital investment in many developed as well as developing nations. Therefore, understanding whether the state-owned sector performs better or worse than private enterprises is relevant in shedding light on whether national progress is being propelled forward, at least sustained at a certain level, or impeded. The Indian experience with the state-owned sector provides a rich backdrop for assessing comparative efficiency. In terms of magnitude, the state owned sector constitutes a large proportion of industrial activity, and for the first four decades since independence the Indian economy has seen an ever increasing role played by state-owned enterprises.

There is an increasing role of the state-owned sector in India’s industrial economy. It shows the composition of employment, productive capital (including fixed and working capital) and value added between the state-owned sector (owned by the central government and the governments of different states), the mixed sector and the private sector for recent time-periods. With respect to employment, the share of the state-owned and the mixed sectors has risen. With respect to productive capital invested, the share of the state owned and mixed sectors was over half, at 58 percent, in 2009-10. By 2010-11, this share has risen to 68 percent. Though fluctuations have occurred, the share remained at 66 percent, implying that two thirds of the capital invested in Indian industry is owned by the state-owned and mixed sectors. The paper evolves as follows. In Section 2 theory and evidence with respect to
performance assessment are discussed. Thereafter, in Section 3 the empirical analyses are described. Data and estimation issues connected with the paper are discussed. The analysis is based on a comparison of efficiency patterns for sixteen time-periods between 1993-94 and 2009-10, which is the last year for which data have been taken from the Central Statistical Organization of the Government of India, for four sectors of Indian industry in respect of which data have been reported by ownership type. These are: the central government-owned sector; the state government-owned sector; the mixed sector; and the private sector. Section 4 discusses the results that are obtained from the empirical analyses, and Section 5 concludes the paper.

2. Theory and evidence

2.1. Theory

Arguments advanced for the existence of performance differences between private and government-owned enterprises are as follows. To the extent that ownership composition varies, principal-agent issues arise. Property-rights over the enjoyment and disposal of assets are attenuated in Government-owned enterprises because a market for corporate control is absent. Capitalization of future consequences into current share prices is inhibited, leading to a reduction in owners’ incentives to monitor managers, and the exit option that can be exercised where there is a market for corporate control is not viable. Consequently, there is a lack of capital market discipline to which state-owned enterprise agent-managers can be subjected by owner principals. Next, an issue arises with respect to the fuzziness of owners’ identity. With many owner-principals there are incentives to free-ride because any owner bearing the costs of monitoring has to share them with others. The ownership of state-owned enterprises is vested in individual government departments. Theoretically, therefore, this attribute ought to ensure superior performance, compared to the private sector, since ownership is not diffused among many owners but there is only one owner who can exercise strong control. However, the government department is itself, an agency for citizens who are the de-jure owners of state-owned enterprises. This means that the control of government-owned enterprises, currently being undertaken by civil servants, is vested in persons who are themselves agents monitoring other agents, and have no incentives for carrying out their tasks. The consequences can be as follows. As a collection of many principals, citizens face severe agency problems. Citizens in a democracy have neither the incentives, nor can they find it easy to control state-owned industrial enterprise managers. Individually they cannot arrange a private portfolio of state-funded enterprises, whereby the benefits of information acquired from having undertaken monitoring activities can be internalized. Then, the very diffuseness of public ownership implies that citizens acting individually have small probabilities in influencing outcomes or expressing voice. As a result, state-owned enterprises effectively become proprietary organizations owned de-facto by civil servants or politicians, while managers in such organizations know that they are free of both market discipline and sanctions from the ultimate principals. In a similar note, it is argued that it is primarily variations in the nature of competitive regimes faced that determine performance differentials between privately and publicly-owned firms. There is some evidence which finds that public and private firms facing similar competitive environments do not display any efficiency differences, or that given sufficient competition between private and public producers, and no discriminating regulations, unit cost differences are insignificant.

Nevertheless, in spite of similarities in competitive conditions, the composition of the specific institutional environments that private sector or public sector firms are faced with may affect performance. For example, there is the reality of the political environment surrounding government-owned enterprises. While citizens may have little say in the functioning of government-owned firms, government decision-making is surrounded by a constellation of interests forming specialized coalitions interested in government-enterprise operations. These actors include politicians, unions, trade associations and consumer groups who can pressurize bureaucrats into directing government-owned bodies into acting in manners consistent with their own special interests. While the distributional consequences of such pulls and pressures may often be positive, their impact on efficiency is likely to be negative because such factors do tend to make the management process in government-owned enterprises complex and unfocussed.
2.2. Evidence

There is a large literature evaluating the relative performance of the public versus the private sector. Boardman and Vining (1989) evaluate fifty-four studies, of which six find the public sector to be more efficient, sixteen find no performance differences between the two sectors, while thirty-two find that the private sector is more efficient. Many of these studies have compared firms undertaking specific activities, such as running airlines, supplying water or supplying refuse collection services. However, comparatively few studies have compared efficiency patterns among different ownership segments of the industrial sector as a whole for a specific country.

There are some exceptions. Funkhouser and MacAvoy (1979) evaluate the performance of a number of Indonesian public and private firms, operating in different areas of the economy. Boardman and Vining (1989), in a comprehensive study, evaluate the performance of five-hundred of the world’s largest Corporations outside the United States for the year 1983. The companies they evaluate operate in the mining and manufacturing sectors, and belong to several nationalities. They find that, controlling for a variety of factors, mixed and state-owned enterprises perform worse than similar private enterprises.

In terms of their key performance indicators, mixed enterprises are no different from state-owned enterprises, but relatively worse performers compared to the private sector firms. With respect to India, three studies exist. These have used a variety of methodologies, data and performance benchmarks. Bhaya (1990) uses Annual Survey of Industries (ASI) data for the years 1981–1982 to 1985–1986.

Calculating simple ratios of net value added to fixed capital, working capital and inventory, but ignoring human capital utilization, he believes it is safe to conclude that public sector management efficiency is in no way inferior to that of the private sector, but the sector does perform worse with respect to its return on investment. Jha and Sahani (1992) use ASI data for the years 1969–1970 to 1982–1983 for four industries: cement, cotton textiles, electricity and iron and steel. The latter two industries, they claim, are primarily in the public sector, while the first two are owned predominantly by private interests. The authors find no evidence of allocative inefficiencies in general, and each of them are relatively as efficient as one another. Ramaswamy and Renforth (1994) use 1988–1989 to 1992–1993 accounting data for a non-randomly chosen and matched sample of 55 firms each from the private and public sectors. Using the same measures as Bhaya (1990), they conclude that managerial efficiency differences do not exist between the two sectors, though public sector firms are again found to be less profitable.

These studies contradict theory and belief with respect to public sector performance. However, each study suffers from biases which call the results into question. Bhaya (1990) uses very simplistic techniques, a narrow time window, and eye-ballng procedures as analytical methodology to reach his conclusions. Jha and Sahani (1992) are more rigorous, but restrict their study to four sectors only. They also evaluate allocative efficiency, and no conclusions with respect to technical or managerial efficiency can be made based on their study. Ramaswamy and Renforth (1994) also have a narrow time window; their study suffers from the same methodological short comings as the one by Bhaya (1990), and also from maximum sample-selection bias. They non-randomly choose 55 firms each from the private and public sectors, and, given the wide heterogeneity of private sector firms in India, it is easy to choose a number of them which are similar to their public sector counterparts in efficiency characteristics.

3. Empirical Analysis

3.1. Data and context

To calculate comparative efficiency patterns over the period 1993–94 to 2009–10, data generated by the Annual Survey of Industries (ASI) in India are used. The ASI data relate to the organized sector of manufacturing industry and have seen prior use (Ahluwalia, 1991). The factory sector summary is used as the data-source for this study. From the data set, labour and capital inputs as well as output measures can be identified. The advantage of using this data is that information for the entire Indian industry is available. This includes information on firms owned by the governments of the various states in the
Indian Union which are also substantial players in the industrial arena, and whose performance has never been empirically analysed. The characteristic of this particular data-base is that data are aggregate because of the reporting policies of the Department of Statistics of the Government of India. However, the aggregation issue is unavoidable since information on a key variable that of firm-level employment is just not available for private sector firms. Hence, any comparative study of efficiency has to use a data-base such as this. Aggregate data also helps avoid any sample-selection biases, since data on the entire industrial population is considered for comparative efficiency assessment purposes.

Since 1956, every conceivable sub-sector of Indian industry has seen their presence of state-owned firms. Apart from defence firms, traditionally in the public domain, generation of atomic and non-atomic power, manufacture of aircraft, heavy machinery, and equipment for rail and sea transport are among activities carried out exclusively by state-owned firms. At present, state-owned firms also manufacture products such as aluminium and nonferrous metals, chemical intermediates, iron and steel, drugs and fertilizers and are involved in diverse activities such as construction, engineering consultancy, farming, handicrafts retailing, shipping, coal mining, oil refining, commodity trading, and software consultancy. State-owned firms operate in many consumer-goods industries such as condoms, hotels, handicraft retailing, food products, telecommunications and consumer electronics where competition among players is very high, and in general are subject to the same institutional and regulatory forces that private firms have to face with regard to day-to-day operations. Data for firms undertaking these activities are included within the data that are analysed.

Three inputs and one output are used in the computation of an efficiency index for each observation. The inputs are rupee values of fixed and working capital, and the actual number of staff employed. The output variable is net value added, expressed in crores of rupees (a crore is equal to ten million) which is a standard measure of firm-level output (Jackson and Palmer, 1988). In the contemporary literature on efficiency measurement both value added and gross output are concomitantly used to measure output. However, Griliches and Ringstad advance arguments in favour of using value added because it facilitates comparison of results for firms which may be heterogeneous in material consumption. Second, inclusion of material as an input may lead to the problem that all variation in efficiency may be captured by materials consumption, thus obscuring the role of physical and human capital utilization. A further choice arises between the uses of either gross or net value added as the output measure. Denison makes a case for the use of net value added on theoretical grounds by arguing that, since gross value added includes a measure of capital consumption, there is no rationale as to why capital consumption ought to be maximized rather than minimized. Nevertheless, value added captures hybrid aspects of firms’ activities. First, it captures a production relationship between primary factors and output. This relationship is based on managements’ capabilities. Second, it also captures a profit-generating relationship between firm-specific capital and firms’ output, which, while also dependent on endogenous management capabilities, is highly dependent on exogenous demand and supply conditions, since these conditions determine the prices a firm is able to charge for its outputs. In the context of state-owned firms in developing countries, administered price regimes may be in operation, and governments use state owned firms to operate as indirect tax collectors.

In the case of India, this is particularly true for state-owned oil firms. Thus, there may be a large element of windfall price-gains captured in the value added measure for each firm. To create value necessitates acquisition and configuration of capabilities, which are encapsulated in physical, liquid and human capital. Capital inputs, both physical and working capital, are also expressed in crores of rupees. Human capital inputs are expressed in thousands of employees. To deflate variables expressed in rupees the wholesale price index is used; the capital inputs and the output values are then expressed in constant rupees. Capital inputs can be book-values of physical capital given in ASI data, however, in measuring capital input, the use of un-deflated amounts lead to inaccuracies. The book value series is deflated by a price index. The weakness of the approach is that it does not take into account assets of different vintages bought at different points of time. Conversely, major lacunae of the perpetual inventory method, which can take into account the different-vintage issue, are the two key assumptions, for some base year of an amount as beginning capital stock, and an annual rate of capital consumption. Therefore, efficiency parameters obtained by different researchers can vary amongst themselves, because each
researcher may choose to base analysis of idiosyncratic assumptions as to the base capital values and rate of capital consumption. The ASI data reported by individual enterprises are collected at the factory level. For public reporting purposes, data classified by ownership category are released only in aggregate. Thus, for every year there are four observations with respect to output and inputs, given the existence of four ownership categories. However, time-series observations for each ownership category are available for each year between the period 1993–94 to 2009-10; thus, for each category there are sixteen available observations. Pooling data by ownership category and time yields sixty-four observations to be used for comparative efficiency assessment. The ASI coverage and almost two decades of time-series data yield rich information on the entire population of enterprises that make up the organized industrial sector of India. The analyses involve calculating and comparing efficiency for the 16 years between 1993–94 to 2009-10. For each year and each ownership category an efficiency score is calculated, and to statistically assess performance differences between various ownership categories, the scores for each category are averaged for the sixteen-year period. Second, an issue is, have there been efficiency gains over time? Fundamental economic liberalization started in India in 1991. However, there were two spells of liberalization, one starting after 1980 when the prime minister Mrs. Indira Ghandhi commenced reforms, which her successor Mr. Rajiv Gandhi continued from 1985 onwards (Ahluwalia, 1991; Bhagwati, 1993). To test whether these had any impact, the growth rates in efficiency scores obtained for each ownership category are calculated.

3.2. Efficiency estimation

Data Envelopment analysis (DEA) is used for estimation purposes. Using observed output and input data, and without making any assumptions as to the nature of underlying technology or functional form, the DEA algorithm calculates an ex-post measure of the efficiency of each observation. This is accomplished by constructing an empirically-based frontier, and by evaluating each observation against all others included in the data set. Two main paradigms have evolved in the construction of frontier production Functions. There is the parametric approach, based on estimating regression-driven production functions, and the non-parametric approach (DEA), based on estimating linear programming models of the relative efficiency. The advantage of the non-parametric approach is that it can handle multiple outputs and multiple inputs. The data need not all be quantitative and qualitative measures can be used as outputs or inputs. Concomitantly, both nominal and physical values can be simultaneously used as outputs or inputs, because the aim is not to estimate functional parameters, per se, as in regression-based efficiency estimation techniques, but relative measures of efficiency among observations. The advantage of DEA is in its approach. DEA optimizes for each individual observation, in place of overall aggregation and single optimization performed in statistical regressions. Instead of trying to fit a regression plane through the centre of the data, DEA floats a piece-wise linear surface to rest on top of observations. This is empirically-driven by data, rather than by assumptions as to functional forms. The only assumption made is that the piece-wise linear envelopment surface is convex. Next, the efficiency score is a bounded efficiency measure, and any observation with a score of less than 1 has measurable potential for improvement.

Multiple output input measure of performance has been generalized by means of a fractional mathematical program where the ratio of the weighted outputs to weighted inputs (an efficiency ratio) for each firm-level observation being evaluated is maximized. There are a total of n observations being evaluated. The data used for each observation j (where j are the observations: j = 1; 2; ::::k:::n) are as follows: each observation consumes varying amounts of m different inputs to produce s different outputs. Specifically, observation j consumes Xj= fxijg of inputs (i = 1; ::::m) and produces amounts Yj= fyrjg of outputs (r = 1; ::::s). It is assumed that xij>0 and yjr>0. The s _ n matrix of output measures is denoted by Y and the m _ n matrix of input measures is denoted by X. For the kth observation (among the j total observations) for which efficiency is being evaluated, the objective of the empirical exercise is to maximize the value of hk which is the ratio of outputs to inputs. Here, hk is a ratio measure of performance as to how efficient each observation was with regard to converting a set of inputs jointly and simultaneously into a set of outputs. For each kth observation, yrk are the outputs which result from the conversion of xik inputs; ur and vi are weights which are calculated as values to be assigned to each output and input in order to maximize the efficiency rating, hk, of the observation being evaluated. Without any more constraints (1) is unbounded. Additional technological constraints are introduced.
with respect to every other observation to reflect the condition that the efficiency ratio be less than or equal to unity, or in other words, no observation can be super-efficient.

The constraint in (3) ensures that the ratio measure of performance is not greater than one for any observation in the entire observation set, while the constraints in (4) and (5) are positivity constraints and is strictly greater than zero. (2) to (5) is a linear fractional programming problem, non-convex and difficult to solve. To do so, the fractional program in (2) is translated into a linear program using a transformation which involves computation of two new variables.

The exponential form is chosen for the following reason. If progress is assumed to be dynamic, then efficiency in a given year is more likely to be at least a constant percentage of efficiency in the previous year and not a constantly diminishing percentage of it. The coefficient on time, \( b \), is the continuous rate of growth, but given the range of values it closely approximates the annual compound growth rate, and the estimates of \( b \) are taken as the growth rates. A basic problem which arises in the fitting of equation to the full time-series data is that the growth rate in a given period can differ from the growth rates of efficiency in the various sub-periods. The estimated growth rates in efficiency in each period can be higher or lower than that of the entire period, depending on the nature of policy regimes in place. Thus, sub-period growth rates in efficiency are estimated for the years: 1993–2000 and 2001–09 separately.

The variations in growth rates shown by estimates of equation raise an issue as to whether these rates are constant. Efficiency growth rates can accelerate or decelerate. To incorporate such possibilities and evaluate the rate of change in efficiency for the full period as well as for the two sub-periods, a log-quadratic equation is estimated.

A significantly positive value of \( c \) indicates acceleration in the growth rate of efficiency; a significantly negative value indicates deceleration. The inclusion of time squares introduces a multi-co-linearity problem. This is solved by normalizing time in mean deviation form. That is, it is set to zero on the mid-point of the time series. This procedure is followed for the full series as well as for each of the two sub-periods. This normalization makes time and its square orthogonal. The normalization of time only affects \( b \). The estimate of \( c \) and its standard error are invariant with respect to the normalization. In the log-quadratic estimation, the value of \( b \) is the same as in the log-linear model. The standard error of \( b \) is the measure of instability of the growth rate of efficiency. If it is assumed that the log-quadratic form is a better estimator of the true trends in the growth rate of efficiency, the instability measure of \( b \) is also improved, since systematic specification errors are cleansed from the data.

4. Results

4.1. Comparative efficiency patterns

The DEA algorithm, which makes no assumptions as to the returns to scale characteristics of the different observations, is used to calculate relative efficiency scores. The descriptive results of the statistics of the scores form the basis of the discussion. The sectors of Indian industry owned by the central government and the governments of the various Indian states have average efficiency scores of 0.658 and 0.638, on a scale of 0 to 1, respectively for the period 1993–94 to 2009-10. Comparatively, the sector of Indian industry owned jointly by a combination of government and private owners has a score of 0.912. The privately-owned segment of Indian industry has a score of 0.975 for the same period. It is reiterated that these are comparative scores only. If data for later years are used, the resultant average scores may very well change. If a sector, say the mixed enterprise sector, is dropped from the computations, again the relative scores may very well change. Prima facie, the results reveal that government-owned firms are less efficient than firms in the mixed or the private sector. The data also reveal that in the Indian context mixed sector firms are more efficient than government owned firms, but less efficient than those in the private sector, while the private sector is comparatively the most efficient sector of Indian industry in terms of ease of doing business. The variation in the patterns of DEA-derived scores is also of interest. The central and state government sectors have considerably higher variation in their efficiency scores as compared to the mixed and private sectors. The standard deviation (coefficient of variation) of the scores are 0.171 (0.260) and 0.176 (0.275) respectively,
compared to standard deviations (and coefficients of variations) of 0.086 (0.094) and 0.039 (0.045) for the mixed and private sectors. Data on the maximum, 75th percentile, median 25th percentile and minimum scores are given, and the range and the inter-quartile deviations for the four sectors reveal the existence of considerable variation in the scores for the central and state governments-owned portions of Indian industry. While the mixed sector scores do not vary as much as those for the government sectors, they do vary more than the scores for the private sectors. The data show that the range and inter-quartile deviation of the score for the mixed sector, at 0.269 and 0.120 respectively, are higher than those of the private sector which are 0.134 and 0.044.

The greater variation noted in the scores for the government-owned sectors has a key implication. While the average efficiency of the government-owned sector is lower than that of the mixed or private sectors, the scores have fluctuated considerably, suggesting that performance of state-owned enterprises has been relatively volatile. The efficiency scores for the central government-owned sector were around the 0.5 mark during much of the eighties and early nineties, but rose considerably after 2004-05. Comparatively, the portion of Indian industry owned by the state governments, prima facie, shows no discernable pattern in its efficiency scores for the sixteen years studied. A statistical test has been carried out to evaluate the results whether the average efficiency score for each ownership category differ significantly from each other. Statistically there is no difference between the efficiency of the central government-owned sector and that part of Indian industry owned by the various state governments, and the statistic comparing differences in average scores is almost negligible (with a p value almost unity at 0.96). The central government-owned sector is statistically higher inefficient than both the joint sector and the private sector (with the associated p values being 0.00). Similarly, the sector owned by the state governments is also statistically less efficient than either the joint or the private sectors (again p values are 0.00). Finally, the joint sector is also significantly less efficient than the private sector. However, while the efficiency difference is statistically significant, the significance is not as strong (the p value is 0.02) as it was with respect to efficiency differences between the central or state government- owned sectors and the joint or private sectors. Differences in scores for each ownership category are separately tested for the years under study to identify if the pattern of differences noted for the overall period stays the same in two sub-periods.

The results are given in Table 1 and 2. The test results establish that for both periods, the private sector is more efficient than any other sector. The joint sector is more efficient than the government-owned sectors, while being less efficient that the private sector. The government-owned sectors are made up of the central government-owned and state government-owned enterprises, and between themselves there are no performance differences in either of the two sub-periods.

<table>
<thead>
<tr>
<th>Table 1. Non-parametric test results comparing pair-wise efficiency scores among the different sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period: 1973 to 1980</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>State Govt sector</td>
</tr>
<tr>
<td>Central Govt sector</td>
</tr>
<tr>
<td>0.00 (0.96)</td>
</tr>
<tr>
<td>State Govt sector</td>
</tr>
<tr>
<td>3.52 (0.00)</td>
</tr>
<tr>
<td>Joint sector</td>
</tr>
</tbody>
</table>

4.2. Efficiency growth rates

The results point out that the private sector is more efficient in the Indian context, for the period studied as a whole as well for two sub-periods. Growth rate estimations help establish whether there is time-wise increase in sectorial efficiency patterns. Estimates are in Table 3. In the first period, central government enterprises’ efficiency has grown at the rate of 2 percent and the efficiency of those owned by state governments at 3.45 percent per annum, respectively. Both trends are significant; however, an accelerative pattern is noted for the central government owned sector. Joint sector efficiency has not risen or fallen significantly, while that of the private sector has grown at a rate of 0.47 percent per annum, a trend which is significant. A review of the results for the two separate time periods reveals...
interesting dynamics at work. For the period 1993 to 2000, efficiency declined at the rate of 9.1 percent per annum, 1.67 percent per annum and 4.27 percent per annum for the central government-owned, state govt-owned and mixed-sector enterprises, the trends being significant for the central government-owned and the mixed sectors. Private sector efficiency rose at the rate of 1.33 percent per annum. Between 2001 and 2008, central and state-government-owned enterprises’ efficiency rose at the rate of 10.78 and 3.78 percent per annum respectively, while the mixed sector and private sector efficiency rose at 0.72 and 0.20 percent per annum respectively. There are several implications of the rising trends in the efficiency of the central government-owned sector. From the early 2000s, several industrial sectors reforms were commenced, and the public sector was made the target of policy makers’ critical attention. In the mid-2000s, a committee headed by then economic adviser recommended several far-reaching changes in public sector management and control practices. These were being implemented, albeit slowly, over the latter part of the 2000 and the improvements in efficiency bear out that they have had some impact in making the public sector more efficient than it had been, relative to its own base.

Table 3. Sectorial percent growth rates in efficiency over time

<table>
<thead>
<tr>
<th></th>
<th>Central Government sector</th>
<th>State Government sector</th>
<th>Mixed Sector</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall period: 1973 to 1988</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth rate (±/-)</td>
<td>2.00</td>
<td>3.45</td>
<td>-0.10</td>
<td>0.47</td>
</tr>
<tr>
<td>Acceleration (+)</td>
<td>1.20</td>
<td>0.29</td>
<td>0.29</td>
<td>-0.07</td>
</tr>
<tr>
<td>Deceleration (-)</td>
<td>(4.97)</td>
<td>(0.80)</td>
<td>(2.59)</td>
<td>(1.38)</td>
</tr>
<tr>
<td><strong>Period 1: 1973 to 1980</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth rate (±/-)</td>
<td>-9.10</td>
<td>-1.67</td>
<td>-4.27</td>
<td>2.00</td>
</tr>
<tr>
<td>Acceleration (+)</td>
<td>-0.62</td>
<td>0.96</td>
<td>-0.23</td>
<td>0.12</td>
</tr>
<tr>
<td>Deceleration (-)</td>
<td>(0.41)</td>
<td>(0.32)</td>
<td>(4.97)</td>
<td>(0.32)</td>
</tr>
<tr>
<td><strong>Period 1: 1973 to 1980</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth rate (±/-)</td>
<td>10.78</td>
<td>3.78</td>
<td>2.00</td>
<td>0.20</td>
</tr>
<tr>
<td>Acceleration (+)</td>
<td>1.49</td>
<td>-1.72</td>
<td>1.20</td>
<td>-0.01</td>
</tr>
<tr>
<td>Deceleration (-)</td>
<td>(1.08)</td>
<td>(1.36)</td>
<td>(4.97)</td>
<td>(0.60)</td>
</tr>
</tbody>
</table>

4.3. Discussion of results

The state-owned and the mixed sectors account for two-thirds of contemporary capital investment in India, but are significantly inefficient compared to the private sector. If there has been a retrogression in India’s industrial capabilities up to the 2000s, then the analyses carried out suggest that the government-owned sector must bear a great deal of the blame. The mixed sector, however, is significantly efficient compared to the state-owned sector, and in India is an important player in the industrial arena. The joint sector consists principally of petroleum firms. Their performance helps to redress the situation towards ensuring the efficient use of public resources.

The results obtained have several implications from the point of view of theory. Recollect that the DEA score calculated using the BCC algorithm is a precise measure of efficiency for each observation. In comparison with the private sector, which is almost fully-efficient in a relative sense, because the average score is 0.975 on a scale of 0 to 1, government-owned firms are just about two-thirds as efficient, and these efficiency differences are strongly significant. Ownership does strongly matter in influencing industrial performance in the Indian context. Efficient resource utilization helps generate surpluses, which can be reinvested towards the creation of further resources. Hence, improvements in efficiency have an impact on the future productivity capabilities of nations by providing higher levels of re-investible surplus. For example, a 5 percent increase in the efficiency of state-owned enterprises, without any changes in prices or investment, would result in freeing resources of about 5 percent of GDP in Egypt, or reduce 50 percent of direct taxes in Pakistan, or fund a 150 percent increase in government expenditures on education, health, culture and science in China. The release of a similar quantity of resources can transform Indian industrial performance. There are some possible explanations as to why state-owned entities show lower efficiency. They have been prey to
inappropriate location and technology choice decisions, irrational product mixes, and imposed marketing arrangements. These decisions have been made for political considerations, and have not been based on economic criteria. As a result, few choices and incentives are given to managers to maximize economic residue, and neither are they accountable for attaining efficiency because ambiguous and non-economic objectives have driven decision-making. For example, in the Indian context these socio-economic objectives include the promotion of income and wealth redistribution, creation of employment, promotion of regions, promotion of import substitution, and being “model employers”. Also, in the Indian context state-owned enterprises have been used to implement government policy with regard to stabilizing commodity trade, or in making transfer payments to various specific sections of the commercial unit.

However, other key reasons as to why government-owned enterprises are likely to be less efficient relate to the type of monitoring managers in these enterprises are subject to. In the Indian context, government-owned enterprises are subject to the detailed oversight of the parent departments, as well as legislative oversight by committees on public undertakings of the central and states’ legislatures. Therefore, the issue of ownership diffuseness is not a problem. Disciplining hand of the capital market is also absent. Consequently, attaining efficiency is not a primary managerial motivation in the government-owned sector. Second, the identity of owners is a factor arising from which government owned enterprise managers tend to become agents without principals. Controlling-department bureaucrats, then, become de-facto owners of such government enterprises. However, a major phenomenon to emerge in India is that of state-legitimized rent-seeking which has an extremely enervating effect on efficiency. For example, often the creation of government-owned enterprises has been driven not by ideological or pragmatic reasons, but to create extra-pecuniary opportunities for senior civil servants or politicians.

For example, Marathe (1989: 184) quotes, “It is simply that it has become common practice for public sector enterprises, particularly in the States, to be made into mechanisms to provide powerful politicians, who cannot be accommodated as Ministers, with salaries, perquisites, patronage and opportunities to make money through corruption.” Bardhan (1984: 69–70) also writes “Senior appointments in the public sector are sometimes made more on the basis of political patronage than of merit (leading often to low morale in the ranks of the technocracy in the enterprises). Headships of public sector units, particularly under the State Governments, are indiscriminately used as political sinecures. Efficient managers who fail to satisfy the Minister’s political clients are often arbitrarily transferred.” The impact of such phenomenon is to create a cadre of managers in the public sector who are agents without principles. Some authors (Vickers and Yarrow, 1988) have argued that, given differences in ownership structures, the nature of competitive conditions faced is a key factor in eliminating efficiency differences between enterprises. The data, however, do establish that given a similar competitive playing field, institutional influences felt by the owners do matter in impacting performance in India. Such evidence is contrary to what has been established in the West. However, public sector management reforms have also had some impact, as shown by the significantly increasing trend in efficiency of the government-owned sector in the 2001to 2008 period. Therefore, in the Indian case it is not only necessary to continue with the major liberalization to encourage industrial growth, but also to undertake speedy re-structuring of public sector management and control practices so as to realize efficiency gains. The key limitation of the study has to be discussed. It is with respect to the data used. While it can be concluded in the aggregate that government-owned firms consume a greater quantity of inputs, relative to private firms, in generating value added, finer analysis has not been possible. Within the data for each sector, say the central government-owned sector or the private sector, are contained information on firms belonging to several different types of industries. Data of finer granularity may reveal the specific industries in which state-owned firms excel, or are particularly inefficient. However, while key micro-level information may be available for one sector, such information is not generally available for other sectors. Therefore, comparative efficiency assessment has been feasible at an aggregate level of analysis.

5. Conclusion
In this paper efficiency differences between government-owned, mixed sector and private sector enterprises for ease of doing business in India were evaluated. Using data and basing the performance analyses for the entire Indian industrial sector, enterprises owned by the central government and the
governments of various states are found to be systematically less efficient than either mixed or private sector enterprises, while mixed sector enterprises are less efficient than those in the private sector. The analyses reveal that the assumptions of theory, positing higher efficiency levels for the private sector, cannot be disproved in the Indian context, and contradict all extant comparative evidence which have found no sectorial performance differences. Government-owned enterprises are major players in the industrial arena and the results obtained provide indication that they may be, in major part, responsible for India’s lack-lustre industrial performance vis-à-vis ease of doing business.

Notes
1. The demise of command-style economies is already being attributed to behavioural issues that arise when government is the primary owner of enterprises (Roemer, 1993). Based on this premise, major reforms are taking place in most erstwhile command economies, and there is an explicit acknowledgement that private ownership will yield greater efficiencies and breed industrial success.

2. In India contributors to the equity capital of enterprises include the central government, governments of the various states in the Indian Union, private investors and governments jointly, and private investors alone. The primary way to distinguish between ownership categories is to classify them as the state-owned (public) and the private sectors. The term state-owned is used in the Indian context to include enterprises owned both by the central government and by the governments of the various states that form part of the Indian Union. The latter are called state government-owned enterprises. In subsequent empirical analysis, central government-owned and state government-owned enterprises’ data are separated for efficiency estimation purposes. Though the term enterprises is used throughout the paper, analysis is carried out using aggregate data, as described in a later section of the paper.

3. It is argued that the comparative assessment of state-owned enterprises with other types of enterprises is not feasible because profitability review of state-owned enterprises ignores the socio-economic objectives associated with state-owned enterprises. Yet, for a fundamental reason, comparative efficiency analysis matters. Industrial progress is determined not only by the rate of expansion of resources employed, but by the way resources have been utilized and efficiency in resource utilization is well-acknowledged shown to be more critical to economic welfare than allocative efficiencies.

REFERENCES
ABSTRACT

India is among the fastest growing economies today and has huge potential of growth and development. It has appeared as one of the important players in the global market. To enhance the potential of growth, complete transformation in the area of doing business is equally important and it cannot be ignored in any circumstances. Global investors will be a part of economic development only if they feel secure and ease in doing business transactions and policies are investor friendly. When the country felt the need to attract investors for success of ‘Make in India’ mission, the first priority was set to improve ease of doing business in India. Prime Minister of India wants to take India to within the top 50 in the World Bank’s Ease of Doing Business ranking in three years, while it currently ranks 142 out of 189 countries. From analysing last three years reports of ‘Ease of Doing Business’, it is clear that India’s rank showing the downward trend. This research paper studies single window mechanism as technology can create associations among various government departments. Various procedures which normally take many days can be completed within few minutes with the help of IT solutions. An overview of the use of information technology that would impact to speed up procedures is also presented. Government initiatives to boost India’s ranking through single window mechanism have been studied. This paper also examines the parameters affecting the ‘Ease of Doing Business Index’. Finally, it shows the impact of single window mechanism in generating wealth and faith among investors and suggestions have been included in the research paper to improve the existing system.

Keywords: Ease of doing business, starting new business, Single Window Mechanism, Information Technology solutions, etc.

1. INTRODUCTION:

India has emerged as one of the significant players in the global arena with a vast potential to grow among all other developing economies of the world. Large and growing middle class, high disposable income, a rich pool of skills, available resources and talented workforce are indicative reasons to make India pioneer among the fastest growing economies. Global investors will be a part of economic development only if they feel secure and comfortable in doing business transactions, policies are investor friendly and procedures are not cumbersome.

When the country felt the need to attract investors for success of ‘Make in India’ mission, the first priority was set to improve ease of doing business in India. Prime Minister of India wants to take India to be within the top 50 in the World Bank’s Ease of Doing Business ranking in three years, while it currently ranks 142 out of 189 countries. From analysing last three years reports of ‘Ease of Doing Business’, it is clear that India’s rank showing the downward trend.

To make India an attractive business destination for the global players, Government in the last six months has taken sincere initiatives which shows that India is ready to improve ranking in ‘Ease of doing Business’ and determined to take measures to improve the business-friendly environment in the country. Starting a business is not easy in India. The number of procedures to complete one task, time taken and cost incurred in starting a business in India are significantly higher than most of the major economies. However, vast improvements are required in all the factors of ease of doing business.
Introducing a timeline for clearance of applications, de-licensing the manufacturing of many defence products and introduction of e-Biz project for single window clearance are among many others amendments commenced by Government of India.

1.1 Definition of 'Ease of Doing Business':
Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. It is computed by aggregating the distance to frontier scores of different economies. The distance to frontier score uses the 'regulatory best practices' for doing business as the parameter and benchmark economies according to that parameter. For each of the indicators that form a part of the statistic 'Ease of doing business,' a distance to frontier score is computed and all the scores are aggregated. The aggregated score becomes the Ease of doing business index. Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism etc. Countries are ranked as per the index. The World Bank report considers three things while ranking countries - processes, cost and time.

1.2 Determinants of ‘Ease of Doing Business’:
It is important to note that while there is a slight increase in India's Doing Business Score over last 5 years; India's Ease of Doing Business Rank is 142nd among 189 countries in the year 2015. Singapore ranks first in the Ease of Doing Business, followed by New Zealand and Hong Kong. For each of the 189 economies the Doing Business Index is calculated based on the following 10 indicators:

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency

1.3 Business Needs:

When considering the ‘Doing Business’ rankings, the World Bank ranks 10 determinants that effect businesses across various stages of their lifecycle – at start-up, getting a location, getting financing, daily operations and even when things go wrong. To maintain its growth trajectory, India needs to be a relatively attractive investment destination across each of these parameters. The Government would need to start reforms to create favourable, opened and a transparent business environment.
1.4 India’s Performance on Ease of doing business – 2015

Table 1: India’s Performance against the Frontier on Ease of doing business – 2015

<table>
<thead>
<tr>
<th>Sub-indices</th>
<th>Who sets the frontier</th>
<th>Indicator</th>
<th>Best Performance (frontier)</th>
<th>India’s Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>New Zealand</td>
<td>Procedure (no.)</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time (days)</td>
<td>0.5</td>
<td>20</td>
</tr>
<tr>
<td>Dealing with permits</td>
<td>Hong Kong SAR, China</td>
<td>Procedure (no.)</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time (days)</td>
<td>66</td>
<td>162</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Korea, Rep</td>
<td>Procedure (no.)</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time (days)</td>
<td>18</td>
<td>67</td>
</tr>
<tr>
<td>Registering property</td>
<td>Georgia</td>
<td>Procedure (no.)</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time (days)</td>
<td>1</td>
<td>47</td>
</tr>
<tr>
<td>Getting credit</td>
<td>New Zealand</td>
<td>Strength of legal rights index (0-12)</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Depth of credit information index (0-8)</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>New Zealand</td>
<td>Extent of disclosure index (0-10)</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extent of director liability index (0-10)</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extent of stakeholder suits index (0-10)</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>United Arab Emirates</td>
<td>Payments (number per year)</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time (hours per year)</td>
<td>12</td>
<td>2.43</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Singapore</td>
<td>Documents to export (number)</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time to export (days)</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Singapore</td>
<td>Procedure (no.)</td>
<td>250</td>
<td>1420</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Time (days)</td>
<td>25.8</td>
<td>39.6</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>Finland</td>
<td>Time (years)</td>
<td>0.9</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cost (% of estate)</td>
<td>3.5</td>
<td>9</td>
</tr>
</tbody>
</table>


2. Literature Review:

2.1 Concept of Single Window:

Global trade expanded rapidly during the 1980s and 1990s. The resulting complexity and speed of the modern supply chain and the number of parties involved greatly increased the requirements for information controlling the flow of goods. But despite the breakneck developments in information and communications technologies (ICT) and trade data-exchange standards during the same time, trade documentation exchanges remained mostly paper-based. However, in the modern trade environment such paper-based exchanges cannot satisfy the need for efficiency and security.

In 2004, UNECE published “Recommendation 33 - Guidelines on Establishing a Single Window” developed by its Centre for Trade Facilitation and electronic Business (UN/CEFACT). It recommended that governments and those engaged in the international trade and movement of goods should actively consider implementing a “Single Window facility” in their country. The Recommendation and Guidelines were formally approved by UN/CEFACT in 2004. As specified in UN/CEFACT Recommendation Number 33, it refers to a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.

The Recommendation identifies three basic models for the Single Window:

A. A Single Authority that receives information, and disseminates this information to all relevant governmental authorities, and coordinates controls in the logistical chain.
B. A Single Automated System for the collection, dissemination and integration of information and data related to trade that crosses the border. There are various possibilities:
   i. Integrated System: Data is processed through the system
   ii. Interfaced System (decentralized): Data is sent to the agency for processing
   iii. Combination of (i) and (ii)

C. An automated Information Transaction System through which a trader can submit electronic trade declarations to the various authorities for processing and approval in a single application. In this approach, approvals are transmitted electronically from governmental authorities to the trader’s computer.

2.2 Benefits of Single Window Trading Systems

Many countries have seen that a Single Window facility can greatly improve the implementation of standards, techniques and tools for simplifying and expediting information flows between traders and government. It can also simplify processes, harmonize data and improve the sharing of relevant information across governmental systems. The improved efficiency and effectiveness of controls, and the reduction in costs both for governments and for traders, due to a better use of resources are expected to bring significant gains to all parties involved in cross-border trade.

ASEAN defines the “National Single Window” as a system which enables:
- A single submission of data and information;
- A single and synchronous processing of data and information;
- A single decision-making for customs release and clearance;
- A single decision-making shall be uniformly interpreted as a single point of decision for the release of cargoes by the Customs on the basis of decisions, if required, taken by line ministries and agencies and communicated in a timely manner to the Customs."

Benefits for government
- More effective and efficient deployment of resources
- Correct (and often increased) revenue yield
- Improved trader compliance
- Enhanced security
- Increased integrity and transparency

Benefits for trade
- Cutting costs through reducing delays
- Faster clearance and release
- Predictable application and explanation of rules
- More effective and efficient deployment of resources
- Increased transparency

According to the World Bank’s Trading Across Borders 2012 report, out of 150 economies surveyed, 49 have introduced a Single Window, of which only 20 have a Single Window system that links all relevant government agencies. The remaining 29 have a Single Window that hasn’t yet linked the government agencies.

2.3 Challenges of the Single Window System:

There are significant challenges and issues to the success of the extended Single Window.
- The business world is still very much paper-based, especially for cross-border transactions.
- Many banks and even government regulatory authorities still require paper-based documents for verification. Although the landscape is slowly transitioning to a paperless environment, it will still take some years to come.

1 ASEAN, 2005. Agreement to Establish and Implement the ASEAN Single Window
Unlike B2G / G2G services, where a government mandate can guarantee the compulsory usage of the Single Window for B2G transactions, there is no such requirement for B2B services. Businesses have many choices and alternatives for exchanging digital documents, and cost is often the overriding factor.

2.4 CII Recommendations for Ease of Doing Business w.r.t. Technology Enablement

Significant improvement in efficiency, transparency and governance can be brought in by large scale adoption of technology in governance.

- Establish Office of Chief Technology Officer: Establish Office of Chief Technology Officer at the Joint Secretary level in every department who will be responsible for automation and technology adoption.

- Enhance Government IT infrastructure:
  - Create Government IT Infrastructure from a perspective of Technological Sovereignty, including setting up of Government cloud data centre, secured messaging system and internet exchange within the country.
  - Create secure IT network with Internet exchange being located in India under the sovereignty of the Indian government.
  - Move e-Governance from Ministry of Communications & IT to PMO with a status equivalent to Department of Space and Department of Atomic Energy.
  - Democratize usage of satellite data for planning and operations of Government departments.
  - Completely revamp Integrated Financial Management System (IFMS)

- Create social media strategy for each department:
  - Create a Social Media team for each department in order to ensure Participatory Governance.

- Introduce policy to ensure Government processes are e-enabled
  - Adopt a policy of creating e-enabled processes before notification of any new legislation.
  - Ensure complete implementation and adoption of e-Procurement initiatives across the Government including DGS&D.
  - Adopt Analytics driven policy making.
  - Establish cross ministerial digital workflow system at Central Government.

3. Research Methodology

To conduct the present research secondary data has been collected from various sources. Available reports of World Bank, authenticated reports published on government websites, journals, magazines and other relevant literature were some important sources of information. Researcher has tried to analyse these reports and data to get important suggestions which could be beneficial for all stakeholders.

3.1 Research Objectives:
1. To understand the determinants of the Ease of Doing Business (EoDB) index
2. To analyse the single window mechanism and areas of improvement
3. To study the major government initiatives to improve ranking in EoDB index
4. To analyse the procedures, time and cost to start business in Ahmedabad
5. To give suggestions on the basis of research reports to create investor friendly business environment

4. ANALYSIS
4.1 About E-Biz Portal:
"India was committed to steps to foster business environment. E-biz was important as it will bring transparency, improve efficiency, integrate services and promote electronic delivery of services," the finance minister, Arun Jaitley said.

Government’s recent e-biz initiative will provide a single window for starting a business. Setting up a business in India may have just become a bit easier. Rather than visit various offices or websites, investors can now get as many as 14 services, ranging from submission of forms to obtaining licences including tracking and online payment, on the eBiz single-window portal. The services that have been integrated include four from the Corporate Affairs Ministry, two from the Reserve Bank of India, two from Central Board Of Direct Taxation, and one each from the Directorate-General of Foreign Trade, Employees’ Provident Fund Organisation and the Petroleum & Explosives Safety Organisation.

According to the Department of Industrial Policy and Promotion (DIPP), it takes about six months and 20 visits to various departments for an investor to get the mandatory clearances for starting a business. India is hopeful that the eBiz portal will bring down the time and cost and it will help to move up the World Bank’s ‘ease of doing business index’.

The first three years following the launch of eBiz would be the pilot phase during which 50 services will be implemented across 10 States, including Andhra Pradesh, Delhi, Haryana, Maharashtra, Tamil Nadu, Odisha, Punjab, Rajasthan and West Bengal. As per Government initiative, more than 200 services related to investors and businesses will be rolled out across the country over the next few years.

4.2 Benefit of using eBiz Web Portal:
- Obtain information about the various licenses, clearances and registrations required to establish a new business in India;
- Apply online for new or renewal of licenses, permissions, approvals, clearances and registrations;
- File tax returns and other regulatory reports;
- Make electronic payments towards statutory (processing) fees, (stamp) duties, taxes, service fee etc.;
- Track status of the application online;
- Receive alerts via email and SMS on the progress of submitted application;
- Interact online with the various Government departments such as responding to queries/clarifications, submit additional documentary artifacts;
- Obtain electronic copies of approved licenses, registration certificates and other clearance letters

4.3 Current Statistics:
Gujarat has become the first state in the country to record more than 150 crore e-transactions in the last two years. Gujarat crossed Rs 100 crore mark in e-transactions on November 26 last year. Andhra Pradesh is close second with 131 crore, followed by Madhya Pradesh with 93 crore e-transactions. According to ‘eTaal’, a central government web portal that disseminates e-transaction statistics, Gujaratis have shown a preference for paperless transactions and take to internet for all registrations like land records and birth. Gujarat has recorded 151.09 crore e-transactions from Jan 1, 2013 to September 2, 2015 in the standard services provided under state government projects. This year alone, over 39.84 crore e-transactions have been recorded in the state.

4.4 Procedure, Time and Cost analysis with reference to Ahmedabad
Table 2: Procedure, Time and Cost analysis in starting a Business in Ahmedabad - India

<table>
<thead>
<tr>
<th>No.</th>
<th>Procedure</th>
<th>Time to Complete</th>
<th>Associated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal</td>
<td>1 day</td>
<td>INR 100</td>
</tr>
<tr>
<td>2</td>
<td>Obtain digital signature certificate online from private agency authorized by the Ministry of</td>
<td>2 days</td>
<td>INR 1,500</td>
</tr>
<tr>
<td>No.</td>
<td>Procedure</td>
<td>Time to Complete</td>
<td>Associated Costs</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------------</td>
<td>-----------------</td>
<td>------------------</td>
</tr>
<tr>
<td>3</td>
<td>Reserve the company name online with the Registrar of Companies (ROC) (National)</td>
<td>2 days</td>
<td>INR 500</td>
</tr>
<tr>
<td>4</td>
<td>Stamp the company documents at the State Treasury</td>
<td>1 day</td>
<td>INR 3,020</td>
</tr>
<tr>
<td>5</td>
<td>Get the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs (National)</td>
<td>7 days</td>
<td>INR 13,700</td>
</tr>
<tr>
<td>6</td>
<td>Make a seal (Private)</td>
<td>1 day</td>
<td>INR 350</td>
</tr>
<tr>
<td>7</td>
<td>Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by NSDL or the Unit Trust of India (UTI) Investors Services Ltd. as outsourced by the Income Tax Department (National)</td>
<td>15 days</td>
<td>INR 67</td>
</tr>
<tr>
<td>8</td>
<td>Obtain a Tax Account Number (TAN) for income taxes deducted at source from authorized franchise or agent appointed by NSDL, as outsourced by the IT Dept.</td>
<td>14 days</td>
<td>INR 57</td>
</tr>
<tr>
<td>9</td>
<td>Register with the Office of Inspector, Shops, and Establishment Act (State/ Municipal)</td>
<td>3 days</td>
<td>INR 60</td>
</tr>
<tr>
<td>10</td>
<td>Register for Value-Added Tax (VAT) at the Commercial Tax Office (State)</td>
<td>18 days</td>
<td>No cost</td>
</tr>
<tr>
<td>11</td>
<td>Register for Profession Tax at the Profession Tax Office (State/ Municipal)</td>
<td>3 days</td>
<td>No cost</td>
</tr>
<tr>
<td>12</td>
<td>Register with the Employees' Provident Fund Organization (National)</td>
<td>15 days</td>
<td>No cost</td>
</tr>
<tr>
<td>13</td>
<td>Register for medical insurance at the regional office of the Employees' State Insurance Corporation (National)</td>
<td>15 days</td>
<td>No cost</td>
</tr>
<tr>
<td></td>
<td><strong>Total Procedures: 13</strong></td>
<td><strong>35 days</strong></td>
<td><strong>46.3</strong></td>
</tr>
</tbody>
</table>


### 4.5 Learning Lessons and best practices across all states:

It is encouraging that best practices have been successfully implemented in some states. These can be emulated across the country. For example, BISAG in Gujarat facilitates use of geospatial technologies for land management and other natural resources. Online delivery and land record management has been initiated by Karnataka. Chhattisgarh has introduced e-challan and e-return for commercial tax payment. Learning from each other could greatly improve practices across all states.

<table>
<thead>
<tr>
<th>Table 3: Best practices of Single Window Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Selective initiatives in India</strong></td>
</tr>
<tr>
<td><strong>The Single-Window Clearance Act, AP</strong></td>
</tr>
<tr>
<td>➢ The Single-Window Clearance Act was enacted in 2002, whereby all the clearances required to start and operate an industry are processed through a single point within a set time period</td>
</tr>
<tr>
<td>➢ There is a provision of deemed approvals in certain cases, if the competent authority fails to communicate the decision within the set time period.</td>
</tr>
<tr>
<td><strong>Online building-plan approval system, Karnataka, Bengaluru</strong></td>
</tr>
<tr>
<td>➢ Simplified approval procedure through online submission and approval of building plans</td>
</tr>
<tr>
<td>➢ 'Pre-DCR' — a tool to submit building plans online</td>
</tr>
<tr>
<td>➢ Automatic plan scrutiny system called Auto-DCR — checks the plans and simultaneously produces scrutiny reports</td>
</tr>
<tr>
<td><strong>Registering a business, New Delhi</strong></td>
</tr>
<tr>
<td>➢ Delhi government introduced E-stamping in 2008 - E-stamping is the computer-based stamping of registration documents where a record-keeping agency maintains the database electronically instead of physical stamping of documents, which can be forged or duplicated. It is a computer based application and a secured electronic way of stamping documents.</td>
</tr>
<tr>
<td><strong>Key Benefits</strong></td>
</tr>
<tr>
<td>Time-bound faster Clearances, Common application form, Deemed clearances.</td>
</tr>
<tr>
<td>Time taken to obtain building plan approval reduced to 10 days from 30 days.</td>
</tr>
<tr>
<td>Curb revenue and time loss by preventing the circulation of fake stamp papers, Saving on the cost of printing and handling of stamp papers.</td>
</tr>
</tbody>
</table>
One-Stop Centre, Punjab

- Punjab Bureau of Investment Promotion, a One-Stop Centre, has been established in 2013 for investors, with the intent of providing clearances, incentives and information on investment opportunities in a time-bound manner
- Receive, process and approve all investment proposals
- Examine applications for all necessary approvals
- Encourage new investment and its actualisation

Single-window clearance mechanism, Orissa

- Orissa Industries Facilitation Act (OIFA) 2004 was introduced to facilitate single-window industrial clearance. OIFA envisages a three-tier approval mechanism to expedite clearances to industrial projects based on the level of investment
- The provision exists for deemed approval by department in case the approval is not granted within the specified timeframe.

Single-Window Clearance Act, Rajasthan

- Single Window Act, 2011, was passed to establish a single window clearance mechanism in order to fast track all permissions, concessions, exemptions and relaxations for establishing operations of an enterprise in the state
- Rajasthan established a single nodal agency, the Bureau of Investment promotion (BIP) to handle all applications / permissions of an entrepreneur and forward them to the concerned departments.


4.6 Major Initiatives on Improving ‘Ease of Doing Business’ in India by Government of India , Ministry of Commerce and Industries - Department of Industrial Policy and Promotion

The Government of India has taken up a series of measures to improve Ease of Doing Business. The emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective. The measures taken are:

1. Process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made online and this service is now available to entrepreneurs on 24x7 bases at the eBiz website.

This had led to ease of filing applications and online payment of service charges.

Following 14 services are integrated with eBiz portal which will function as a single window portal for obtaining clearances from various governments and government agencies:

<table>
<thead>
<tr>
<th>Table 4: 14 services integrated with eBiz portal</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Industrial Licence (DIPP)</td>
</tr>
<tr>
<td>c. Employer Registration with ESIC</td>
</tr>
<tr>
<td>e. Company name availability (MCA)</td>
</tr>
<tr>
<td>g. Certificate of company’s incorporation</td>
</tr>
<tr>
<td>i. RBI’s Foreign Collaboration – General Permission Route</td>
</tr>
<tr>
<td>k. Permanent Account Number (PAN)</td>
</tr>
<tr>
<td>m. Issue of Explosive Licence (PESO)</td>
</tr>
</tbody>
</table>

2. Notification has been issued on 12-03-2015 by DGFT to limit number of documents required for export and import to three.

3. Ministry of Corporate Affairs has introduced an integrated process for incorporation of a company, wherein applicants can apply for Director’s Identification Number (DIN) and company name availability simultaneous to incorporation application [Form INC-29].
4. The Companies Amendment Act, 2015 has been passed to remove requirements of minimum paid-up capital and common seal for companies. It also simplifies a number of other regulatory requirements.

5. A comparative study of practices followed by the States for grant of clearance and ensuring compliances was conducted through M/s Accenture Services (P) Ltd. and six best practices were identified. These were circulated among all the states for peer evaluation and adoption. The study has also identified important bottlenecks faced by industries and important steps required to improve the business environment in States.

6. Application forms for Industrial Licence (IL) and Industrial Entrepreneur Memorandum (IEL) have been simplified.

7. Vide Press Note 3 (2014), Defence products’ list for industrial licensing has been issued, wherein large number of parts/components, castings/forgings etc. have been excluded from the purview of industrial licensing. Similarly dual use items, having military as well as civilian applications (unless classified as defence item) will also not require Industrial License from defence angle. For these items only an Industrial Entrepreneur Memorandum (IEM) has to be filed.

8. Vide Press Note 5 (2014), initial validity period of Industrial License has been increased to three years from two years. This will give enough time to licensees to procure land and obtain the necessary clearances/approvals from authorities.

9. MHA has stipulated that it will grant security clearance on Industrial Licence Applications within 12 weeks. In matters other than Explosives and FIPB cases, security clearances are valid for three years unless there is a change in composition of management or shareholding.

10. Partial commencement of production is being treated as commencement of production of all the items included in the license. This has obviated the hardship of licensees to get their Industrial License extended even though they have started production.

11. To facilitate investors and to reply to their queries, Frequently Asked Questions (FAQs) by applicants for grant of industrial license have been developed and uploaded on DIPP website.

12. Vide Press Note 4 2014), the NIC Code NIC 2008 has been adopted, which is the advanced version of industrial classification. This code will allow Indian businesses to be part of globally recognized and accepted classification that facilitate smooth approvals/registration.

13. Vide Press Note 6 (2014), the ‘Security Manual for Licensed Defence Industry’ has been issued. This has obviated the requirement of affidavit from applicants. Earlier, an affidavit signed before Judicial Magistrate was required from the applicant to confirm that they will comply with the safety & security guidelines/procedures laid down by the Ministry of Defence and Ministry of Home Affairs in Government of India. The applicants were facing difficulties in obtaining such affidavit and this was severely delaying the issue of License even after approval of Licensing Committee.

14. A checklist with specific time-lines has been developed for processing all applications filed by foreign investors in cases relating to Retail/NRI/EoU foreign investments. This has been placed on the DIPP website.

15. An Investor Facilitation Cell has been created in ‘Invest India’ to guide, assist and handhold investors during the entire life-cycle of the business.

16. SEZ Units allowed removing goods for repair, replacement, testing, calibration, quality testing and research and development on self-attestation.
17. Process of applying for Environment and Forests clearances has been made online through Ministry of Environment and Forests’ portals http://environmentclearance.nic.in/ and http://forestsclearance.nic.in/.

18. Requirement for Environment Assessment Report is required for industrial shed, school, college, hostel for education institution above 20,000 square meters of build-up area up to 150,000 square meters of build-up area.

19. The issue of time taken in registration with Employees Provident Fund Organization (EPFO) and Employees State Insurance Corporation (ESIC) was taken up with the Ministry of Labour and Employment, Director General, ESIC and Central Provident Fund Commissioner. Both the processes have been automated and ESIC registration number is being provided on a real-time basis.

20. An order facilitating revival and rehabilitation of MSMEs through banker’s committee has been issued by Ministry of MSME.

21. A unified portal for registration of Units for LIN, reporting of inspection, submission of returns and grievance redressal has been launched by Ministry of Labour and Employment.

22. DIPP has requested all Secretaries of Government of India and Chief Secretaries of the States/UT to simplify and rationalize the regulatory environment. In order to improve the regulatory business environment they have been requested to take the following measures on priority:

   a. All returns should be filed on-line through a unified form;
   b. A check-list of required compliances should be placed on Department’s web portal;
   c. All registers required to be maintained by the business should be replaced with a single electronic register;
   d. No inspection should be undertaken without the approval of the Head of the Department; and
   e. For all non-risk, non-hazardous businesses a system of self-certification should be introduced.

23. Registration process of VAT and Professional tax has been merged into a single process with single ID on 1st January, 2015 by the Government of Maharashtra.

24. Registration for VAT in Delhi has been made online. TIN allotment is done real-time and business can start immediately on receipt of TIN number.

25. The time required for giving a new electric connection in Mumbai has been reduced to 21 days from 67 days. The number of procedures involved has been cut down to 3 from existing 7.

26. Simplified procedure for new electric connection in Delhi with reduced procedures and time.
27. Municipal Corporation of Delhi has launched online application process for grant of construction permits for residential and industrial buildings on 16th March, 2015 and commercial buildings in May, 2015.

5. FINDINGS

To encourage business start-ups, process of obtaining approvals and clearances should be expedited by effectively implementing the single-window clearance mechanism

• Effective implementation of the single-window clearance system for approvals related to starting a business
• Single window agency should aim to coordinate all legal approvals necessary for the setting up of a business

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2EoDB_Initiatives_v_11_08_2015
• Decrease the time taken to grant approval. Escalation could be done by a single-window clearance agency to the concerned authorities in case of delays
• Enforce time-bound approvals by introducing 'deemed approvals' in case of delays beyond prescribed limit; investor may proceed with the implementation of the project
• Eliminate multiple processes and remove the need to maintain several documents
• Make processes and approvals online. Introduce the provision of online monitoring of application forms to help applicants monitor their status at various departments

5.1 Recommendation from Confederation of Indian Industry (CII)-
In line with recently announced rankings under ‘Swachh Bharat’ campaign, the Central Government is all set to announce the rankings for states and cities on the criteria of ‘Ease of Doing Business’ as part of their ‘Make in India’ initiative. The current Indian system of completing procedures to start a new venture needs improvement. We want India to be ranked among the top 50 nations and to do so we have to take many steps like conversion from manual to online process, preparing timeline to give clearances and punishing delays, eliminating unnecessary steps etc. To further facilitate the ease of starting a business, CII suggests –

• To further facilitate the ease of starting a business, CII suggests that ‘Incorporation of Companies in 24 Hours’ and ‘Digitalization of Incorporation Documentation’ should be implemented. In addition, a ‘Unique Company ID’ should be introduced. The present permanent account number (PAPAN) should be developed as a common business identification number (CBIN), to be used by other Government departments.

• According to the “Dealing with Construction Permit” indicator, obtaining the necessary licenses to construct a factory or warehouse remains extremely costly in India. Multiple departments need to be approached, leading to time and cost overruns. A single window for all construction related approvals, including environment and safety certificates is essential. This will obviate the need of approaching multiple departments.

• As land is a state subject, registering the property is under the purview of the states. Some reform initiatives have been undertaken in recent times by a number of states to simplify procedures and reduce the time taken to register a property, by moving towards an online system. However, there is room for improvement. State Governments can learn from best practices already being followed. For example online and ‘anywhere registration’ (KAVERI) in Karnataka, Computer Aided Registration of Deeds (CA RD) in Andhra Pradesh and standardization of property documents in Rajasthan (Sarathi project). This would expedite computerization of land records and secure property registration (National Land Records Modernization Programme (NLRMP).

• In the area of “Getting Electricity”, India’s rank has moved down by three notches, from 134th position registered last year, even though the cost incurred in getting a connection has come down. States should work towards fast tracking the clearance mechanisms to ensure that approvals are received within a given time period.

• Facilitative export regime is very important for determining the level of export but, India ranks 126th in Ease of Doing Business 2015 for trading across borders, slipping sharply from the 122nd position in 2014.

• It takes seven documents and 17.1 days to complete export procedures. Similarly, it takes 10 documents and 21.1 days to complete import procedures. Clearly there is a need to be improved through measures such as a single window for traders. This will minimize cost and increase competitiveness. Electronic submission and processing of documents, using risk-based inspections, and transparency measures related to classification and tariff Information are required.
Other areas to be addressed are a simple exit policy and adoption of IT across Government processes.

6. CONCLUSION

From the literature review of various government reports and other available data, we can understand the initiatives taken by Government to reduce number of procedures required to start a business. Single window mechanism will indeed be a good platform for investors as time and cost of visiting various offices will certainly decreased. “More Governance and less government” is the vision of our Prime Minister Mr. Narendra Modi and we can see a significant jump in the World Bank’s Ease of Doing Business ranking by implementing the concept of transparent government procedures and less involvement of officials to get clearance or approval of projects.

It is encouraging to note that best practices have been successfully implemented in some states and departments. These can be emulated across the country. For example, BISAG in Gujarat facilitates use of geospatial technologies for land management and other natural resources. Online delivery and land record management has been initiated by Karnataka. Chhattisgarh has introduced e-challan and e-return for commercial tax payment. Learning from each other could greatly improve practices across all states.

7. REFERENCE

AN IN-DEPTH STUDY OF POLITICAL ENVIRONMENT AND MECHANISM (DEMOCRACY & AUTOCRACY) IN THE AREA OF EASE OF DOING BUSINESS

Dr. Apurv J. Raval
Deputy Director,
Gujarat Technological University, Ahmedabad, Gujarat
apoorva3040@gmail.com

ABSTRACT

The Paper studies the effect of political Environment on Ease of Doing Business in India. This paper addresses conceptual and methodological issues as well as the policy implications of the ‘Political Environment’ and its effect on doing Business in India. This paper is a critical review of Political Environment and policy Implication and its effect on EoDB Indicators. The paper argues that Despite their role of political Environment in influencing Ease of doing business parameters the ‘Ease of Doing Business Parameters has own independent effect on EoDB. There are many external environmental factors that can affect your business. The aim is always to take better decisions for the firm’s progress. Some common factors are political, economic, social and technological (known as PEST analysis). The political factors affecting business are often given a lot of importance. Several aspects of government policy can affect business. The political environment is perhaps among the least predictable elements in the business environment. This paper fundamentally focus on political Environment and its effect. These are four major central impact of political environment. 1) Impact on economy 2) Changes in regulation 3) Political stability 4) Mitigation of risk

Keywords: EoDB, FICCI, World Bank, Political Environment, IFC, Ranking

1. INTRODUCTION

Crafting an efficient and general code for enterprise and business is in the interest of all societies. An economy with an well-organized bureaucracy and directions of governance that facilitates entrepreneurship and inventiveness among individuals, and provides an enabling atmosphere for people to realize their full potential, can enhance living standards and endorse growth and shared prosperity. To debate that individuals and private businesses should have all the freedom to trail what they wish and that government should not interfere overlooks the fact that government is nothing but the outcome of individual actions.

Economies are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2014.

Mahatma Gandhi believed it was difficult to conduct business in a strictly honest way. In India it has become hard to conduct business any way at all. It sits a lowly 142nd out of 189 countries in the World Bank’s ease-of-doing-business rankings. The country’s present-day boosters say a huge market of 1.25 billion people, half of them under 27, will continue to draw big companies to invest there, whatever the difficulties. Yet though India is a big market, it is not a uniform one. Each of its 29 states has its own rules on land purchase, employment, tax and the environment. And some states are friendlier to enterprise than are others.

India’s biggest states have more people living and earning in them than most countries. For instance, Uttar Pradesh has a population of 200m, as many as in all of Brazil. But the World Bank rankings give no guide as to where it is easiest to set up shop in India. Its ranking for India is based
only on business regulation in Delhi and Mumbai, the two largest cities. To plug this gap in
knowledge, India’s commerce department has just published it first-ever ranking of India’s 29 states
according to the ease of doing business in each place. (The report also covers three enclaves run by
the central government from Delhi.) The scores are based on progress made in reforming business
regulations in eight separate areas, including tax and employment. Gujarat, a state of 60m renowned
for its business-friendliness, tops the list. Uttar Pradesh, the most populous state, is ranked tenth.
Bihar, a largely rural state with 104m people that goes to the polls in October, is ranked a dismal 21st.
Maharashtra, the state that encompasses Mumbai, is ranked a respectable eighth.

The idea behind the report is that naming and shaming low-ranking states will push them to make
changes, that they may be awarded higher scores in future years. The best states might use their high
ranking to pitch for more foreign-direct investment. State-led deregulation may even prove to be the
best way to improve India’s overall lure to business. The government of Narendra Modi, who won an
election last year on a pledge to revive the economy, has been thwarted by the most recent session of
parliament in its efforts to change the national land-purchase law and to harmonise taxes across India.
It has since indicated that it will allow state-level reforms to supersede national law, as a way around
the gridlock. It has already blessed a labour reform by this back-door route in Rajasthan, a northern
state. More states might now follow Rajasthan’s lead.

Aiming to enhance the country's image as a friendly investment destination, the government along
with World Bank has released a state-wise report on the ease of doing business - a report in which Gujarat has
topped with a score of 71.14%.

The western Indian state, three other BJP-ruled states and one led by a party ally occupied the top five places
on the list, which also highlights the poor state of business environment in a large number of states.

The effort is part of the government's initiatives to improve India's position on the World Bank's 'Ease of
Doing Business' ranking. India is 142nd on the list of 189 countries. The government wants India to breaking
into the top 50 at the earliest. It expects to make it to the top 100 in the next ranking.

2. NEED OF STUDY

Change in the political factors can affect business strategy and Ease of doing business indicators
because of the following reasons:
1. The stability of a political system can affect the appeal of a particular local market.
2. Governments view business organizations as a critical vehicle for social reform.
3. Governments pass legislation, which impacts the relationship between the firm and its
   customers, suppliers, and other companies.
4. The government is liable for protecting the public interest.
5. Government actions influence the economic and social environment.

3. OBJECTIVE OF THE STUDY

1. To Study about Political decisions and its impact on the economic environment & socio-
cultural environment.
2. To understand Political Stability and impact of ease of doing Business.
3. To know the political Decision and Its influence the rate of emergence of new technologies &
   acceptance of new technologies.
4. To evaluate Political Decision and Factors affecting to Doing Business.
5. Find Parameters and the calculations of the Global Ease of Doing Business Understanding the Index with context to political environment
7. To Identify Political criteria and its impact on EoDB in Gujarat Region.
8. The overall aim of this research is to develop a strategic ‘roadmap’ for successfully overcoming the barriers that India & Gujarat faces for EoDB.

4. LITERATURE REVIEW

It is true that government should intervene in the market to help the disadvantaged, to keep inequality within bounds, to provide public goods and to create correctives for market failures such as those stemming from externalities, information asymmetries and systemic human irrationalities. (Akerlof and Shiller 2009; Johnson 2009).

But over and above these, government also has the critical responsibility to provide a nimble regulatory setup that enables ordinary people to put their skills and talents to the best possible use and facilitates the smooth and efficient functioning of businesses and markets. Bowles (2006); Basu (2010); and Ferguson (2013).

Another problem arises from the fact that the overall ease of doing business ranking is an aggregation of 10 component indicators—measuring how easy it is (in the economy concerned) to start a business, deal with construction permits, get electricity, register property, get credit, pay taxes, trade across borders, enforce contracts and resolve insolvency and how strong the protections for minority investors are. Further, each of these 10 component indicators is itself an amalgam of several even more basic measures.

The way all this is aggregated is by giving each basic measure the same weight to get to each component indicator, and then giving an equal weight to each of the 10 component indicators to get to the final score. Questions may indeed be asked about whether it is right to give the same weight to different indicators. (Foster, McGillivray and Seth (2012). In same World Bank 2015 Report and its indicator with the position of India is not considerable in today’s dynamic environment.

<table>
<thead>
<tr>
<th>Region</th>
<th>South Asia</th>
<th>Lower Middle Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Category</td>
<td>1.252,139,596</td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>1570</td>
<td></td>
</tr>
<tr>
<td>GNI PER CAPITA US $</td>
<td>1225</td>
<td></td>
</tr>
<tr>
<td>CITY COVERED</td>
<td>Mumbai, Delhi</td>
<td></td>
</tr>
</tbody>
</table>

Source: PhD research Bureau – Compiled from, World Bank

<table>
<thead>
<tr>
<th>Doing Business 2015 Rank</th>
<th>Doing Business 2014 Rank***</th>
<th>Change In Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>142</td>
<td>140</td>
<td>-2</td>
</tr>
</tbody>
</table>

DTF - Distance to Frontier

<table>
<thead>
<tr>
<th>Doing Business 2015 Variable Ranking</th>
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</thead>
<tbody>
<tr>
<td>Topics</td>
</tr>
<tr>
<td>Starting a Business</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
</tr>
<tr>
<td>Getting Electricity</td>
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<tr>
<td>Registering Property</td>
</tr>
<tr>
<td>Getting Credit</td>
</tr>
<tr>
<td>Protecting minority Investors</td>
</tr>
<tr>
<td>Paying Taxes</td>
</tr>
<tr>
<td>Trading across Borders</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
</tr>
</tbody>
</table>

Source: PhD research Bureau – Compiled from, World Bank

The only Area protecting Minority has shown a significant rise in its ranking from 21st position last year to 7th position in current Year. In same as government is playing extensive role, here notify that so political environment surrounding where any government can take birth. Political Environment could add a risk factor and lead to a major loss. We should understand that the political factors have the power to change results. It can also affect government policies at
local to federal level. Companies should be ready to deal with the local and international outcomes of politics. The ease of doing business index is meant to measure regulations directly affecting businesses and does not directly measure more general conditions such as a nation's proximity to large markets, quality of infrastructure, inflation, or crime. The effect of Political Environment on ease of doing Business and how they affect indicators of EoDB.

The World Bank released the eagerly awaited state wise rankings for ease of doing business for Indian states. This was done in tandem with the Department of Industrial Policy & Promotion. What is not surprising is that Gujarat tops the list and is now officially designated as the state with the best score card for ease of doing business. But what is surprising is the ranking and score card of other “industrialized” states that have traditionally been leaders in attracting large scale investments—both domestic as well as global.

Prime Minister Narendra Modi’s ‘Ease of Doing Business’ initiative appears to have resonated more with states ruled by the BJP and its allies. An assessment of implementation of reforms within states, carried out by the World Bank at the behest of the government, has put Gujarat on top, followed by Andhra Pradesh and Jharkhand. Seven of the top 10 states are ruled by the BJP and its allies — the exceptions being Odisha (7), Karnataka (9) and Uttar Pradesh (10). The rankings, carried out by World Bank Group in partnership with KPMG and industry associations CII and FICCI, is based on the implementation status of reform measures across eight parameters. These include setting up a business, allotment of land, construction permit, labour reforms and procedure for environmental clearance.

5. THEORETICAL BACKGROUND AND CONCEPTUAL PROBLEMS – THE CASE OF POLITICAL ENVIRONMENT AND IMPACT ON EODB

There are many external environmental factors that can affect your business and way to do Business. It is common for managers and Individual entrepreneur to assess each of these factors closely before starting business. The aim is always to take better decisions for the firm’s progress and establishment. Some common factors are political, economic, social and technological (known as PEST analysis). Companies also study environmental, legal, ethical and demographical factors. The political factors affecting business are often given a lot of importance. Several aspects of government policy can affect business. All firms must follow the law. Managers and entrepreneur must find how upcoming legislations can affect their activities. The political environment can impact business organizations in many ways. It could add a risk factor and lead to a major loss. We should understand that the political factors have the power to change results. It can also affect government policies at local to federal level. Companies should be ready to deal with the local and international outcomes of politics.

Changes in the government policy make up the political factors. The change can be economic, legal or social. It could also be a mix of these factors. Increase or decrease in tax could be an example of a political element. Your government might increase taxes for some companies and lower it for others. The decision will have a direct effect on your businesses. So, you must always stay up-to-date with such political factors. Government interventions like shifts in interest rate can have an effect on the demand patterns of company. Certain factors create Inter-linkages in many ways. Some examples are:

- Political decisions affect the economic environment.
- Political decisions influence the country’s socio-cultural environment.
- Politicians can influence the rate of emergence of new technologies.
- Politicians can influence acceptance of new technologies.

The political environment is perhaps among the least predictable elements in the business environment. A cyclical political environment develops, as democratic governments have to pursue re-election every few years. This external element of business includes the effects of pressure groups. Pressure groups tend to change government policies. As political systems in different areas vary, the
political impact differs. The country’s population democratically elects open government system. In totalitarian systems, government’s power derives from a select group. Corruption is a barrier to economic development for many countries. Some firms survive and grow by offering bribes to government officials. The success and growth of these companies are not based on the value they offer to consumers.

5.1 Political Factor Affecting Business
These are the some political factors affecting business.
- Bureaucracy
- Corruption level
- Freedom of the press
- Tariffs
- Trade control
- Education Law
- Anti-trust law
- Employment law
- Discrimination law
- Data protection law
- Environmental Law
- Health and safety law
- Competition regulation
- Regulation and deregulation
- Tax policy (tax rates and incentives)
- Government stability and related changes
- Government involvement in trade unions and agreements
- Import restrictions on quality and quantity of product
- Intellectual property law (Copyright, patents)
- Consumer protection and e-commerce
- Laws that regulate environment pollution

5.2 Political Decision and Impact on Economic Environment
The political situation of a country affects its economic setting. The economic environment affects the business performance. For example, there are major differences in Democratic and Republican policies in the US. This influences factors like taxes and government spending, which ultimately affect the economy. A greater level of government spending often stimulates the economy.
In 1992 Narsimha Rao government has endorsed LPG policy and India had opened door for multinational Companies to do business in India, and Indian Multinational Can go globally. Today as Prime Minister Modi also focusing more on foreign Relation and Make in India Movement for developing economic Environment of India.

5.3 Political decisions influence the country’s socio-cultural environment
Governments could alter their rules and regulations. This could in turn have an effect on a business. After the accounting scandals of the early 21st century, the US SEC became more attentive on corporate compliance. The government introduced the Sarbanes-Oxley compliance regulations of 2002. This was a reaction to the social environment. The social environment urged a change to make public companies more liable. Today also government band on beaf during parゅushana which can be consider as social aspect and there are so many decision of government is influenced by religion or society which effects lot on doing Business in India.

5.4 Changes in Regulation
Governments could alter their regulation as they feel to make healthy & transparent business environment. This could in turn have a consequence on a business and its environment. The social environment urged a change to make public companies more liable. SEBI Changed Policy for ULIP in Insurance, Land Acquisition Bill, Reservation Policy which may effects on EoDB.
5.5 Political Stability
Lack of political stability in a country affects business operations. This is especially true for the companies which operate internationally. For example, an aggressive takeover could overthrow a government. This could lead to riots, looting and general disorder in the environment. These disrupt business operations. Sri Lanka was in a similar state during a civil war. Egypt and Syria faced disturbances too. Pakistan has same problem with this instability of government. India is doing well with full Majority of the government in today’s era.

5.6 Mitigation of Risk
Buying political risk insurance is a way to manage political risk. Companies that have international operations use such insurance to reduce their risk exposure. There are some indices that give an idea of the risk exposure in certain countries. The index of economic freedom is a good example. It ranks countries based on how politics impacts business decisions there.

5.7 Economic Freedom Map

Source: Economic Freedom Heat Map (Courtesy of heritage.org)

6. FINDINGS

- From the above study found that Despite the role of political Environment in influencing Ease of doing business parameters the ‘Ease of Doing Business Parameters has own independent effect on EoDB.
- India’s rank in 2015 is 142 instead of 140 in year 2014.
- India is currently ranked 142 among 189 nations in World Bank’s Ease of Doing Business 2015 study. With the exception of two parameters (Getting credit and Protecting minority investors), India does not feature in the top 100 in the remaining parameters. For example in metrics such as ‘dealing with construction permits’ and ‘enforcing contracts’ parameters, India ranks in the bottom 10 economies as per the ranking, according to the study.
- The only Area protecting Minority has shown a significant rise in its ranking from 21st position last year to 7th position in current Year.
- In these two parameters India is far away from the other countries 1. Dealing with Construction Permits 2. Enforcing Contracts.
- Gujarat is Model state in India for EoDB- and here, in Gujarat last 15 years ruling by one party – BJP indicates political Stability and synchronization in decision making.

7. CONCLUSION

From the above study it is found that Political Environment is one of the most impact factors on Ease of doing business. Hence, Decision Making authority or Manager or Company should evaluate the political Environment for doing business in any country or State. From the Example of Gujarat State Reforms, Gujarat is first for Ease of Doing Business than Other state of India. It is also found that Political Stability impact s lot on Economic and Social Development of Country and Sate. Gujarat is found Best performing State in terms of Economic – Social Development and within the criterion of...
Ease of doing Business. The finding of the study has implication for the period of the study only. Further, with help of primary research we can further find the critical factor and its impact on Ease of Doing Business. It is true that Gujarat state has made significant Improvement in the area of Business Environment followed by other states can be Road Map for other states of India.

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[5] Johnson (2009). There is evidence that human beings are not just frequently irrational but have certain systematic propensities to this, which can be and has been used to exploit individuals- The next World Development Report (World Bank, forthcoming), to be published in December 2014, is devoted to this theme.


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ABSTRACT

Economic growth is the main concern for every economy. To achieve higher growth rate and to maintain it all the countries of the world and their governments are implementing various reforms. Economic development of any country depends on many factors. One of such key factor is entrepreneurship. The country which provides better platform to start a business will definitely affect the entrepreneurship environment. Ease of Doing Business of World Bank Group is an index which has attracted the attention of all the regulatory bodied of every country. Based on the study of certain indicators countries are being ranked which creates competitive environment among all the countries. To improve the position in the index of Ease of Doing Business (EoDB), regulatory bodies are initiating reforms to create better business friendly environment. India is ranked at 142 as per the 2015 report of World Bank group though it is one of the fastest growing country of the world.

This paper aims to highlight the various issues prevailing in the current business environment in India based on the literature study. The paper also focuses on the various initiatives which have been taken by Government in recent period. This study will be useful for the researchers who wants to carry out further study on various issues prevailing in the Economy. The paper is an attempt to summarise all the issues, recommendations given by various agencies for those issues, and also various initiatives that have been taken up recently by government which affects Ease of Doing Business environment.

Keywords: Ease of Doing Business, Economic Growth, Reforms, Business Environment

INTRODUCTION

India’s position in the ranking of “ease of doing business” has moved to 142 from 132 in 2013. The slip in the position has attracted the attention of policy makers. After Lok Sabha Election of 2014, new government has focus on key issues related to Ease of Doing Business. The slip in the ranking shows that previous government was not able to improve the situation which can even maintain the rank of India at same level compared to previous year.

Looking to the table 1 of ranking, it is clear that India’s position not respectable in overall ranking of EoDB. Looking to the individual indicators of EoDB, it can be said that out of 10, India holds good position in only two of the indicators i.e. Getting Credit and Protecting Investors. This can be interpreted as that we have a good financial mechanism and stronger rules and regulations which protects investors. In case of other indicators, its worst condition.
Out of 189 economies, which have been ranked by World Bank Group for EoDB, India is among last 10 countries in case of “Dealing with Construction Permits” and “Enforcing Contracts”. Considering overall ranking of EoDB – as per report of 2015, India is amongst last 50 economies in the list. Which is not a good position for a developing country like India.

As per the report of UNFPA - The State of World Population 2014, India has the world’s highest number of 10 to 24-year-olds, with 356 million. This shows that India has the youngest people who will be contributing in the economic development of the Nation. If India can provide better platform for aspirant entrepreneurs, then these young population may take India at the level of Economic Superpower.

But the ranking as per the EoDB Report 2015 shows serious situation. Improvement in this rank requires huge strategic reforms which can utilize the skills and talent of young entrepreneurs who are ready to join ecosystem of the nation.

Above ranking in individual parameter shows that India is in need of reforms related to almost all indicators based on which the ranks are given.

**OBJECTIVE**

The objective of the study is to overview the business environment with reference to Ease of Doing Business and to reveal various Issues prevailing in the country and also to highlight various initiatives taken up by Government based on the study of available literature.

**LITERATURE**

“Some policy implications in the Indian context are strong focus required on human development, particularly education that enables building up the knowledge economy. This is crucial for large, but less developed states. Such a strong focus on human capital in combination with sustained physical capital investment will potentially support India to catch-up with the leaders in the region. Another policy implication emerging from our study is increased focus on intraregional trade considering its potential to improve economic growth, infrastructure development and reduction in poverty. Increased trade within the region will lead to mutual growth of all participating countries within the region and will also facilitate movement of rural and agricultural labour to non-farm sectors.” (Arora & Ratnasir, 2015).

This clearly indicates that India needs to focus on improvement of Human Capital which may affect the issue of poor quality of labour faced by Industry. Another issue of regional trade requires attention from regulatory bodies. This will also improve the environment of business. These both issue highlighted by above study which may affects the indicators of Ease of Doing Business.

Getting credit is one of the indicators in the index of Ease of Doing Business. India Ranks 36\(^{(1)}\) in this category. There may be many ways of increasing financial access to poor and small entrepreneurs one of which is suggested in the study by Rajaram Dasgupta & Manickaraj Malai (2013).

“The bank is able to reach out to the masses through the pawnbrokers and is found to be beneficial to all the parties involved including the bank, the RCFs, and the ultimate borrowers. By increasing the supply of credit through such channels, competition, as told by the RCFs, has been created in the unorganised credit market and the rate of interest has declined. Indian Bank has showcased the fact that it is a cost effective channel for extending financial services to the poor. The bank may undertake further experiment to rope in traditional moneylenders and private financial institutions to ease their liquidity, bring competition and reduce ultimate rate of interest” (Dasgupta & Malai, 2013)
Here as proposed by Dasgupta & Malai (2013), there is a scope for improvement in the current system of financing, this type of improvement can boost up the entrepreneurship at micro level of the economy.

“India has considerable scope to improve its business environment. Specifically, priority areas include cutting the various costs of doing business and improving financial access. There is also some evidence that developing infrastructure, especially transport, could support corporate investment.” (Kiichi Tokuoka, 2013). For, improving business environment in India the Government should bring down unnecessary costs associated with starting a business and other compliances. Improving infrastructure and financial access will have positive impact on Business environment and can ultimately improve the Ease of Doing Business.

“The OECD’s product market regulation (PMR) indicators show that PMR, in particular barriers to entrepreneurship, is restrictive in India, not only by advanced economy standards, but also by emerging economy standards. There is considerable room for relaxing employment protection. Indeed, Indian corporates cite labour regulation as one of the key constraints on their business (The World Bank, 2012)” (Kiichi Tokuoka, 2013)

“According to the World Economic Forum, India’s headline global competitiveness fell to 56th place in 2011 from 49th in 2009, reflecting weakening institutions (e.g. transparency of government decision making) and relatively slow pace of infrastructure improvement. Among sub-indexes, the ranking in institutions has shown a noticeable decline from 34th in 2006 to 69th in 2011. Note that India’s headline global competitiveness ranking (56th in 2009) is higher than the ranking measured by the World Bank’s doing business indicators. This is because in measuring headline global competitiveness, the World Economic Forum also incorporates indicators such as market size and financial development, where India performs well.” (Kiichi Tokuoka, 2013)

While studying the Ease of Doing Business and FDI inflow to Sub Saharan Africa and Asian Countries, Rosetta Morris & Abdul Aziz, (2011) have concluded by referring to China, Indonesia and India attracts FDI in spite of law ranking on the index of Ease of Doing business.

“The countries with larger populations seem to be more attractive to MNEs simply because of their market potential.” Rosetta Morris & Abdul Aziz, (2011). Further they concluded that “This study also provides partial support to the hypothesis that FDI is related to the business climate as defined by the World Bank. It is possible that MNEs do not make foreign investment decisions based on business climate alone. They may be more attracted by the size of markets various countries have to offer. Therefore, it is suggested that future research should include the population of a country and the size of its middle class which can afford to buy products or services MNEs have to offer. Since foreign investments decisions are very complex, it is also suggested that future research may focus on directly surveying the MNEs in order to find out the determinants of FDI.” (Rosetta Morris & Abdul Aziz, 2011).

“Electricity availability is one of the most important requirements for economic growth. Hence decision making authority should focus on such key sectors which affects the economic growth. From the example of Gujarat power sector reforms, various states of India can follow the strategy adopted by Government of Gujarat. It is also found that with Good Governance Practices a state can achieve the status of zero power deficit. Gujarat is found to be best performing state in terms of economic development as well as reduction in power deficit.” (Gujarati, 2015)

“EMPOWERING INDIA: Redesigning G2B Relations” a report by FICCI and BAIN & COMPANY studied the situation of Ease of Doing Business in which 12 factors were identified. This report presents the detailed study of all these factors. This report has highlighted best practices of the states and prevailing issues in the business environment. With domestic best practices, they have also highlighted international examples of business friendly reforms for almost ten factors. The report also
compares domestic practices with international benchmark practices and highlights the scope for improvement and given recommendations.

KPMG-CII (2014) – “Ease of doing business in India” is the report which assesses investor feedback on four critical areas driving investment, attractiveness and decision. This study also describes initiatives taken up by states and other bodies. With respect to the four criteria, report has made certain recommendations to the regulatory bodies.

It will be very much essential to get the idea about the issue prevailing in the current business environment of Indian Economy. The survey report of FICCI and BAIN & COMPANY as well as KPMG-CII (2014) will help in getting idea about various issues affecting ease of doing business in India.

ISSUES IN INDIA RELATED TO EASE OF DOING BUSINESS

A. Issues highlighted by the report of CII-KPMG – Ease of Doing Business in India, 2014

1. Land acquisition

“Investors and manufacturers need timely acquisition of contiguous land to contain project cost escalation and project timelines. However, landowners are often wary of selling — given the potential future price appreciation and non-transparent price benchmarks. As a consequence, land for industrial development is not as easily available as it used to be earlier.” [2]

According to the findings of CII-KPMG report 2014, the land acquisition has become complex and time consuming due to lack of an effective process. The survey finds some major problems in the land acquisition process which are

- Prices of the land
- Bureaucracy during the land development process
- Problematic and costly registration process
- Unsecured land titles generate uncertainty.

In this survey, the respondents have suggested to reduce uncertainty, streamlining the process, reduction of bureaucracy, lowering acquisition costs.

The report also suggest that, the land acquisition process should be simplified and transparent, the government should encourage the establishment of Industrial clusters.

The various initiatives highlighted of state governments in this report are as below:

- Computer-Aided Registration of Deeds (CARD), AP
- e-Dhara Bhulekh, Gujarat
- SIR ordinance (Special Investment Region), Gujarat
- Gujarat Industrial Development Corporation (GIDC), Gujarat
- Industrial Cluster, Ahmedabad Pharma cluster, Gujarat
- Rehabilitation & Resettlement of Land Owners, Haryana
- Online and 'Anywhere registration' (KAVERI), Karnataka
- Karnataka Industrial Areas Development Board (KIADB), Karnataka
- Formation of an industrial cluster — Chennai automotive cluster, Tamil Nadu

2. Starting a business – (Business approvals)

“Obtaining approvals and clearances is a time-consuming process involving multiple procedures; costs incurred in the whole process is significantly high”, [2]
According to the CII-KPMG in India survey, 2014, lengthy and time consuming procedure, documentation formalities, number of ministries to be visited and various approvals for starting business are main problems.

The report highlights that effective implementation of single window clearance system and the registration process as a solution to these problems.

The various initiatives highlighted of state governments in this report are as below:

- The Single-Window Clearance Act, AP
- Online building-plan approval system, Karnataka
- Registering a business, New Delhi
- One-Stop Centre, Punjab
- Single-window clearance mechanism, Orissa
- Single-Window Clearance Act, Rajasthan

3. Starting a business – (Enabling infrastructure)

Another types of issues faced by entrepreneurs in starting a business are related with infrastructure facilities like water, sewage, power connections. Getting access to water, sewage and power is very much essential to start and run a business. Lack of this basic facilities will prove to be hurdle in starting a business.

To get basic facilities, applicant has to visit and get permissions form various departments which looks after all such activities. Too much procedure, involvement of various departments may increase time to start a business.

The various initiatives highlighted of state governments in this report are as below:

- Water & sewerage connection, Greater Noida
- Critical infrastructure project (CIP) scheme, Gujarat

4. Starting a business – (Operation and growth)

“Unethical practices, macroeconomic instability, high financing cost, taxes and the availability of skilled labour pose major obstacles in the operation and growth of business in India.”[2]

“As part of the survey, corruption emerged as the major obstacle in doing business in India followed by cost of financing, tax administration and high taxes. Economic and regulatory policy uncertainty and macroeconomic instability can create challenges in the operations and growth of business in India. Skill and education of workers, labour regulations, customs and trade regulations and access to land are some other major areas of concern in doing business in India.”[2]

Interesting finding of this survey is that Corruption is a major challenge for entrepreneurs in starting a business. Corruption is not included by World Bank Group in EoDB ranking. But during the survey of CII-KPMG it is found as a key issue.

5. Starting a business – (Labour)

“Productive labour and harmonious labour relations are considered central to realising the demographic dividend that India is offered. There is a need to contain the inconsistencies that seemingly exist between different labour laws and other laws that concern labour indirectly.”[2]

As per the report, Most of the entrepreneurs face difficulty in complying with Labour Laws, hiring labour is affected by skill gap and labour laws. Ineffectiveness of state machinery in setting / controlling labour unrest is also a major issue.

As per the report, “Initiatives focussed on tackling issues in skill gap and labour compliance would help ease labour situations in India.”[2] The various initiatives highlighted of state governments in this report are as below:

- Labour compliance, SEZ Act, Gujarat
- Skill development, Gujarat
- Labour Management System (Mahashramm), Maharashtra
- Formation of Sector Skill Councils (SSCs), NSDC
- Promote private participation in skill development (various)
- National Academy of Construction (NAC), AP
- Multi Skill Development Centres, REEMAP, AP

Key recommendations in starting a business related issues, given by this study are as below: [2]

- To encourage business start-ups, process of obtaining approvals and clearances should be expedited by effectively implementing the single-window clearance mechanism.
- Faster and simplified clearances and approvals
- Improve the effectiveness of single window clearance
- Emulate noteworthy initiatives from across states
- Relax environment-related clearances
- Labour reforms are required to make the labour policy flexible
- The issue of limited availability of skilled manpower could be tackled by establishing skill development centres, Collaboration and Partnership of industries and education institutions.
- Need for a flexible labour policy

6. Taxation

India is at 156th position as per report of EoDB-2015 which demands reforms related to Taxation in the country. “High tax rates emerged as one of the major obstacles to operating and growing a business in India.” [2].

As per report, Tax authorities are not proactive in promoting investments, resolving tax disputes through Supreme Court is a retrospective amendment can have damaging effect on investment sentiments.

The survey reveals that Companies face issues while dealing with tax authorities, settling tax disputes, availing tax incentives and obtaining timely refund of tax.

The respondents have favoured implementation of Direct Taxes Code (DTC) and Goods and Services Tax (GST), simplification of procedures and an independent redressal grievance cell.

“Economies around the world have made paying taxes faster and easier for businesses by consolidating filings, reducing the frequency of payments or offering electronic filing and payment options.”[1]

“Several countries have also reduced tax rates and these changes have brought about concrete results. Some economies that have simplified tax payments and reduced rates have witnessed a rise in tax revenues.”[1]

The various initiatives highlighted of state governments in this report are as below:

- Registration, filling and payment of state VAT, AP
• AASTHI, GIS-based property tax system, Karnataka
• VAT simplification and improvement, Rajasthan

Recommendations given in this reports for Taxation related issues are as below:

• Reduce tax-related compliance and increase Ease of paying taxes
• Taxation in India needs structural, operational and administrative reforms

7. Contract enforcement

“The process of filing and serving court proceedings is often complicated and time consuming and there is also need to review antiquated laws and regulations.”[2]

The study also highlights that delay in judgement, enforcement of judgement is not smoothly done as assured by system. The cost associated with legal process like hiring and engaging lawyers, other costs during interim stage etc. are other challenges which requires attention.

Respondents in this study have given focus on urgent need of review of laws and regulations. According to the respondents, following laws and areas required urgent review of law.

• Environment Laws
• Land Acquisition Laws
• VAT
• Labour Laws
• Entry Tax, Water Tax
• SEZ Policy

Recommendations

• e-Courts : Effectively implement an electronic case filing system
• IT-intensive productivity improvement programmes can be implemented, in courts at all the levels, including district courts.
• Increase in the number of courts and tribunals.
• Alternative Dispute Resolution (ADR) instead of filing proceedings in court.
• Enter international treaties
• Antiquated laws should be updated
• Improving court efficiency as done by Korea

B. Issues highlighted by the report of FICCI and BAIN & COMPANY’S report “Empowering India – Redesigning G2B Relations”

As per the report of FICCI and BAIN & COMPANY, there are 12 key factors which were identified during their study. These factors were identified through government and industry interviews.

“The objective of this report is to identify best practices in improving the business environment across the country, determine the key levers available to Indian states (vs. the Centre) to alter the business environment, and to arrive at actionable and practical recommendations for some Indian states.”[3]

Table 2 represents the role of States and Centre in addressing key issues and also best practices found in one or more states for that particular factor.
Table 2  Varying Role of the Centre and States in addressing key issues

<table>
<thead>
<tr>
<th>Sr No.</th>
<th>Factors impacting business</th>
<th>Pain points</th>
<th>Role in addressing pain point</th>
<th>Best practices found in States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Land acquisition</td>
<td>Policy: Absence of a uniform policy and lack of consistent enforcement of clear compensation and rehabilitation policies</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>2</td>
<td>Property registration</td>
<td>Procedures: Cumbersome and time consuming registration procedures</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>3</td>
<td>Obtaining Construction permits</td>
<td>Procedures: Cumbersome and time consuming procedures to obtain permits</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>4</td>
<td>Single Window Clearance mechanism</td>
<td>Procedures: Large number and high complexity of procedures</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>5</td>
<td>Industrial clusters</td>
<td>Implementation: Sub-optimal quality and lack of pro-active development of clusters</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>6</td>
<td>Labour reforms</td>
<td>Policy: Multiple and often dated labour regulations and compliances</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>7</td>
<td>Environment-related compliances</td>
<td>Policy and procedures: Multiple and often dated environment regulations and compliances</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>8</td>
<td>Availability of power</td>
<td>Procedures: Insufficient availability or reliability of Power supply</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>9</td>
<td>Payment of taxes</td>
<td>Policy (regime): Multiple levels of taxation and large number of taxes</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>10</td>
<td>Availability of information</td>
<td>Procedures: Limited and inconsistent availability of information</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>11</td>
<td>Commercial dispute resolution*</td>
<td>Procedures: Slow resolution process for Commercial disputes</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
<tr>
<td>12</td>
<td>Exit procedures</td>
<td>Policy: Stringent policy requirements for businesses wanting to exit</td>
<td>Centre States</td>
<td>Best practices found in States</td>
</tr>
</tbody>
</table>

*Primary role is of the State High Courts

Source: Empowering India- Redesigning G2B Relations, FICCI and BAIN & COMPANY

Best Practices by States

The report highlights the best practices adopted by various states is summarised in table 3 given below. Though the best practice adopted by states may be useful in improving business environment at other geographical area, but it may not completely abolish the issues faced by the industry for particular factor.

Table 3  Summary of best practices as well as strong procedural initiatives in India

<table>
<thead>
<tr>
<th>Sr No.</th>
<th>Factors impacting business</th>
<th>Best practices found in States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Land acquisition</td>
<td>Gujarat: Policy based on partnership with owners and market-prices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Andhra Pradesh: Smooth and predictable procedures for land allotment</td>
</tr>
<tr>
<td>2</td>
<td>Property registration</td>
<td>Karnataka: Computerized procedures and anywhere registration (Bengaluru)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gujarat: Computerized land records to accelerate registration time</td>
</tr>
<tr>
<td>3</td>
<td>Obtaining Construction</td>
<td>Tamil Nadu: Online submission of building plans in Chennai</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Karnataka: Online submission and computerized approval of building plans in Bengaluru urban area</td>
</tr>
<tr>
<td>4</td>
<td>Single Window</td>
<td>Andhra Pradesh: Implementation of Single Window Act with deemed clearances</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rajasthan: Implementation of Single Window Act with time-bound clearances</td>
</tr>
<tr>
<td>5</td>
<td>Industrial clusters</td>
<td>Tamil Nadu: Creation of large-scale automotive hub</td>
</tr>
<tr>
<td>No.</td>
<td>Issues</td>
<td>Details</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>6</td>
<td>Labour reforms</td>
<td>Gujarati: Online labour management system to administer labour laws and provide a range of labour management services online</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gujarat: Strong skill development initiatives through industry participation</td>
</tr>
<tr>
<td>7</td>
<td>Environment related</td>
<td>Gujarati: Implementation of e-governance by the Gujarat Pollution Control Board</td>
</tr>
<tr>
<td>8</td>
<td>Availability of power</td>
<td>Gujarat and Rajasthan: Strong availability of quality power for Industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>West Bengal: Initiatives to reduce AT&amp;C losses</td>
</tr>
<tr>
<td>9</td>
<td>Payment of taxes</td>
<td>Rajasthan: Simplified VAT system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Karnataka: GIS-based property tax payment system</td>
</tr>
<tr>
<td>10</td>
<td>Availability of Information</td>
<td>Maharashtra, Gujarat: Multiple, formal mechanisms for disseminating information</td>
</tr>
</tbody>
</table>

Source: Empowering India: Redesigning G2B Relations, FICCI and BAIN & COMPANY

Issues revealed by the Report.

1. **Land Acquisition**

   The common practices and key pain points that emerge in land acquisition across states are:[3]

   - Existence of a land acquisition policy but significant procedural delay in acquiring land due to the absence of consistent interpretation of the policy
   - Limited role of the state in facilitating land acquisition for industry
   - Absence of standard and uniform price determination and compensation mechanisms
   - Absence of an effective recourse and issue resolution mechanism
   - Unclear acquisition and allotment process leading to acquisition of land for speculative purposes and not industrial use, further resulting in 'artificial' scarcities and price rises

2. **Property registration**

   Issues related to property registration: [3]

   - Time consuming registration and title transfer processes due to absence of online procedures for registration and mutation
   - Inability to apply for registration without the help of a lawyer due to complex procedural requirements
   - Limited penetration of e-stamping procedures
   - Outdated circle estimates of land, leading to huge gaps between registered and actual sale prices
   - Lack of clarity on amount of stamp duty to be paid for different properties and ambiguity in property
   - According to the report the time taken for the process from registration to transfer of title is over a month period which is higher than international practices. The fact behind this delay is the involvement of more than two departments and not integrated process.

3. **Obtaining construction permits**

   Obtaining building construction permits can be a time consuming and unpredictable process for industry across the country due to the involvement of multiple departments, inspections and consequently, approvals by each. Common practices across states that lead to delays include:

   - Lack of sufficient clarity on the large number of regulations and byelaws that have to be complied with to obtain approvals
Multiple departments often need to be approached and multiple payments may be required to obtain construction permits. While this varies across cities, existence of multiple departments is a common feature across cities.”[3]

“States such as Karnataka, Tamil Nadu, Gujarat and Maharashtra have made significant reforms by introducing online submission, scrutiny and tracking of construction permits in some cities which are enabled through the use of customized software. In Bengaluru there is a single window for construction related permits operated by the municipality.”[3]

Above points clearly indicates that, though some reforms are initiated by few states, yet there is scope for improvement in this area. If government can reduce complexity of various departments to be approached while getting construction permit, better environment can be created.

4. Single Window clearance mechanism

The report highlights that most of the states have done some improvements in the area of Single Window Clearance System, but still scopes are there for improvement.

The nodal agency in most of the states is found to be ineffective due to lack of authority to implement standard and efficient single window mechanism.

According to report, the highly departmentalized structure of government can be integrated with the help of technological integration. This technological integration will enhance the user’s experience and provide a common front to the investor.

“The most important enabler is to ensure all accountabilities are clearly assigned within this Single Window System and the end goal of providing a true, single point of contact to the investor is truly achieved in its spirit.”[3]

This clearly indicates that for single clear mechanism accountabilities should be defined very clearly at all levels.

5. Industrial clusters

The report has highlighted common issues due to which the growth based on Industrial clusters gets deterred. The main four common reasons revealed by the reports are as below:

- Absence of world-class infrastructure within the clusters including roads, connectivity, utilities and other facilities to encourage holistic development of the cluster region[3]
- Delays and lack of sufficient clarity in the disbursal of incentives to industries within clusters[3]
- Absence of a tracking mechanism to evaluate the success of various clusters[3]
- Challenges in getting relevant and up-to-date common infrastructure within the estates[3]

6. Labour reforms

The report [5] has focused on the improvement, reforms and modification and simplification of laws which exists since independence. The industry faces lots of burden due to multiple compliance of various laws. The inspection process are also not standardized, the dispute resolution mechanism is almost not available. The industry faces issues in getting adequate quality of labour. Here again the study of Arora & Ratnasir (2015) can be related which finds necessity to improve human capital of the country.
7. **Environment-related compliances**

“The environment-related compliances are extremely important and often non-negotiable; the administration of these has significant room for improvement in speed, predictability and costs. Common issues that industry faces are around the following areas:

- Lack of clarity and education on the myriad regulations involved
- Lack of clarity on classification between different industry categories, especially for new technology
- Long procedures for grant of emission and discharge consents by Pollution Control Boards
- Short validity periods for granted consents
- Lack of training for enforcing authorities, leading to low awareness regarding latest technology
- Rules which are viewed as sub-optimal and less practical” – [3]

These points clearly indicate that, laws should be simplified, an uniform process should be adopted to reduce the time to get licences, validity of licenses should have reasonable time length, depending upon the need of time the laws should be modified.

8. **Availability of Power**

“Industry is impacted seriously by inconsistent availability of power. In fact, industry has learnt to live with predictable as well as unpredictable power cuts by investing heavily in captive power supply.”[3]

“With reference to Availability of Electricity, to increase the India’s ranking in ease of doing business, Maharashtra Government should adopt or learn from Gujarat Power Sector Reforms. This will not only help in improvement in ranking of ease of doing business but will also affect the economic growth of Maharashtra and finally of India. Here it is assumed that power deficit faced by entire state is also faced by Mumbai city.” (Gujarati, 2015)

These words itself explains the serious issue of power availability. On one side Industry has to suffer due to power cut and on other side they also have to invest on other sources of power supply to overcome this issue.

According to CII-KPMG in India survey, 2014 around 60% respondents in the survey have admitted that Getting Permission for Power Connection is a major obstacle in starting a business.

Hence, it is desirable that the process of getting permission to access electricity should be simplified and should be industry friendly and after getting permission sufficient power should be provided by the state to create healthy and business friendly environment.

9. **Payment of Taxes**

In Paying Taxes category, India is at the 156th rank as per EoDB report 2015 of World Bank Group, which itself shows that there is urgent need of improving the Tax Laws and Structure of the land.

“Common pain points related to taxation faced by industry are:

- Variation across states in the VAT regime and requirements
- Ambiguity in property valuations, leading to lack of clarity on property tax calculations
- Absence of a unified online portal for all tax payments across the entire state”[3]
This clearly indicates that India has complex structure due to various reasons like State and Centres different taxes. It is advisable to have uniform tax patters so that investors and industry find it convenient to complete tax paying formalities easily and can save time.

10. Information Availability

The main three issues highlighted by the reports are listed below:

- “Absence of a consistent, easily accessible online source where all relevant information is available”
- “Out-of-date information available online leads to lack of clarity”
- “Multiple sources of information for various processes”

The information availability of any new entrepreneurs plays a great help to him. There should be a system where all the necessary and relevant information is available so that it saves time to complete all the formalities. The time spent due to unawareness of procedural and compliance can be saved by providing all relevant information at one point with the help of technology. Here it’s interesting to note that, Information Technology can solve this issue very easily, just Government need to initiate in this area.

11. Commercial Dispute resolution

Commercial Disputes is the subject matter dealt by Judiciary system. It is not governed either by State or Central Government. Though India has a sound judiciary system according to the structure of the India’s federal system, it is little lengthy and much slow when it is the matter of dispute resolution.

“Key issues that industry often faces include sub-optimal enforcement of Alternate Dispute Resolution mechanisms, absence of fast track courts, and limited capacity of judges and huge pendency of cases due to limited capacity and limited technological up gradation of Courts.”

The reports also suggest that there should be an Alternate Dispute Resolution (ADR) mechanism. E-Courts where data and documents are accessed and moved digitally will reduce the time for the disposal of the cases. “Judges Capacity and consistency in quality across different courts is another key issue that limits the overall effectiveness of the judicial system and consequently, commercial disputes as well.”

Simplification and better implementation of the Arbitration Act, Fast Tract Courts dedicated to Commercial Disputes, Consistency in quality of Judges at all level of judiciary system etc. are some areas where scope for development lies and attention by regulatory body is required.

12. Exit procedures

“Flexible entry regulations, if not accompanied by an easier exit environment, don't end up achieving the intended goal of simplifying the business environment and keeping it competitive.” Justifying these words, the report also suggest to bring necessary changes according to the current industrial trends in the laws which affect exit formalities. As the matter is in the hands of Centre, the states should be given powers to modify some laws according to the local industrial environment.

The major suggestions given by the report are as below:

- “As a starting point, the procedures can be simplified exceptionally for designated areas, as outlined in the New National Manufacturing Policy”
- “Increase in threshold for closure, from 100 employees as present to 1,000 employees”
- “Support in banning strikes, again, to start with, in designated areas such as National Manufacturing and Investment Zones (NMIZs)”
The Department of Industrial Policy and Promotion (DIPP) has taken up a series of measures to improve Ease of Doing Business. [4]

Table: Important Initiatives in “EASE OF DOING BUSINESS”

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Initiative[4]</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Industrial Licence and Industrial Entrepreneur Memorandum has been made online by eBiz website available 24x7 to entrepreneur</td>
<td>14 services are integrated which will reduce time for approval and make procedure faster</td>
</tr>
<tr>
<td>2</td>
<td>Reduction in number of documents required to just 3</td>
<td>Will reduce unnecessary compliance and documentation related delays</td>
</tr>
<tr>
<td>3</td>
<td>The Companies Amendment Act 2015 passed to reduce minimum paid-up capital and common seal for companies</td>
<td>Will remove the obstacles for new start-ups</td>
</tr>
<tr>
<td>4</td>
<td>Six best practices were identified and circulated among states for adoption</td>
<td>Will create competitive reform environment among states and will improve business environment</td>
</tr>
<tr>
<td>5</td>
<td>Modification in the Defence Product list and large number of items are excluded</td>
<td>Will improve the domestic production of forging industry as well as scope for other engineering companies</td>
</tr>
<tr>
<td>6</td>
<td>Initial validity period of Industrial License has been increased to three years from two years</td>
<td>This will give enough time to licensees to procure land and obtain the necessary clearances/approvals from authorities</td>
</tr>
<tr>
<td>7</td>
<td>To facilitate investors and to reply to their queries, Frequently Asked Questions (FAQs) by applicants for grant of industrial license have been developed and uploaded on DIPP website.</td>
<td>This will reduce the confusion and will ultimately reduce the time required for compliance activities</td>
</tr>
<tr>
<td>8</td>
<td>NIC 2008 has been adopted which is the advanced version of industrial classification</td>
<td>This code will allow Indian businesses to be part of globally recognized and accepted classification that facilitate smooth approvals/registration</td>
</tr>
<tr>
<td>9</td>
<td>A checklist with specific time-lines has been developed for processing all applications filed by foreign investors in cases relating to Retail/NRI/EoU foreign investments. This has been placed on the DIPP website.</td>
<td>This will reduce the process time and other delay in processes</td>
</tr>
<tr>
<td>10</td>
<td>An Investor Facilitation Cell has been created in ‘Invest India’ to guide, assist and handhold investors during the entire life-cycle of the business.</td>
<td>Will provide necessary information’s at one window</td>
</tr>
<tr>
<td>11</td>
<td>registration with Employees Provident Fund Organization (EPFO) and Employees State Insurance Corporation (ESIC) was taken up with the Ministry of Labour and Employment.</td>
<td>Both process are automatized which will reduce the time and delay due to compliance activities</td>
</tr>
<tr>
<td>12</td>
<td>An order facilitating revival and rehabilitation of MSMEs through banker’s committee has been issued by Ministry of MSME.</td>
<td>This may improve the availability of finance in coming time</td>
</tr>
<tr>
<td>13</td>
<td>A unified portal for Registration of Units for LIN, Reporting of Inspection, and Submission of returns and Grievance Redressal has been launched by Ministry of Labour and Employment.</td>
<td>Part of Labour reforms which will reduce the unnecessary time and cost associated with the compliance</td>
</tr>
<tr>
<td>14</td>
<td>Registration process of VAT and Professional tax has been merged into a single process with single ID on 1st January, 2015 by the Government of Maharashtra.</td>
<td>This will improve the environment related to “Paying Taxes” in Maharashtra</td>
</tr>
<tr>
<td>15</td>
<td>Registration for VAT in Delhi has been made online. TIN allotment is done real-time and business can start immediately on receipt of TIN number.</td>
<td>This will improve the environment related to “Paying Taxes” in Delhi</td>
</tr>
</tbody>
</table>
| 16    | The time required for giving a new electric connection in Mumbai has been reduced to 21 days from 67 days. The number of procedures involved has been cut down to 3 from | This will definitely affect the ranking in “Getting Electricity” which may improve the overall ranking of India in “Ease of
The above initiatives which are taken up by Government is almost in line with various issues highlighted by various survey agencies. This will definitely improve the business environment in the country.

**CONCLUSION**

With reference to the above study it can be concluded that there are many areas in which India needs to improve. The Government of India will have to carry out strategic series of reforms which may affects India’s ranking in Ease of Doing Business. Government can implement best practice followed by a states in other states. Government can improve the existing best practices by comparing with international best practices. World Bank Group has included Mumbai and Delhi in their study and based on that they allocate ranks to India. For improving the position in Index, government will have to implement best practices in Mumbai and Delhi. Looking to the initiative taken up by Government of India, It may be possible that India may find better position in the index of Ease of Doing Business compared to previous years ranking. However, taking India among top 50 country by 2018 is an ambitious target which will require continuous efforts in improving business environment.

In the study it is also found that, corruption is also one hurdle which is faced by entrepreneurs in starting a business. Rather than focusing solely on the indicators developed by World Bank Group, Government should also focus on corruption so that better business environment can be created. India’s rank in EoDB is based on the survey of two cities i.e. Mumbai and Delhi. Government can improve India’s ranking by improving situation in these two cities only, but if India wants to grow then government should also focus on other major cities equally and should bring changes which affect every corner of the country.

**REFERENCES:**

STUDY ON WINDING UP, IT’S GROUND, ISSUE AND EFFECT ON ITS MEMBER AND CREDITOR OF BUSINESS

Prof. Dipesh Trivedi
Assistant Professor
Kalol Institute of Management, Gujarat
trivedidipeshb@gmail.com

ABSTRACTS

Since we believe in Going Concern Assumption, as we want our business to flourish more & more, but at some point of time due to several reasons one has to close down his business and that stage is known as winding up of a company. Winding up bring to a conclusion or an end by putting in order. It is defined as the process by which the life of a company is ended and its property is administered for the benefit of its members and creditors. Winding-up is different from insololvency and dissolution. The Act provides for two kinds of winding up [Sec. 270 of Companies Act 2013] (1). Winding up by Tribunal or Court; is A company may be wound up by an order of the Court [Sec. 271] (2) voluntary winding up, which itself is of two kind, namely (i) members and (ii) creditors voluntary winding up. Winding up by the creditors or members without any intervention of the Court In voluntary winding up, the company and its creditors are free to settle their affairs without help of the Court. In the case of voluntary winding up, the creditors or members may apply to the Court for directions or orders. Such a winding up is known as winding up subject to the supervision of the Court.[Sec. 272]

Winding up of a company is a time consuming process. In the Indian context the process is very slow and a large number of petitions are pending before the office of Official Liquidators appointed by the Court.

Keywords: - Winding up, and Modes of Winding up of Companies Act 2013, Different issue relating with Winding up.

INTRODUCTION OF WINDING UP THE BUSINESS.

Winding up is a process by which the life of a company is ended and its property administered for the benefit of its members and creditors. It is process whereby the existing company’s affairs brought to an end. It is a very complex situation where the companies which came into existence in an aspire to grow higher with the passage of each day, in fact each second, ‘turn-off’ their entire business either voluntarily or by the Tribunal’s or court involvement.

Meaning of Winding up

The statutory provisions of the winding up and its procedure are dealt under Chapter XX Sections 270 to 378 of the Companies Act, 2013 (Amendment of the old Companies Act, 1956). Winding up dealt in Sec. 271 and 304 of the Act Moreover the module will emphasize on the effects of winding up order as given in Sec. 278 and 309 of the Act. The Research Article will also deal the effect of registration in winding up and the winding up of unregistered companies.

Winding up of a company is different from the insolvency of an individual because a company can never be declared insolvent and, on the other hand a perfectly solvent company may be wound up. Winding up is also differs from dissolution.

An administrator is appointed and he takes control of the company, collects it assets, pays its debts and finally distributes the surplus if any among the members in accordance with their rights. Thus winding up is the last stage in the life of a company.
OBJECTIVE OF STUDY

- To discuss winding up and its different modes of winding up the Business with of the Companies Act 2013.
- To discuss Ground of winding up the business in different situations of the Act.
- To discuss about different effects or consequences winding up the company.
- To discuss different issue happen at time of winding of the company.

MODE OF WINDING UP

Section 270 of the Companies Act, 2013 provides for two modes of winding up,i.e. Winding up by Tribunal or Court (i.e. compulsory winding up); and Voluntary winding up by member and creditors.

1. Winding up by Tribunal or Court.

Sec. 271 empowers the court in its discretion to winding up of the company in following case. (A). When the company is unable to pay its debts. (b) If the company has by special resolution resolved that the company be wound up by the tribunal. (c) If the company has acted against the interest of the integrity or sovereignty or morality of India, security of the state, or has spoiled any kind of friendly relations with foreign countries. (d). If the company has not filled its financial statements or annual returns for preceding 5 consecutive financial years. (e) If the tribunal or court by any means finds that it is just & equitable that the company should be wound up. (f) If the company in any way is indulged in fraudulent activities or any other unlawful business, or any person or management connected with the formation of company is found guilty of fraud, or any kind of misconduct.

- The procedure of compulsory winding up is follows as
  - Petition in Tribunal or Court.
  - Appointments of Liquidators.
  - Hearing the petition by the tribunal.
  - Winding up order.

- Petition is filled before the Tribunal either by the company, or a creditor(s), or by contributory, or by registrar, or any person authorised by the Central Government on that behalf (Sec. 272).
- In this case the Tribunal, at the time of passing the order of winding up, appoint an official liquidator or the liquidator from the panel maintained by the Central Government (Sec.275).
- The official liquidator can be removed by the Tribunal on the grounds mentioned in on following grounds as.
  - Misconducts
  - Fraud and misfeasance
  - Professional incompetence or failure to exercise due care and diligence in use of functions
  - Inability to acts as provisional liquidator.(Sec.276)
The court may assign the work on death; removal of the liquidator to another company is recording in writing. (Sec. 276)

The order of winding up of the company shall operate in favour of all the creditors and all contributories of the company as if it had been made out on the joint petition of creditors and contributories. (Sec. 278)

**Ground of winding up by Tribunal or Court.**

Section 271 of the Companies Act, 2013 provides various grounds on the basis of which a petition can be filled in the Tribunal for the winding up of the company:

(a)**Inability to pay debts:** Sub-section (2) of section 271 provides that the inability to pay debts primarily arise under three circumstances:

- Where the company fails to clear the debt of the creditor to whom owns an amount exceeding Rs. 1,00,000 has served a demand and the company within three weeks immediately preceding the date of demand for payment being made; and debt must be payable and the company should not have any bona fide dispute about it.
- The company is commercially insolvent. Commercially insolvent means the assets and liabilities are such as to make insufficient to meet existing liabilities, inability to pay taxes or bills of exchanges.
- Where execution or other process issued on a decree or order of any court in favour of the company is returned unsatisfied in whole or part; and where it is proved to the satisfaction of the court that the company is unable to pay its debts.

A petition for winding up on the ground of inability to pay debts must contain all the relevant information about the debt. The petition must disclose the assets of the company and whether they are sufficient to meet the liabilities including contingent liabilities. Further, the petition must also disclose the position of fixed assets as well as valuation of plant and machinery of the company.

Once there is an admission on part of the respondent company of liability of dues payable, then a petition under Section 273 cannot be dismissed on technical grounds. Company courts can exercise their discretionary powers of dismissing the petition even before issuing a show cause notice regarding admission.

Despite of repeated demands if a company neglects to pay its debts, it will be considered as an inability of the company to pay its debts and an order of winding up can be passed by the court. By non-payment of the undisputed debt within the period of statutory demand, the company is deemed
unable to pay its debts and where the company is unable to pay its debts, winding up ought generally to follow in public interest.

(b) **Special Resolution:** The Company may by special resolution resolve that it be wound up by the Tribunal. The resolution may be passed for any cause. However, the Tribunal must see that the winding up is not opposed to public interest or the interest of the company as a whole. Case law: New Kerala Chits & Traders (P.) Ltd. vs. Official Liquidator [1981], it has been observed in this matter that the Tribunal has discretion in the matter and is under no obligation to order winding-up merely because the company has so resolved.

(c) **Against National interest:** If the company has acted against the interest of sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality.

(d) **Failure of Scheme:** If the scheme of revival and rehabilitation is not approved by the creditors, then the company administrator shall submit a report to the Tribunal within 15 days and the Tribunal shall order for the winding up of the sick company. The Tribunal, on passing the order of winding up, shall conduct the proceedings for winding up in accordance with the provisions of Chapter XX [Sec. 271(1) (d)].

(e) **Fraudulent and unlawful affairs:** If on an application made by the Registrar or any other person authorised by the Central Government by notification under this Act, the Tribunal is of the opinion that the affairs of the company have been conducted in a fraudulent manner or the company was formed for fraudulent and unlawful purposes or the persons concerned in the formation or management of its affairs have been guilty of fraud, misfeasance or management of its affairs have been guilty of fraud, misfeasance or misconduct in connection therewith and that it is proper that the company be wound-up; then in such a situation, the Tribunal may, on a petition filed by any authorised person, pass an order for the winding up of the company [Sec. 271(1) (e)].

(f) **Default in filling financial statements:** If the company has made a default in filling with the Registrar its financial statements or annual return for immediately preceding five consecutive financial years [Sec. 271(1) (f)].

(g) **Just and Equitable:** When the Tribunal is of the opinion that it is just and equitable that the company should be wound up; then the Tribunal may order the winding up of a company. The circumstances in which the courts have in the past dissolved companies on this ground are as follows:

- **Deadlock:** When there is a deadlock in the management of a company, it is just and equitable to order winding up.
- **Loss of Substratum:** When the company has failed to materialise the main objects of the company. The important illustration here is the case of German Date Coffee Co, Re [(1882) 20 Ch D 169], where a company was formed for the purpose of manufacturing coffee from dates under a patent which was to be granted by the Government of Germany and also for working other patents of similar kind. The German patent was never granted and the company embarked upon other patents. But, on the petition of a shareholder, it was held that “the substratum of the company had failed, and it was impossible to carry out the objects for which it was formed; and, therefore, it was just and equitable that the company should be wound up.
- **Losses:** When a company cannot carry forward its business except bearing the burden of losses, then it is just and equitable for the company to be wound up. The Bombay High Court observed in the case of Shah Steamship Navigation Co, Re [(1901) 10 Bom LR 107] that ‘the Court will not be justified in making a winding up order merely on the ground that the company has made losses; and is likely to make further losses.’
- **Oppression of Minority:** It is just and equitable to wind up a company where the principle shareholders have adopted an aggressive or oppressive or squeezing policy towards the minority. It has been observed in Tivoli Free, Re, [(1972) VR 445] that ‘where more than seventy per cent of a company’s funds were being used for objects wholly removed from
anything within the memorandum and ninety-three per cent of the shareholders wished to dissociate themselves from the new objects, the company was ordered to be wound up.

**Consequences of winding up by Tribunal or Court.**

a) The Tribunal must, as soon as the winding up order is made, cause intimation thereof to be sent to the Official Liquidator and the Registrar within a period not exceeding seven days from the date of passing of the order. [Sec. 277]
b) The petitioner and the company must also file with the Registrar a certified copy of the order. If default is made, then every person responsible for default shall be liable to punishment with fine up to Rs. 1000 for every day.
c) The order of winding up is deemed to be notice of discharge to the offices employees and workmen of the company except when the business of the company is continued for the beneficial winding up of the company [Sec. 277(3)]
d) All actions and suits against the company are stayed, unless the Tribunal gives leave to continue or commence proceedings. Further, any suit or proceeding pending in any other Court shall be transferred to the Tribunal in which the winding up of the company is proceeding [Sec. 279]
e) The order operates in the interests of all the creditors and all the contributories, no matter who in fact asked for it [Sec. 278]
f) The Official Liquidator, by virtue of his office, becomes the Liquidator of the company and takes possession and control of the assets of the company [Sec. 275]
g) All the powers of the Board of directors cease and the same are then exercisable by the Liquidator
h) On the commencement of winding up, the limitation remains suspended in favour of the company till one year after the winding up order is made [Sec. 358].
i) Any disposition of the property of the company, and any transfer of shares in the company or alteration in the status of members made after the commencement of the winding-up shall be void [Sec. 334].
j) Any attachment, distress or execution put in force, without leave of the Tribunal, against the estate or effects of the company after the commencement of the winding up shall be void [Sec. 335(1) (a)]; but not for the recovery of any tax or impost or any dues payable to Government [Sec. 335(2)]
k) Any sale held, without leave of the Tribunal, of any of the properties or effects of the company after the commencement of winding up shall be void [sec. 335(1) (b)].
l) Any floating charge created within 12 months immediately preceding the commencement of winding up is void unless it is proved that the company after the creation of the charge was solvent. [Sec. 332].

2. Voluntary Winding up Business

- A company may be wound up voluntary at any time by passing special resolutions. But where the articles provides on the expiry of which the company is to be wound up and that period has expired for contingency on the happening of company dissolved. No petition is filled before the Court. In this, the company passes the special resolution in its meeting; or it passes a general resolution in case of expiry of the period of its duration (Sec. 304).
- Declaration solvency is by two modes members’ Voluntary winding up and creditors’ voluntary winding up. (Sec.305)
- Within 14 days of the resolutions should be advertised in official gazette and in newspaper circulating in the district of registered office of the company (Sec. 307).
- winding is comes up from date of resolutions(Sec.308)
- The corporate status and power is continuing until the company is dissolved but it will stop its business. In this case, the company shall from the commencement of the winding up cease to carry on its business except as far as required for the beneficial winding up of its business. (Sec. 309)
- In this case the company appoint the company liquidator from the panel prepared by the Central Government for the purpose of winding up (Sec. 310).
The company liquidator can be removed by the company (if appointed by the company), or by the creditors (if it is appointed by the creditors) on the grounds mentioned in (Sec. 311.)

Mode of Voluntary Winding up Business

The Companies Act of 2013 has abolished the difference between members’ Voluntary winding up and creditors’ voluntary winding up. The requirement now is that after member meeting for voluntary winding up a meeting of creditors must be called. Such meeting held is on same day or next day. The Directors have put before the meeting a full statement of affairs of company list of creditors. One of the directors has to preside the meeting. If two third in value of creditor are interests of all parties that opinion of voluntary winding up business (Sec.306.)

1) Members Voluntary Winding up Business.
   - Such winding up takes place only when the company is in a position to pay its debts.
   - Declaration of solvency is made by the directors.
   - The liquidator is appointed and remuneration is fixed by the company itself.
   - The liquidator can exercise some powers with the sanction of a special resolution of the company.
   - Meeting of members is called on completion of proceedings of winding up.

2) Creditors Voluntary Winding up Business.
   - Such winding up takes place in case when the company is not in a position to pay its debts.
   - No such declaration is made.
   - The liquidator in fact is appointed by the creditors and remuneration is fixed by the committee of inspection.
   - The liquidator exercise powers with the sanction of the Tribunal.
   - Meeting of members and creditors is called when the proceeding for winding up has been completed.

Process of Voluntary Winding up:-

1. Conduct a board meeting with 2 Directors and thereby pass a resolution with a declaration given by directors that they are of the opinion that company has no debt or it will be able to pay its debt after utilizing all the proceeds from sale of its assets.
2. Issues notices in writing for calling of a General Meeting proposing the resolution along with the explanatory statement.
3. In General Meeting pass the ordinary resolution for the purpose of winding up by ordinary majority or special resolution by 3/4th majority. The winding up shall be started from the date of passing the resolution.
4. Conduct a meeting of creditors after passing the resolution, if majority creditors are of the opinion that winding up of the company is beneficial for all parties then company can be wound up voluntarily.
5. Within 10 days of passing the resolution, file a notice with the registrar for appointment of liquidator.
6. Within 14 days of passing such resolution, give a notice of the resolution in the official gazette and also advertise in a newspaper.
7. Within 30 days of General meeting, file certified copies of ordinary or special resolution passed in general meeting.
8. Wind up the affairs of the company and prepare the liquidators account and get the same audited.
9. Conduct a General Meeting of the company.
10. In that General Meeting pass a special resolution for disposal of books and all necessary documents of the company, when the affairs of the company are totally wound up and it is about to dissolve.
11. Within 15 days of final General Meeting of the company, submit a copy of accounts and file an application to the tribunal for passing an order for dissolution.
12. If the tribunal is of the opinion that the accounts are in order and all the necessary compliances have been fulfilled, the tribunal shall pass an order for dissolving the company within 60 days of receiving such application.
13. The appointed liquidator would then file a copy of order with the registrar.
14. After receiving the order passed by tribunal, the registrar then publish a notice in the official Gazette declaring that the company is dissolved.

**Consequences of Voluntary winding up**

A. **Effect on status of company [Sec. 309]**: The Company shall cease to carry on its business except if it is required to secure a beneficial winding up. It was observed that ‘beneficial winding up’ is not confined to financial benefit only. It may be for reconstruction and the business may have to be carried on so as to facilitate the smooth taking over.

B. **Board’s power to cease [Sec. 313]**: On the appointment of the Liquidator, all the powers of the Board of directors cease and went into the hands of the Liquidator.

C. **Avoidance of transfers [Sec. 334]**: All transfer of shares and alterations in the status of members, made after the commencement of winding up, are void unless sanctioned by the Liquidator or the transfer is made to the Liquidator.

D. **Discharge of employees [Sec. 334]**: A resolution to wind up voluntarily operates as notice of discharge to the employees of the company.

**Winding up business is possible during the pendency of civil suit?**

- Section 433 of the Act provides for the circumstances in which a company may be wound up by court. The act nowhere prohibits that the proceedings under the act shall or could not lie, where civil suits are pending or they subsequently be filed. There is no provision in the Act to oust the jurisdiction of the court and decide the winding up proceedings.
- There would have been a provision to that effect in the Act if the legislature had intended to that effect. Since the winding up proceeding is not merely for the benefit of the petitioner but of all its shareholders, creditors or contributories.
- The pendency of a civil suit is not a bar to the admission of winding up petition based on same debt. The proceeding for winding up will not be invalidated if a suit is filed by the petitioner by way of abundant caution to save the claim getting barred by limitation.

The winding up proceedings can be continued in a company court once it has come to the conclusion that it has not been a case of bona fide made out. While dismissing the petition for winding up the following principals have to be relied upon by the Court:

1) The company is in good faith and one of substance.
2) Where the debt is undisputed, the Court will not act upon of the company has the ability to pay the debt but the company chooses not to pay that particular amount and.
3) Where, the company owes the creditor a debt entitling him to a winding up order. But the exact amount of the debt is disputed; the Court will make the winding up order without requiring the creditor to quantify the debt precisely.

**Winding up of unregistered company (sec. 375 – 378)**

The unregistered company includes any partnerships, associations or company consisting of more than seven members at time of petitions, but does not include;

1. A railway company incorporated by an act of parliament or other Indian law.
2. A company registered under the companies act.
3. A company registered under any previous company law expecting have office in Burma or Pakistan before separation from India.

Such company can be wind up under act and with some expiation all provision of the act are applicable (Sec. 375) For the purpose of jurisdiction of the company shall be deemed to be registered
in state where it has the principal place of business such company can be wound up only by the Tribunal not voluntary.
The company can wound up on following circumstance

1) If the is unable to pay debts.
2) If the Tribunal is of the opinion that it is just and equitable to wind up the company.
3) If the company has been dissolved or has ceased to carry on business or is carrying on business only for the purpose of winding up business.

Stay of Winding up (Sec.289)

- The tribunal can stay winding up on the application of promoter shareholder or creditor or any other interest person for the purpose of creating an opportunity for revival and rehabilitations of the company for such time as may be allowed not exceeding 180 days and on such terms and condition as the tribunal may consider necessary.
- The stay order is to be made only when the application is accompanied be scheme for rehabilitation chapter XIX become applicable for sanction of such scheme
- The liquidator has to file a copy of the order with the registration so that he may not the order on books and records relevant to company.

Priority of cost of winding up (Sec.323)

- All costs, charges and expenses, priority incurred in winding up including liquidator’s fee, subject to rights of secured creditors, are to be paid out of assets of the company in priority to other claims.

Payment of liabilities. (Sec. 324)

- The liquidator is to pay off the company’s liabilities. All person who are entitled to receive money from company have the right to claim their respective amounts from the liquidator.
- All debts payable on a contingency and all claims against the company present or future certain or contingent in damages shall be made so far as possible of the value of such debts or claims as are subjects to any contingency or may sound only in damages or for some other reason may not bear a certain value.
- Liquidator has to pay the general creditor of the company. The surplus, if any is then used to pay back the shareholder in accordance with their rights and interest.
- Dividend paid to members are not their income, but refund of capital. This will be so even if the dividends include some profits earned by liquidator. (Sec. 325)

Dissolution of Company. (sec. 302)

- When the affairs of the company have been completely wound, up the liquidator has make an application to Tribunal for dissolutions of the company.
- If the tribunal is of opinion that is just and reasonable in the circumstances of the case to order dissolutions, it may pass an order of dissolutions from the date the order.
- The liquidator has to file a copy of the order with Registrar within 30 days. The registrar has to records the fact of dissolutions in registrar relating to company.
- The role of official liquidators is not participation at the stage of disbarment.
- He has a role to play even in the conduct of sale notice of sale to official liquidator is necessary.

Annulment of Dissolution (Sec.356)

- After a company has been dissolved in pursuance of any of the provision of the act, it is open to tribunal to declare the dissolution to have been void. But this can be done only within two years of the date dissolution and on an application by liquid or any other person who appears to tribunal to interest.
Person entitled to claim damages for negligence from the company is person interested for this purpose, but not his lawyer.

The tribunal’s order may be subject to such terms as it think fit impose. Any proceeding may then be taken as might have been taken if the company had not been dissolved.

The person on whose application the order is passed should within 30 days or such further time as tribunal may allow, file certified copy of the order with Registrar.

**Some of Judicial Pronouncement.**

- **L.R. Rangaier and Sons v. Coffee Board and others, AIR 1999 (Kerela) 258.**
  The appellant company was incorporated in 1954 with a paid up share capital of Rs. 4,75,000. Winding up petition was filed by two creditors in 1990 to wind up the company under sections 433 and 434 of the Companies Act, 1956 and soon a provisional liquidator was appointed by the company Court. When the Coffee Board, which was a prime supplier of coffee to the company, came to know of the initiation of the liquidation proceedings it got implead in the company petition and obtained permission from the court to remove the coffee kept in the go down of the company. In view of the objection from the workers against the removal of coffee, an Advocate Commissioner was appointed for supervising the curing operation. When then Advocate Commissioner inspected the go down it was revealed that 17 tons of coffee kept in the go down worth Rs.43, 52,977.64 was found missing. Thereafter the Coffee Board filed a petition to be substituted as original petitioner and to prosecute the winding up proceedings at the instance of the coffee board by substituting it in the place of the petitioners in Company Petition. The company made a plea saying that it was a case of disputed debt as there were certain counter claims from the coffee board. The case went on for nine years after which the petition was accepted and the company was ordered winding up.

- **Andhra Steel Corporation Ltd. v. Bank of Baroda, AIR 1995 (Cal) 367.**
  In this case, the bank had certain dues from the company and hence it filed a petition in 1986 for winding up the company. The court did not order winding up but directed the company to make payment to the bank in instalments. The company however failed to pay even the instalments on time and thus the petitioner requested the court for winding up of the company. However, the company pleaded that the court could not order winding up by virtue of the Recovery of Debts due to Banks and Financial Institutions Act, 1993. As per this Act the banks and financial institutions are required to file cases with the Tribunal set for the purpose under the Act of 1993. The plea was rejected as it was submitted that the Tribunal had no authority to decide the winding up as this right was reserved with the High Court. Thus the company was ordered to be wound up in the year 1994 taking about nine years for the case to be decided.

- **SBI Mutual Fund v. Vikas WSP Ltd. AIR 2006 (P & H) 368.**
  SBI Mutual Fund, the petitioner, filed a petition under sections 433(e) and 433(f) seeking winding-up of the respondent company, alleging that the respondent, after having declared dividend for the year 2000-01, failed to remit the said amount. The petitioner filed the petition before the High Court of Punjab and Haryana in the year 2001. As per the petitioner the company had declared the dividend but failed to pay the amount. The petitioners had sent regular reminders to the company but they received no response. On the other hand the respondent company contended that they had dispatched the dividend vouchers and later on made a statement that the dividend warrant got burnt and hence could not pay the amount. The petitioners had sent regular reminders to the company but they received no response. On the other hand the respondent company contended that they had dispatched the dividend vouchers and later on made a statement that the dividend warrant got burnt and hence could not pay the amount. The company however pleaded that they had deposited the money in a bank under current account but did not name the bank. Thus it was submitted that the claim of the petitioners was admissible and the company was ordered winding up taking about six years for the court to decide.

- **MadhusudanGordhandas& Co V Madhu Woollen Industries (P) Ltd, that is exercise of its discretion the tribunal can take all Relevant factors into account including the wishes of creditor, the benefits that will accrue to the petitioners and the nature of the debt.
Conclusion of This Research Article

Winding up is a process whereby the existing company’s affairs brought to an end. It is a very complex situation where the companies which came into existence in an aspire to grow higher with the passage of each day, in fact each second, ‘turn-off’ their entire business either voluntarily or by the Tribunal’s involvement. The statutory provisions of the winding up and its procedure are dealt under Chapter XX Sections 270 to 378 of the Companies Act, 2013 (substitute of the old Companies Act, 1956). This paper has been prepared with the intention of dealing with the concept of ‘Winding up’, its need or grounds and effects. The Research paper was deal both the modes of winding up of the companies as well as the grounds or circumstances of winding up dealt in Sec. 271 and 304 of the Act. Moreover, the article has emphasize on the effects of winding up order as given in the Act. The Research article has also deal the effect of registration in winding up and the winding up of unregistered companies. This article study different issue may arise at time of winding process of business e.g. payment of Liability, stay of winding process etc.

REFERENCE

TRADING ACROSS BORDERS: SCOPE OF ENHANCEMENT - INDIAN PERSPECTIVE

Vikrant G. Vala  
Research Associate  
Gujarat Technological University  
Ahmedabad  
research.cfs@gtu.edu.in / v_vikrant_g@yahoo.co.in

Kinjal J. Sheth  
Assistant Professor  
Kadi Sarva Vishwavidhyala, Gandhinagar  
pal_kinjal@yahoo.com

ABSTRACT

The World Bank Group Doing Business Project has ten parameters to rank 189 countries in terms of how easy is doing business in a respective country. Lower the rank indicates the more ease of doing business. This paper focuses on one of the crucial parameter in doing business between two or more countries is ‘Trading Across Borders’. This parameter measures the time, cost and number of documents required to either import and/or export from other country.

This paper identifies how countries have improved their ranking by easing the procedures by lowering the documentation, reducing the time to either import or export and making the overall trading procedure cost effective.

Keywords: Doing Business, Trading Across Borders, Import, Export.

INTRODUCTION

In the world of globalization, establishing or doing a business in a non-parent country is quite challenging. There are lot of governmental procedures to be followed and also required to avail no. of approval from different government and other agencies. Sometimes this whole procedure is very cumbersome and required lot of patience to fulfil all the necessary documentation.

To understand the various procedural aspects, the World Bank Group Doing Business Project works on different ten parameters to understand how easy is doing business in 189 economies. Economies are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. These ten topics are;

1. Starting a Business  
2. Dealing with Construction Permits  
3. Getting Electricity  
4. Registering Property  
5. Getting Credit  
6. Protecting Minority Investors  
7. Paying Taxes  
8. Trading Across Borders  
9. Enforcing Contracts and  
10. Resolving Insolvency

Every country in the world is divided by the physical borders. These borders play a crucial role in developing the business and economic relations with other countries. The concept of ‘Trading Across

1 http://www.doingbusiness.org/rankings
Borders’ talks about how trading of goods and services takes place between two or more borders. Trading across borders is a crucial parameter in the Ease of Doing Business Index.

According to the Ease of Doing Business (EoDB) Index, Trading Across Border (TAB) measures the economies based on the time and costs associated with importing and exporting a standardised cargo of goods, as well as the number of documents necessary to complete the transaction.

Doing Business measures the time and cost (excluding tariffs) associated with exporting and importing a standardized cargo of goods by sea transport. The time and cost necessary to complete 4 predefined stages (document preparation; customs clearance and inspections; inland transport and handling; and port and terminal handling) for exporting and importing the goods are recorded; however, the time and cost for sea transport are not included. All documents needed by the trader to export or import the goods across the border are also recorded. The process of exporting goods ranges from packing the goods into the container at the warehouse to their departure from the port of exit. The process of importing goods ranges from the vessel’s arrival at the port of entry to the cargo’s delivery at the warehouse.

The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators.
Table 1 - What do the trading across borders indicators measure?

Documents

It is assumed that a new contract is drafted per shipment and that the contract has already been agreed upon and executed by both parties. All documents required by law or common practice by relevant agencies—including government ministries, customs authorities, port authorities and other control agencies—per export and import shipment are taken into account (table 1). For landlocked economies, documents required by authorities in the transit economy are also included. Since payment is by letter of credit, all documents required by banks for the issuance or securing of a letter of credit are also taken into account. Documents that are requested at the time of clearance but that are valid for a year or longer or do not require renewal per shipment (for example, an annual tax clearance certificate) are not included. Documents that are required by customs authorities purely for purposes of preferential treatment but are not required for any other purpose by any of the authorities in the process of trading are not included. For example, if a certificate of origin is only presented to qualify for a preferential tariff rate under trade agreements, the document is not counted. It is assumed that the exporter will always obtain a certificate of origin for its trade partner, and the time and cost associated with obtaining this certificate are therefore included in the time and cost of document preparation to export.

Time

The time for exporting and importing is recorded in calendar days. The time calculation for each of the 4 predefined stages starts from the moment the stage is initiated and runs until it is completed. Fast-track procedures applying only to firms located in an export processing zone, or only to certain accredited firms under authorized economic operator programs, are not taken into account because they are not available to all trading companies. Sea transport time is not included. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing the process without delay. It is assumed that document preparation, inland transport and handling, customs clearance and inspections, and port and terminal handling require a minimum time of 1 day each and cannot take place simultaneously. The waiting time that occurs in practice—for example, in queues to obtain a service or during the unloading and moving of the cargo at the seaport—is included in the measure.

Cost

Cost measures the fees levied on a 20-foot container in U.S. dollars. All fees charged by government agencies and the private sector to a trader in the process of exporting and importing the goods are taken into account. These include but are not limited to costs for documents, administrative fees for customs clearance and inspections, customs broker fees, port-related charges and inland transport costs. The exporter is responsible for the incurred costs related to exporting the goods until they depart from the exporting economy, and the importer is responsible for the incurred costs related to importing from the
moment the goods arrive at the seaport in the importing economy. The cost does not include customs tariffs and duties or costs related to sea transport. Only official costs are recorded.

**Trading Across Borders - Performance of Economies**

India is ranked at 142nd in an overall Ease of Doing Business Index and 126th in the Trading Across Borders out of 189 Economies. The top and bottom five economies ranked in the trading across borders index are 1) Singapore, 2) Hong Kong, 3) Korea Rep., 4) Sweden & 5) Ireland and 1) Uzbekistan, 2) Tajikistan, 3) South Sudan, 4) Central African Republic & 5) Kazakhstan respectively.²

If we compare the 17 Indian Cities in terms of TAB, Bhubaneshwar ranks 1st and Gurgaon ranks 17th. Earlier, no. of documents required to export are 8 and no. of days varies from 17 to 28. Cost to export ranges from $ 834 - $ 1077. No. of documents required to import are 9 and no. of days varies from 16 to 36. Cost to import ranges from $ 480 - $ 1384.³

### Table 2 – Trading Across Borders: India Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Rank</th>
<th>Documents to Export (No.)</th>
<th>Time to Export (days)</th>
<th>Cost to Export (US$ per container)</th>
<th>Documents to Import (No.)</th>
<th>Time to Import (Days)</th>
<th>Cost to Import (US$ per container)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhubaneshwar</td>
<td>1</td>
<td>8</td>
<td>17</td>
<td>834</td>
<td>9</td>
<td>16</td>
<td>833</td>
</tr>
<tr>
<td>Chennai</td>
<td>2</td>
<td>8</td>
<td>25</td>
<td>541</td>
<td>9</td>
<td>19</td>
<td>593</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>3</td>
<td>8</td>
<td>17</td>
<td>946</td>
<td>9</td>
<td>18</td>
<td>978</td>
</tr>
<tr>
<td>Mumbai</td>
<td>3</td>
<td>8</td>
<td>17</td>
<td>945</td>
<td>9</td>
<td>21</td>
<td>960</td>
</tr>
<tr>
<td>Kochi</td>
<td>5</td>
<td>8</td>
<td>28</td>
<td>432</td>
<td>9</td>
<td>21</td>
<td>480</td>
</tr>
<tr>
<td>Kolkata</td>
<td>6</td>
<td>8</td>
<td>20</td>
<td>644</td>
<td>9</td>
<td>31</td>
<td>710</td>
</tr>
<tr>
<td>Guwahati</td>
<td>7</td>
<td>8</td>
<td>22</td>
<td>713</td>
<td>9</td>
<td>28</td>
<td>794</td>
</tr>
<tr>
<td>Ranchi</td>
<td>8</td>
<td>8</td>
<td>21</td>
<td>678</td>
<td>9</td>
<td>36</td>
<td>717</td>
</tr>
<tr>
<td>Bengaluru</td>
<td>9</td>
<td>8</td>
<td>25</td>
<td>783</td>
<td>9</td>
<td>25</td>
<td>1,024</td>
</tr>
<tr>
<td>Patna</td>
<td>10</td>
<td>8</td>
<td>19</td>
<td>941</td>
<td>9</td>
<td>32</td>
<td>985</td>
</tr>
<tr>
<td>Indore</td>
<td>11</td>
<td>8</td>
<td>21</td>
<td>912</td>
<td>9</td>
<td>35</td>
<td>981</td>
</tr>
<tr>
<td>Ludhiana</td>
<td>12</td>
<td>8</td>
<td>21</td>
<td>1,105</td>
<td>9</td>
<td>25</td>
<td>1,154</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>13</td>
<td>8</td>
<td>26</td>
<td>1,012</td>
<td>9</td>
<td>23</td>
<td>1,084</td>
</tr>
<tr>
<td>Jaipur</td>
<td>14</td>
<td>8</td>
<td>22</td>
<td>1,289</td>
<td>9</td>
<td>22</td>
<td>1,384</td>
</tr>
<tr>
<td>New Delhi</td>
<td>14</td>
<td>8</td>
<td>25</td>
<td>1,077</td>
<td>9</td>
<td>28</td>
<td>1,158</td>
</tr>
<tr>
<td>Noida</td>
<td>16</td>
<td>8</td>
<td>25</td>
<td>1,077</td>
<td>9</td>
<td>27</td>
<td>1,187</td>
</tr>
<tr>
<td>Gurgaon</td>
<td>17</td>
<td>8</td>
<td>25</td>
<td>1,077</td>
<td>9</td>
<td>28</td>
<td>1,184</td>
</tr>
</tbody>
</table>

4Trade competitiveness is greatly affected by economies’ trade procedures and infrastructure. The more costly and time-consuming it is to export or import, the more difficult it is for local companies to reach international markets, especially in landlocked economies. Outdated and inefficient border procedures, inadequate infrastructure and unreliable logistics services are all likely to increase the time it takes to trade—driving up costs like storage fees and inspection charges.

### Some important highlights in terms of Trading Across Border across the world

- Trading across borders is easiest in Singapore for the seventh year in a row.
- Doing Business recorded 22 reforms making it easier to trade across borders between June 2012 and June 2013 and 133 in the past 5 years.
- BENIN made the biggest improvement in the case of trading across borders in the past year.
- BELARUS has made the greatest progress toward the frontier in regulatory practice in trading across borders since 2009. The other 9 of the 10 economies that have made the most progress are in Sub-Saharan Africa.
- The most common feature of trade facilitation reforms recorded by Doing Business in the past 5 years was the introduction or improvement of electronic submission and processing. But in 2012/13 the most common feature was the improvement of customs administration.

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² [http://www.doingbusiness.org/rankings](http://www.doingbusiness.org/rankings)


⁴ Doing Business – Trade across Borders
Among regions, Sub-Saharan Africa made the biggest reductions in the time to trade across borders in the past 5 years. Europe and Central Asia made the biggest reductions in the number of documents required to export and import. OECD high-income economies made the biggest reductions in export and import costs.

Problems/Issues faced in Ease of Trading Across Borders

Limited access to international markets can prevent the growth of businesses and economies of scale. Local markets are often small, particularly in developing economies, and trade provides potential for greater output at lower cost. Trade also allows developing economies to become part of global supply chains. Having access to imported raw materials and other inputs is often crucial for businesses, and delays or shortages can affect production.

Ideally the issues faced to trade overseas can be hampered by a range of factors;
- Inadequate Infrastructure,
- Inefficient Port Operations,
- Excessive Documentation Requirements,
- Burdensome and Time Consuming Custom Procedures,
- Heavy-handed Inspections and Audits by different Government Agencies

The World Bank’s Logistics Performance Index shows that a trade supply chain is only as strong as its weakest link: poor performance in just 1 or 2 areas can have serious repercussions for overall competitiveness. By removing unnecessary obstacles, governments can contribute to an environment that encourages entrepreneurs to look beyond their own borders for business opportunities.5

Reforms that helped the economics to improve their ranking

Table 3 - Who made trading across borders easier in 2011/12—and what did they do?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Economies</th>
<th>Some highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduced or improved electronic submission and processing</td>
<td>Belize; Botswana; Burundi; Czech Republic; Dominica; Grenada; Hungary; Lao PDR; Niger; Qatar; South Africa; Spain; Sri Lanka; Trinidad and Tobago; Uruguay</td>
<td>Lao PDR launched the ASYCUDA electronic data interchange system at the Thanaleng Friendship Bridge border crossing.</td>
</tr>
<tr>
<td>Improved customs administration</td>
<td>Georgia; Jamaica; Malawi; South Africa</td>
<td>Jamaica facilitated overnight processing of customs declarations by extending the hours for lodging customs entries.</td>
</tr>
<tr>
<td>Introduced electronic single window</td>
<td>Benin; Portugal; Uzbekistan</td>
<td>Benin implemented an electronic single-window and unique payment system integrating customs, control agencies, port authorities and other service providers at the Cotonou port.</td>
</tr>
<tr>
<td>Introduced or improved risk-based inspections</td>
<td>Botswana; Lao PDR</td>
<td>Botswana introduced a scanner at the Kopfontein – Tlokweng border crossing, replacing physical inspections. Trucks are selected for scanning on the basis of their risk.</td>
</tr>
<tr>
<td>Improved port procedures</td>
<td>Netherlands; Uruguay</td>
<td>The Netherlands introduced a new web-based system for cargo release at the port terminals in Rotterdam.</td>
</tr>
</tbody>
</table>

Source: Doing Business Database.

5 http://www.doingbusiness.org/data/exploretopics/trading-across-borders
Table 4 - Who made trading across borders easier in 2012/13—and what did they do?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Economies</th>
<th>Some Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved customs Administration</td>
<td>Argentina; Azerbaijan; Benin; Burundi; Republic of Congo; Swaziland; Ukraine; Uzbekistan</td>
<td>Uzbekistan abolished the need to register import contracts with customs.</td>
</tr>
<tr>
<td>Introduced or improved electronic submission</td>
<td>El Salvador; Greece; Madagascar; Russian Federation; Sri Lanka; Uruguay</td>
<td>The Russian Federation introduced an electronic system for submitting export and import documents.</td>
</tr>
<tr>
<td>and processing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduced electronic single window</td>
<td>El Salvador; Mexico; Mozambique; Rwanda</td>
<td>Mexico implemented an electronic single window for trade.</td>
</tr>
<tr>
<td>Strengthened transport and port infrastructure</td>
<td>Benin; Central African Republic; Croatia</td>
<td>The Central African Republic rehabilitated the key transit road at its border with Cameroon.</td>
</tr>
<tr>
<td>Improved port procedures</td>
<td>Benin; Guinea; Latvia</td>
<td>Latvia launched a new electronic container terminal booking system at the port of Riga.</td>
</tr>
<tr>
<td>Introduced or improved risk based inspections</td>
<td>Mauritania</td>
<td>Mauritania introduced a risk-based inspection system with scanners.</td>
</tr>
</tbody>
</table>

Source: Doing Business Database.

Table 5 - Who reduced regulatory complexity and cost or strengthened legal institutions in 2013/14 and what did they do?6

<table>
<thead>
<tr>
<th>Feature</th>
<th>Economies</th>
<th>Some Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduced or improved electronic submission</td>
<td>Bangladesh; Croatia; Ecuador; Pakistan; Palau; St. Lucia; Uganda; Uzbekistan</td>
<td>Ecuador upgraded to a new electronic data interchange system, reducing customs clearance time.</td>
</tr>
<tr>
<td>and processing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved customs Administration</td>
<td>Benin; Cote d’Ivoire; Dominican Republic; Morocco; Myanmar; St. Lucia; Uzbekistan</td>
<td>St. Lucia reduced the number of export documents that must be submitted to customs by merging 2 forms.</td>
</tr>
<tr>
<td>Strengthened transport and port infrastructure</td>
<td>Algeria; Ghana; Jordan; Kazakhstan; Tanzania</td>
<td>Ghana invested in infrastructure at the port of Tema, which helped reduce the wait time for vessels outside the port.</td>
</tr>
<tr>
<td>Improved port procedures</td>
<td>Cote d’Ivoire; Poland</td>
<td>Poland launched a new terminal operating system at the port of Gdansk.</td>
</tr>
<tr>
<td>Introduced or improved risk based inspections</td>
<td>Uruguay</td>
<td>Uruguay implemented risk-based inspecting system that reduced customs clearance time.</td>
</tr>
</tbody>
</table>

Source: Doing Business Database.

**Steps taken by the Government of India to improve Ease of Trading Across Borders**

- India took a leap forward in improving ease of TAB by reducing the mandatory documents required for import and export of goods to three documents each.7
- Customs Clearance Facilitation Committees have been constituted at ports to facilitate expeditious clearance of goods.8
- The process for approval of related-party transactions has been made simpler.9

Table 6 – Mandatory Documents for Export & Import

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bill of Lading/ Airway Bill</td>
<td>Bill of Lading/ Airway Bill</td>
</tr>
<tr>
<td>2</td>
<td>Commercial Invoice cum Packing List</td>
<td>Commercial Invoice cum Packing List</td>
</tr>
<tr>
<td>3</td>
<td>Shipping Bill/ Bill of Export</td>
<td>Bill of Entry</td>
</tr>
</tbody>
</table>

---

CONCLUSION

- The World Bank Group Doing Business project ranks 189 economies by ten various parameters on how easy is doing business in a respective economy. Lower the rank easy to set up and execute the business.
- According to the 2015 ranks, India is ranked at 142nd among 189 economies, which is not a good sign for an emerging economy like India.
- ‘Trading across Border’ (TAB) is one of the parameter among ten parameters of Doing Business project which measures the economies based on the time & costs associated with importing & exporting a standardised cargo of goods, as well as the number of documents required to complete the transaction.
- India is ranked at 126th for TAB among the 189 economies.
- Economies across the globe have identified certain important areas to improve their ranking in Trading across Border like;
  - Introduced or improved electronic submission and processing
  - Improved customs administration
  - Introduced electronic single window
  - Introduced or improved risk-based inspections
  - Improved port procedures
  - Strengthened transport and port infrastructure
  - Overcoming geographic barriers through regional cooperation
  - Sparking competition by making private participation easier
- Certain measures are taken by the Government of India to improve the ranking in TAB, but still it can focus on the below areas to get better results.
  - Creating conducive environment for exim trades.
  - Creating an electronic single-window for unique payment system integrating customs, control agencies, port authorities and other service providers.
  - Introducing scanning system which can replace physical inspections.
  - Introducing a web-based system for cargo release at the port terminals for speedy execution.
  - Upgrading to an electronic data interchange system, reducing customs clearance time.
  - Investing in infrastructure at the ports, helps to reduce the wait time for containers outside the port.
  - Facilitating overnight processing of customs declarations by extending the hours for lodging customs entries.

REFERENCES

ENVIRONMENT CLEARANCE LITIGATION FOR DOING BUSINESS IN GUJARAT – OVERVIEW AND CHALLENGES

Krishnaba Aniruddhasinh Vaghela
Assistant Professor
Gujarat Technological University
ap2_cme@gtu.edu.in

ABSTRACT

Doing business and giving ease to the people who want to start the business is good for any country and for their economy but before starting a business they need to obey some rules and regulations which are framed by the government in public interest. It depends on type of business. Government of every country has published some rule book and laws to follow before starting business. Sometimes rules and laws may be different by country to country, states to states and location to location. Like others regulations Environment laws is essential procedure to follow before starting business. Gujarat has snatched the first place in ease of doing business according to World Bank report among other states of India. In this paper, author focused on such regulations specifically on Environment Clearance law in Gujarat.

Trade-off between economic development and environmental protection becomes critical for any country aspiring for high growth for achieving development objectives. In this paper, Different aspects of environment clearance procedure has been highlighted. Glimpse of procedures and challenges have been discussed briefly. This study was undertaken to comprehend these contours of development. For doing business it is important to have knowledge of the procedure to be followed. Environment clearance is essential among them as world is talking about the Global warming. For environment clearance four major steps needs to be followed: Scoping, Screening, Appraisal and Public hearing which are briefly discussed in the paper. After these procedures Environment clearance has been granted.

Keywords: Environment Clearance, Doing business, Procedure, etc.

INTRODUCTION

Great ideas for fresh concern hazard occur every Time and everywhere. Some go deeply, while others never take off. Great ideas are at encourage of revelation; they sanction economies to enlarge, and they disapprove community’s living. So it is necessary to interpret why some powerful ideas never appear to fruition even as others flourish. What do entrepreneurs destitution to persecute an expanded observation?

First of all, they exigency the ability to give authorized form to the observation—that is, to empty an employment—simply, quickly and inexpensively and with the lucidity of qualified liability. Doing business is what everyone thought of but not executed because of lake of knowledge or sometimes lengthy and difficult procedure.

They also want the lucidity of a well-project insolvency system; in cause the intention disappoint to work out. In appendage, they will necessity to stipend people to aid realize the idea, will probably want to get financing (both impartiality and interest) and, in now’s increasingly interdependent global economy may in many conjuncture need a simple way to betoken and remove. And they will exigency a straightforward way to import and export. They will have strait an honest highway to pay their taxes. Sound matter regulations are basilar to all this. The perpendicular trade regulations empower excellent ideas to take stem, guiding to the nature of jobs and to more alive. But where business regulations make it difficult to start the creation of jobs and to better lives. But where business regulations make it difficult to start and operate a business, good ideas may never see the light of day.
and important opportunities may be missed. Budding entrepreneurs, daunted by heavy regulations, may opt out of deed trade nakedness or, if they have the resort, take their ideas elsewhere. Doing Business consider at how business regulations bound whether good ideas can get started and prosper or will hobble and blight absent. Many other extent of the vocation surrounding also affair but are without the object of Doing Business. For represent, Doing Business does not arrest such aspects as security, traffic bigness, macroeconomic steadfastness and the currency of corruption and deprivation. Nevertheless, improving in the areas deliberate by Doing Business is a momentous pace toward a better business surrounding for all.

The World Bank Group’s Doing Business initiative is no exception to this. It tries to track and measure one of the most important features of an economy—the ease with which it is possible to do business, trade and exchange. It provides governments, administrators and researchers with valuable data and analysis to promote a better regulatory framework for development, job creation and growth.

It was in 2005 that the World Bank Group management decided to start ranking economies on the ease of doing business because it recognized the value of benchmarking exercises in generating interest among policy makers in reform. In an area that had received little attention from policy makers before the publication of the first Doing Business report, the rankings proved to be an important catalyst in raising the profile of regulation as a central element of a good investment climate. The rankings also proved effective in moving issues of performance and progress in business regulation to the centre of policy discussions in a large number of economies. By capturing complex, multidimensional realities in a simple quantified framework, the rankings also helped to facilitate communication between different stakeholders and made possible meaningful international comparisons of the regulatory performance of economies, contributing, along the way, to increasing the accountability of political actors.

Doing Business continues to focus on regulations that affect domestic small and medium-size enterprises, operating in the largest business city of an economy, across 10 areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures labour market regulation, which is not included in any of the aggregate measures.

World Bank has started of giving rank to the all countries for doing business on the base of easiness from 2006. Every year they have ranked the countries on the bases of different parameters for doing business with ease. 189 countries are being ranked every year. Economies are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. This year India is on 142nd position out of 189 countries. The same procedure has been followed for all counties and its states by World Bank.

Gujarat tops ease of doing business ranking this year among states the ranking of the states, prepared by the World Bank at the behest of the government, was based on eight specified parameters which include setting up of business, allotment of land, labour reforms and procedure for environmental clearance. The parameters also include infrastructure, procedure for registration for tax purposes and inspections for compliance of various norms. Others in the list of top ten states in India providing a better climate for businesses include Chhattisgarh, Madhya Pradesh, Rajasthan, Odhisa, Maharashtra, Karnataka and Uttar Pradesh. At the bottom of the ladder in the index were Mizoram, Jammu and Kashmir, Meghalaya, Nagaland and Arunachal Pradesh.

Doing business and giving ease to the people who want to start the business is good for any country and for their economy but before starting a business they need to obey some rules and regulations which are framed by the government in public interest. It depends on type of business. Government of every country has published some rule book and laws to follow before starting business. Sometimes
rules and laws may be different by country to county, states to states and location to location. Like others regulations Environment laws is essential procedure to follow before starting business. As mentioned above Gujarat has snatched the first place in ease of doing business according to World Bank report among other states of India. In this paper, author focused on such regulations specifically on Environment Clearance law in Gujarat.

All these exercise has been done to save environment because it is mandatory part for the society to save their lives. The “Environment” comprises all entities, Natural or manmade, external to oneself and their interrelationships which provide value, now or perhaps in the future, to humankind. Environmental concerns relate to their degradation through actions of humans. (National Environment Policy, 2006)

ENVIRONMENT

- “Environment” relates to human well-being, not abstract “rights”, “Natural Resources” (e.g. forests) “produce” environmental services (e.g. soil, water conservation)
- Environmental services relate to life - support, public health, and other aspects of well-being, and are generally “public goods” (non-rival, non-excludable)
- Natural resources may be depletable (renewable/non-renewable), or non – depletable; may in terms of both stocks and flows, comprise “private goods” (excludable),and a base for production and consumption
- The “environmental issue” is simply a manifestation of the classic economic problem of allocation of scarce resources between competing sources of value (private goods vs. public Goods)

While Environment clearance is the approval that a wide range of industries, mines, dams, or infrastructure projects receive after a process listed out under the Environment Impact Assessment Notification, 2006 (“EIA notification”) is completed. The MoEF is the granting authority for a set of Category a project and for Category B projects, it is the State Environment Impact Assessment Authorities (“SEIAAs”). No construction activity can be initiated unless an environment clearance letter has been procured.

General Procedure for Environment Clearance

An environmental clearance (EC) is required for 39 types of projects and it covers aspects like screening, scoping and evaluation of the upcoming project. The official line is it is conducted to assess the impact of a particular project on the environment and people and reduce its impact. Once a company figures that their proposed project needs an environmental clearance, it conducts an environment impact assessment (EIA) study either directly or through a consultant. Projects are divided into two categories, A and B. If the project falls under Category A, the environmental clearance lies with the central Government, and if it is B, it lies with the state Governments. The classification of the project into A and B depends on the size and the potential impact of the project on human health and natural and man-made resources. Examples of Category A projects are ports, highways, water and sanitation and urban transport. Category B projects are smaller in size or capacity and have potentially lower impact. Each state has a dedicated department, namely the State Environment Impact Assessment Authority (SEIAA), for the purpose of issuing environmental clearances. In all over India, all the procedure of environment clearance has been divided in four parts. Where all these steps have been considered as support system.

1. Screening
2. Scoping
3. Environmental appraisal
4. Public hearing

1. Screening

Screening is the process of deciding on whether an EIA is required. This may be determined by size (e.g. greater than a predetermined surface area of irrigated land that would be affected, more than a
certain percentage or flow to be diverted or more than a certain capital expenditure). Alternatively it may be based on site-specific information. For example, the repair of a recently destroyed diversion structure is unlikely to require an EIA whilst a major new headwork structure may. Guidelines for whether or not an EIA is required will be country specific depending on the laws or norms in operation. Legislation often specifies the criteria for screening and full EIA. All major donors screen projects presented for financing to decide whether an EIA is required.

The output from the screening process is often a document called an Initial Environmental Examination or Evaluation (IEE). The main conclusion will be a classification of the project according to its likely environmental sensitivity. This will determine whether an EIA is needed and if so to what detail.

2. Scoping

Scoping occurs early in the project cycle at the same time as outline planning and pre-feasibility studies. Scoping is the process of identifying the key environmental issues and is perhaps the most important step in an EIA. Several groups, particularly decision makers, the local population and the scientific community, have an interest in helping to deliberate the issues which should be considered, and scoping is designed to canvass their views, (Wathern 1988).

Scoping is important for two reasons. First, so that problems can be pinpointed early allowing mitigating design changes to be made before expensive detailed work is carried out. Second, to ensure that detailed prediction work is only carried out for important issues. It is not the purpose of an EIA to carry out exhaustive studies on all environmental impacts for all projects. If key issues are identified and a full scale EIA considered necessary then the scoping should include terms of reference for these further studies.

At this stage the option exists for cancelling or drastically revising the project should major environmental problems be identified. Equally it may be the end of the EIA process should the impacts be found to be insignificant. Once this stage has passed, the opportunity for major changes to the project is restricted.

A major activity of scoping is to identify key interest groups, both governmental and non-governmental, and to establish good lines of communication. People who are affected by the project need to hear about it as soon as possible. Their knowledge and perspectives may have a major bearing on the focus of the EIA. Rapid rural appraisal techniques provide a means of assessing the needs and views of the affected population.

The main EIA techniques used in scoping are baseline studies, checklists, matrices and network diagrams. These techniques collect and present knowledge and information in a straightforward way so that logical decisions can be made about which impacts are most significant. Risk and uncertainty are discussed further in the section managing uncertainty.

3. Environmental appraisal:

The documents submitted by an investor are first scrutinized by a multi-disciplinary staff functioning in the Ministry of Environment and Forests who may also undertake site-visits wherever required, interact with the investors and hold consultations with experts on specific issues as and when necessary. After this preliminary scrutiny, the proposals are placed before specially constituted committees of experts whose composition is specified in the EIA Notification. Such committees, known as Environmental Appraisal Committees have been constituted for each sector such as River Valley, Industries, Mining etc. and these committees meet regularly to appraise the proposals received in the Ministry. In case of certain very special/controversial projects, which have aroused considerable public interest, the committee may also decide to arrange for public hearings on those projects to ensure public participation in developmental decisions. Announcements for such public hearing shall
be made at least 30 days before through newspapers. On the basis of the exercise described in the foregoing paragraphs, the Appraisal Committees make their recommendations for approval or rejection of particular projects. The recommendations of the Committees are then processed in the Ministry of Environment and Forests for approval or rejection.

4. Public Hearing

The public hearing is a mandatory step in the process of environmental clearance for certain developmental projects. This provides a legal space for people of an area to come face-to-face with the project proponent and the government and express their concerns. The process of public hearing is conducted prior to the issue of NOC from SPCB. The District Collector is the chairperson of the public hearing committee. Other members of the committee include the official from the district development body, SPCB, Department of Environment and Forest, Taluka and Gram Panchayat representative, and senior citizen of the district, etc. The hearing committee hears the objections/suggestions from the public and after inserting certain clauses it is passed on to the next stage of approval (Ministry of Forest and Environment).

The project proponent submits an application for environmental clearance with the MoEF if it falls under Project a category or the state government if it falls under project B category. The application form is submitted with EIA report, EMP, details of public hearing and NOC granted by the state regulators.

Involvement of the public is one of the fundamental principles of a successful EIA process. It not only provides an opportunity to those directly affected by a project to express their views on the environmental and social impacts of the proposal but also brings about transparency in the environmental clearance system. Nearly all EIA systems make some sort of provision for public involvement. This could be in the form of public consultation (or dialogue) or public participation (which is a more interactive and intensive process of stakeholder engagement).

The public consultation process ensures an equitable and fair decision-making process resulting in better environmental outcomes. The type of consultation, whom to consult during EIA activities, when and how to do so and who should do it all vary significantly from project to project. This depends on the needs of the project. However, it is an important component for all kinds of project. This is because public consultations help allay the concerns of the local community, and reduce inaccurate information in the EIA report.

Ideally public consultation should start from when the idea of the project is conceived and continue throughout the course of the EIA. The five main stages when public involvement can take place in the EIA process are screening, scoping, impact analysis and mitigation, review of EIA quality, and implementation and follow up.

In India, the role of the public in the entire environment clearance process is quite limited. Public consultation happens at a very late stage when the EIA report is already prepared and the proponent is about to present it to the review committee for clearance. This means that the EIA study is unable to take into account the concerns and issues important to public. Even if the members of the community raise certain issues in the public hearing process, they have no means of knowing if it actually gets addressed in the final EIA report as they have no access to it. There are several weaknesses in the public hearing process as it exists now. Instead of becoming a participatory forum it has become a mere procedure.

There have been several cases in the past that have shown that the public hearing process has failed to meet its objective of effectively involving people in the clearance process. Several means have been devised to keep the public away such as poor circulation of notice, politics, etc.
Overview of Environment Clearance in Gujarat:

I. Environmental Regulations followed in Gujarat

<table>
<thead>
<tr>
<th>Table 1. List of Environmental Regulations followed in Gujarat</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Water (Prevention and Control of Pollution) Act, 1974 and Rules, 1975</td>
</tr>
<tr>
<td>Who? – A company which is bringing into use any new or altered outlet for discharge of sewage or trade effluent</td>
</tr>
<tr>
<td>• What to do? = Apply in Form-D to obtain the consent of GPCB</td>
</tr>
<tr>
<td>(FORM –D : Application for consent to establish or take any step to establish any industry, operation process or any treatment and disposal system for discharge, under section 25 or continuation of discharge under section 26 of the water (Prevention And Control Of Pollution) act 1974.</td>
</tr>
<tr>
<td>• Please also see CTE and CC&amp;A below.</td>
</tr>
<tr>
<td>• Different water pollution standards are applicable to different industries.</td>
</tr>
</tbody>
</table>

| B. The Air (Prevention and Control of Pollution) Act, 1981 and Rules, 1982 |
| Who? – A company which is establishing or operating any industrial plant used for any industrial or trade purposes and emitting any air pollution into the atmosphere |
| • What to do? = Apply in Form I and obtain the consent from GPCB |
| • Please also see CTE and CC&A below. |
| • “National Ambient Air Pollution Standards” are provided under the rules (see Annex 1A). |

| C. Environmental Protection Act, 1986 (EPA) |
| Who? – A company which is required to obtain consent from GPCB under the Water Act or Air Act, or authorization under EPA |
| • What to do? = Submit environment statement in the prescribed form by September 30 every year |
| a. The Environmental Impact Assessment Notification, 2006 |
| Discussed in Environmental Clearance below. |

| b. The Noise Pollution (Regulation and Control) Rules, 2000 |
| • Rules require noise from equipment/processes shall be resulted in such a way that ambient noise remains within limit. |
| • The limit is provided as “Ambient Air Quality Standards in respect of Noise” under the rules (see Annex 1B). |

| • Who? – Every occupier generating hazardous waste and having a facility for collection, reception, treatment, transport, storage and disposal of such wastes |
| • What to do? = Apply in Form I and obtain the authorization of GPCB. Also, the industry is required to manage the Hazardous waste as per the rules. |
| • Discussed in CC&A below. |
| • Definition of hazardous waste is provided under the rules. |

| d. The Plastic Waste (Management and Handling) Rules, 2011 |
| • Who? – ONLY a company manufacturing plastic carry bags or multi-layered plastic pouches or sachets or like |
| • What are banned? |
| o Manufacture, stock, distribution or sales of any carry bag made of virgin or recycled or compostable plastic which is less than 40 microns in thickness is banned |
| o Use of plastic materials in sachets for storing, packing or selling gutkha, tobacco and pan masala is banned |

| e. The Bio-Medical Waste (Management and Handling) Rules, 1998 as amended |
| • Who? – ONLY a company (i) generating bio-medical waste, or (ii) operating facility for collection, reception, storage, transport, treatment, disposal, etc. |
| • What to do? = Submit application (Form I) and obtain authorization from GPCB |

<p>| f. The Municipal Solid Waste (Management and Handling) |
| • Rules are mainly applicable to municipalities and local body and industry is simply required to segregate the wastes |</p>
<table>
<thead>
<tr>
<th>Rules, 2000 as amended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>g. The Batteries (Management &amp; Handling) Rules, 2001 as amended</strong></td>
</tr>
<tr>
<td>Who? – A manufacturer, importer, reconditioned, assembler, dealer, recycler, auctioneer, consumer and bulk consumer involved in manufacture, processing, sale, purchase and use of batteries or components thereof</td>
</tr>
<tr>
<td>What to do? – File half yearly return of sales and buy-back (Form I)</td>
</tr>
</tbody>
</table>

| h. The Manufacture, Storage and Import of Hazardous Chemical Rules, 1989 |
| Who? – ONLY a company engaging in manufacture, storage and import of hazardous chemicals notified under the Rules |
| What to do? |
| o Submit report to Central/State Pollution Control Board (prescribed form) concerning possible accidents at the storage site of such chemicals |
| o Submit report on storage and safety measures for storage of such chemicals (prescribed form) within 3 months prior to storage |
| o Submit on-site emergency plan related to storage |
| o Submit information regarding import of such chemicals prior to import |

| Who? – ONLY a company (i) manufacturing, importing and storing micro-organisms and gene-technological products, organisms/micro-organisms and cells generated by the utilization of such other gene-technologies |
| What to do? – Obtain approval of Genetic Engineering Approval Committee (GEAC) and be subject to periodic review of the safety and control measures by State Biotechnology Coordination Committee (SBCC) |

| j. The Ozone Depleting Substance (Regulation and Control) Rules, 2000 |
| Who? – A company engaged in any process or part of a process for making, altering, finishing, labelling, blending or otherwise treating any Ozone Depleting Substances |
| What to do! – Registration with the specified authority |

| k. Coastal Regulation Zone (CRZ) Notification, 2011 |
| Who? – A company having its project located within a distance of 500 meters from the coastline. |
| What to do? – Obtain CRZ clearance |

| l. Utilization of Fly Ash-Notification of Direction, 1999 |
| Who? – A company conducting building and construction activity within 50 kilometres of coal or lignite based thermal power plant |
| What to do? – Promote utilization of fly ash in the manufacture of building materials and construction activity |

| m. Eco-mark Resolution, 1991 |
| Who? – APPLICABLE ONLY IF a company wants to obtain eco-mark to appeal to the public that it is eco-friendly. |

| D. The Public Liability Insurance Act, 1991 |
| Who? – ONLY a company associated with production or handling of notified hazardous chemicals |
| What to do? - Take out and renew insurance policy and inform District Collector and GPCB upon accident caused by notified chemicals |

| E. The Environmental Audit Scheme, 1996 |
| Who? – ONLY an industry falling in the schedule of the audit scheme |
| What to do? – to carry out environmental audit as per the scheme. |
| For further information, jump to www.gpcb.gov.in |

Source: HANDBOOK for Japanese companies’ investments in Gujarat: ENVIRONMENTAL REGULATIONS GUIDE)
II. Process Flow-diagram for Environmental Permission in Gujarat

Fig. 1 Process Flow-diagram for Environmental Permission in Gujarat

(Source: HANDBOOK for Japanese companies' investments in Gujarat: ENVIRONMENTAL REGULATIONS GUIDE)

III. Consent/Clearance from Gujarat Pollution Control Board (GPCB) and Other Applicable Environmental Regulations

A. Category of Consent/Clearance from GPCB, etc.

(Source: HANDBOOK for Japanese companies' investments in Gujarat: ENVIRONMENTAL REGULATIONS GUIDE)
B. Environment Clearance (EC) in Gujarat

i. EC is required ONLY IF a project industry falls under Category A or B in the Schedule of Environment Impact Assessment Notification (Annex 3). Be noted that there are types of manufactures that fall under none of these categories and are not required to take EC. For example:
   1. EC is generally not required for
      a. Auto components or assembly
      b. Home electronics
      c. Textile industry (cotton garment)
      d. Plastic compound
   2. EC is generally required for
      a. Chemical fertilizer
      b. Pesticide
      c. Synthetic organic chemicals (dyes, dyes intermediate)
      d. Integrated paint industry

ii. What to do?
   1. Category A – “Form 1” (enclosing other materials) shall be submitted to the central government authority (i.e. Ministry of Environment and Forests, Government of India.)
   2. Category B projects – The same shall be submitted to the State-Level Expert Appraisal Committee (i.e. SEAC)

iii. When to apply for EC (if required) – after the identification of prospective site(s) and before commencing any construction work or preparation of land.

iv. Procedure in Gujarat
Fig. 2. Procedures flow for Environment Clearance

(source: http://gpcb.gov.in/pdf/procedure_for_env_clearance.pdf)
Condition 1: A project is categorized “B2” if it is judged through screening (within 60 days) to have only limited environmental impact. Category B2 does not need public consultation process.
Condition 2: Scoping and public consultation are only for A and B1.
Condition 3: All projects or activities located within industrial estates or parks (item 7(c) of the Schedule) approved by the concerned authorities, and which are not disallowed in such approvals are exempted from public consultation process.

C. Consent to Establish (CTE), also known as No Objection Certificate (NOC)
i. In order to establish a project, it is generally required to obtain CTE before establishing a project (i.e. before construction), pursuant to (1) Water (Prevention and Control of Pollution) Act (Water Act), 1974, and (2) Air (Prevention and Control of Pollution) Act, 1981 (Air Act)
ii. Exception? – exempted if the relevant industry falls under “Small Scale” and 100 small cottage industries having no pollution published under the Office Order of GPCB

D. Consent to Operate, also known as Consolidated Consent and Authorization (CC&A)
i. To start operation of a project, it is required to obtain CC&A before the operation pursuant to Water Act, Air Act and the Hazardous Waste (Management, Handling and Trans boundary Movement) Rules 2008, as amended under Environment Protection Act, 1986 (Hazardous Waste Rules).

   ii. Who to apply? – Anyone who want to start operating a project

   iii. What to do? – To submit (again online through GPCB website: http://gpcbxgn.gujarat.gov.in) combined forms of
   (1) “Form D” under Water Act, (2) “Form I” under Air Act, and (3) Form 1 under Hazardous Waste Act. Also to submit monthly and annual return/forms.

   iv. When? – Before starting operation.

   v. What to be examined? – GPCB examines the efficacy of installed pollution control measures, particularly: (i) standard of discharge of waste water, (ii) air emission and (iii) management rules on secured storage and disposal of hazardous waste.

   vi. How long will it take to obtain? – Theoretically up to 120 days but target is 2 months.

   vii. CC&A shall be renewed every 5 years.

   viii. Information check list for CC&A as well as CTE

IV. Local General Development Control Rules also have certain pollution control regulations: where some special case has been considered as the local level and they can ask the applier for further details or changes in it.

V. Red, Orange and Green Categories

All polluting industries have been listed under three major categories - Red, Orange and Green, in order of most polluting to least polluting. In 2010, inventory of the most polluting (red) large and medium industries was done, falling under 17 broad categories.

Although, it was mandatory for these units to have been allowed only if they had the requisite pollution control facilities, there latest compliance status is being verified. The detailed list of categories under each category as per the MoEFCC is given below. Based on the pollution potential and resources consumption, industry is usually categorized in the three categories: red, orange and green.
• Red: High pollution potential
• Orange: Moderate pollution potential
• Green: Low pollution potential

1. **Red category**

According to the current definition, Grossly Polluting Industries mean ‘Industries discharging effluents into a water course and
   a. Handling hazardous substances or
   b. Effluent having BOD load of 100 kg/day or more or
   c. Combination of (a) and (b).

2. **Orange category**

Industries listed under the Orange category can be permitted in the state with proper environmental control arrangement.
- All such industries which discharge some liquid effluents (below 500 kl/day), which can be controlled with suitable proven technology.
- All such industries in which the daily consumption of coal/fuel is less than 24 mt/day and where the particulate emissions can be controlled with suitable proven technology.
- All such industries employing not more than 500 persons (differ per state)

3. **Green category**

In the green category industries in approved industrial areas which may be directly considered for issue of no objection certificate without referring to the Ministry of Environment, Forests and Climate Change (reference is to be made to the MoEFCC).
- All such non-obnoxious and non-hazardous industries employing up to 100 persons. The obnoxious and hazardous industries are those using inflammable, explosive, corrosive or toxic substances.
- All such industries, which do not discharge industrial effluents of a polluting nature and which do not undertake any of the following processes: Industries in Small Scale, Cottage/Village category suggested under notification of the State Government/Union Territory for issuance of simplified NOC/Consent from State Pollution Control Board/Pollution Control Committee, as the case may be. All those industries or processes, which are not covered under the "Red" and/or "Orange" category.

**Challenges in Environment clearance in Gujarat**

The present clearance process with its sequential hurdles either forces a project proponent to give up the venture, as was reportedly the case with major road projects of late, or burdens the project with time and cost overruns. Gujarat has improvised system in compare to the other states but perfection is far away. Rules are mentioned clearly but timeline is mandatory to reach the goal. So many challenges are still there for the entrepreneur. Some are mentioned below.

1. **Speedy clearances** is required in most of the cases. Like The proportion of approved projects (from 2003 - 2014) is highest in Tamil Nadu (83%), Maharashtra (81%) and Gujarat (75%); while it is the lowest for Jharkhand (57%) and West Bengal (62%). Thus there is difference across states in terms of share of approved projects for applications under review since 2003.
   a. The largest delays happen during the process of data and information collection, EIA process, public hearing, and required document submission. This result is substantiated with the key findings from our review of the meeting minutes. Submission of inadequate or incomplete information in the application submitted by the project proponent was observed to be the major cause of delay in granting the environmental clearances. There were instances of non-compliance with the TOR,
incorrect information submission, insufficient data analysis and submission of wrong format, out-dated forms etc. This was applicable to one-third of all the projects.

b. Other main issues highlighted were delays in approval from other departments, delay in public hearing process, and requests for deferment by the project proponent. Incomplete submission of information or incorrect understanding of the process also led to requests for reconsideration and extension of ToR,(Terms of Reference) as well as reconsideration and extension of the environmental clearance.

c. Absence of committees: Application for new SEAC/SEIAA committees was not made well before the due date of completion of the term, which resulted in delay in the clearance process of small entrepreneurs. This suggests inefficiency of the state government to give any notice regarding treating the pending Category B projects as A and clearing the projects.

2. Mindset Issue

The mindset underlying the clearance process seems to be two-fold. One, all projects deserve the same degree of examination; the other being, following the “Precautionary Principle”, it is better to err on the safe side and withhold clearance.

3. Interdisciplinary Approach

The methodology adopted for project appraisal was simple, but involved a substantive enquiry into the environmental setting of the project and its possible adverse impacts. The recommendations of the Committee carried credibility because of its multi-disciplinary composition and the absence of any ideological baggage.

4. Lack of transparency: All the procedure is clearly mention in the Performa, but difficult to find. Still more transparency required to run all procedure smoothly from both side. As per the office circular of the MoEF dated June 30, 2009, “A copy of clearance letter shall also be put on website of the company by the proponent.” Not none of the 34 projects under category 5 (F) that were cleared in year 2013 displayed environmental clearance on their website.

5. Lengthy procedure of documentation and detailing: In most of the cases irrelevant and lengthy detailing is not required. Till it has been followed which make people fed up with the procedure.

6. Single window System: In compare to other states Gujarat has some good picture in Environment clearance procedure but still left behind in Single window system for all the procedure.

7. Updated details are not available: Most of the time it happens that new format and details are applicable for the clearance but changes are not easily available. So time by time websites and portal should be updated after changes.

Three main problems afflicted the process of environmental clearances namely: (i) major delays happening after the grant of ToRs and during the process of data/information collection, EIA, public hearing and required document submission; (ii) issues related to the public hearing process, and (iii) issues related to information management for effective delivery of the environmental clearance process.
CONCLUSION

These are the procedures which must be followed before starting the business and it is mandatory for all. Gujarat is the state always being ahead in new initiative and compare to other state formulation of rules and updating them are always on priority to give easiness to the people who wants to start new venture. It has been said if you started journey there must be destination. Concept behind the giving ease of doing business is to push the thoughts and thinker to the right direction. Challenges are there but with proper formation of committee and brain storming it can be possible to overcome the things. Challenges can be overcome. Environment clearance is the bridge between humans and business. Balance both the things is mandatory for the society. If clearance procedure will be easy and at single window so many ideas will be transferred into the business venture. From above studies it can be showed that procedures are well defined but execution parts need extra efforts to put forward. Gujarat is on top because other states of India were not putting their best efforts. So to remain best it’s need continuous improvement.

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EASE OF DOING BUSINESS: LEARNING LESSONS FROM AGRIBUSINESS IN GUJARAT STATE

Dr. S. O. Junare
Shri Jairambhai Patel Institute of Business Management & Computer Applications, Gandhinagar, Gujarat
junare.so@gmail.com

ABSTRACT

India being Agri-based economy, agriculture is the backbone of it. The agriculture sector plays an energetic role in the development of India with over 60 per cent of the country's population deriving their survival from it. Most of the industries also depend upon the agriculture sector for their raw materials. India ranks first in the production of pulses, milk, jute and jute-like fibres; second in sugarcane, wheat, rice, groundnut, vegetables, fruits and cotton production; and is a leading producer of spices and plantation crops as well as livestock, fisheries and poultry. The rapid growth of agriculture is essential not only for self-reliance but also for meeting the food and nutritional security of the people, to bring about equitable distribution of income and wealth in rural areas as well as to reduce poverty and improve the quality of life. 0.5% growth in agriculture adds to 2.5% growth in GDP, which shows the importance of agriculture in Indian economy. Gujarat State has done tremendous progress in agro industries sector. The all-round development of agro business in Gujarat include all elements of food chain from farm to the market grading, sorting, pre-cooling, packing, refrigerated transport, warehousing, cold storage, retail outlets for handling agriculture, horticulture and floriculture products etc. The state is far ahead in at production and productivity of several agri products such as cotton, groundnuts, mango, chikoo, Caster, Cumin, banana fruits and vegetable etc. Since the state is known for its USP of taking maximum cash crops it is to be ahead in the field of processing, value addition and export. Thus the distinctive and value added culture of AGRI made Gujarat a prominent state and known for ease of doing AgriCULTURE business.

Keywords: Agri-business, Gujarat, agriculture, ease of doing business

INTRODUCTION

India is World’s largest producer of milk and livestock, with an annual production of 122 Million Metric Tonnes (MMT) of milk with 528 million livestock. India is 2nd largest producer of fruits and vegetables, producing 213 MMT and 3rd largest producer of food grains, producing 250 MMT and fish production of 8.3 MMT. India produces 63 billion eggs, with 649 million poultry. Indian Agriculture sector engages 70% of Indian population. Food Processing sector of India alone employs 13 million directly and 35 million indirectly. Agriculture Sector in India contributes to 22% of Indian GDP. Food Processing contributes 14% of the manufacturing GDP, which amounts to Rs. 3,400 billion.

The Indian food market has reached USD 300 billion in 2015. The Food Processing Industry in India is worth around USD 67 billion and expected to increase to USD 175 billion by 2025. Out of 60 soil types there are 46 soil types and 20 agri-climatic regions exist in India. India has 52% cultivable land compared to 11% world average. India has 1.84 million sq.km of arable land, which is more than that in China, USA, Japan. India is among 15 leading exporters of agricultural products in the world. India's agricultural exports amounted to USD 26 billion with a 1.7% share of world trade in agriculture in 2015. Exports of agricultural products are expected to account for 5% of the world's agriculture exports by 2020. The government is taking several steps to promote agriculture and agri business and some of the major initiatives taken by the Government of India are:

- The Government of India has set a target of 259 million tonnes (MT) of food grains production in 2013-14. It is implementing various crop development programmes/ schemes for achieving production targets of various crops
The government has permitted 100 per cent FDI under the automatic route, subject to certain conditions in Floriculture, Horticulture, Apiculture and Cultivation of Vegetables & Mushrooms under controlled conditions; Development and production of Seeds and planting material; Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture, under controlled conditions; and Services related to agro and allied sectors. 100 per cent FDI is also permitted in the tea sector.

For ensuring quality of agrochemicals, the government has set up 71 pesticides testing laboratories across the country that include 68 state laboratories, 2 regional laboratories and 1 central laboratory.

The Government of Punjab gave its approval to the expansion plan of state-owned Milkfed entailing setting up of four mega milk plants worth Rs 250 crore (US$ 37.09 million) each in the state.

The government has launched a SMS Portal for Farmers on in 2013 for disseminating relevant information, giving topical & seasonal advisories and providing services through SMSs to farmers in language of the State.

In the annual Union Budget of 2013-14 as well as 2014-15 have made significant announcement for the development of agriculture sector.

These initiatives by the Central Government are encouraging farmers and also some sector specific MSMEs to focus on setting up their own ventures with more ease.

**AGRICULTURE DEVELOPMENT IN GUJARAT STATE**

Economic reform process has provided a boost to the efforts of the State towards rapid industrialisation. In terms of new investments, Gujarat is amongst the top States in the country. The State has so far attracted major investments in sectors like Chemical and Petro Chemicals, Engineering, Pharmaceuticals, Dyes & Chemicals, etc. Investment in agro industrial sector, however, has remained at less than the national average (in percentage terms), despite the State having several advantages such as seven agro climatic zones, with wide variation in soil type, water availability and climate, abundant natural resources suitable for a variety of commercial crops like oil seeds, cotton seeds, spices and cereals. The State has very high level of production and productivity in several agri and horticulture crops in the country. The State has an established network of market yards besides industrial peace, responsive farming community and above all, its unique geographical location, proximity to national and international markets through its fairly well developed ports, airports and roads.

Gujarat is one of the most developed state in respect of all social and economic development parameters including Agriculture. Between the years from 2000-01 to 2014-15, the agriculture growth rate in Gujarat was around 10% to 11% This is more than double India's agricultural growth rate, and much
faster than Punjab's farm growth in the green revolution heyday. Indeed, 10% agricultural growth is among the fastest rates recorded anywhere in the world.

GUJARAT RANKING VIS-À-VIS REST OF THE WORLD

In many commodities like Cumin, Caster, Isabgul, spices and select horticulture products, Gujarat has significant competitive advantages even with respect to rest of the world. Gujarat compared with rest of world including India in select crops with respect to production and productivity levels, the position is as under:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Gujarat's position in world production</th>
<th>Gujarat's position in world productivity (MT/ Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>% of world production</td>
</tr>
<tr>
<td>Groundnut</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Castor</td>
<td>1</td>
<td>67</td>
</tr>
<tr>
<td>Sesame</td>
<td>5</td>
<td>6.5</td>
</tr>
<tr>
<td>Cotton</td>
<td>8</td>
<td>3.5</td>
</tr>
<tr>
<td>Tobacco</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Cumin</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td>Fennel</td>
<td>1</td>
<td>67</td>
</tr>
<tr>
<td>Isabgul</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>Guar seed</td>
<td>3</td>
<td>6.25</td>
</tr>
<tr>
<td>Onion</td>
<td>18</td>
<td>1.5</td>
</tr>
<tr>
<td>Chiku</td>
<td>2</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: A.F.Ferguson Research

GUJARAT’S RANKING IN INDIA

A matrix derived from Gujarat's standing in productivity and production levels as compared to other states provides interesting insights about Gujarat agriculture's competitive advantages and disadvantages. Gujarat has clear-cut advantage in the commodities shown in top right hand side quadrant, while in some other commodities, there is a potential to develop advantages.

Gujarat has clear competitive advantage in:
- To make arrangements for timely supply of agricultural inputs, equipments and services at reasonable rates to the farmers of the State.
- It has potential to develop competitive advantage in Select Fruits & Vegetables (Mango, Potato, Papaya and Guava), select Spices (Garlic) and Rapeseed & Mustard
- It needs to upgrade position (especially with reference to productivity) in Cereals (Rice and wheat), Important Spices (Ginger and Chilli) and Vegetables (Okra, Brinjal, Tomato)

<table>
<thead>
<tr>
<th>ALL INDIA RANK PRODUCTION</th>
<th>1st Rank Highest</th>
<th>- Tobacco</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Groundnut</td>
<td>- Papaya</td>
</tr>
<tr>
<td></td>
<td>- Sesame Seed</td>
<td>- Garlic</td>
</tr>
<tr>
<td>2nd/3rd High</td>
<td>- Tomato</td>
<td>- Chiku</td>
</tr>
<tr>
<td></td>
<td>- Papaya</td>
<td>- Guarseed</td>
</tr>
<tr>
<td></td>
<td>- Garlic</td>
<td>- Cumin</td>
</tr>
<tr>
<td>4th/7th Medium</td>
<td>- Wheat</td>
<td>- Onion</td>
</tr>
<tr>
<td></td>
<td>- Rapeseed &amp; Mustard</td>
<td>- Banana</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Isabgul</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Cumin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Guava</td>
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<tr>
<td></td>
<td></td>
<td>- Potato</td>
</tr>
</tbody>
</table>
Despite excellent potential for growth, a critical constraint in development of agro and food processing industry, is the lack of supply chain infrastructure across the entire food chain. While Gujarat possesses competitive advantages in several crops like castor, cotton and horticultural crops such as bananas, mangoes, this advantage is often frittered away due to lack of farmer education in adopting best practices and understanding needs of focussed end users. Numerous middlemen add to wastages from the farm to the consumer, retailer, processor or exporter. This leads to 30-35% wastages from the farm gate to the final consumer leading to price trade-up. Farmers realise a mere 25-30% of the final consumer price as opposed to 65-70% in well-developed agricultural markets.

As per the government agriculture policy 2000 the agro industries are those units which add value to agriculture products/residues, both food and non-food, by processing into products which are marketable or usable or edible or by improving storability or by providing the link from farm to the market or part thereof. Agro industry also includes Hi-Tech and Bio-technology based agriculture. “Agricultural Product” means produce of agriculture, horticulture, sericulture, floriculture, fisheries and includes minor forest produce and livestock based products, except dairy and dairy based products.

The reasons behind the all-round development of agriculture sector in Gujarat state are as under:

**Creation and utilization of Irrigation facilities:**

It is noteworthy to mention that the Gujarat state is considered a drought prone, with 70% of its area classified as semi-arid and arid. Sardar Sarovar Project has played significant role in irrigation facilities in Gujarat state particularly, Saurashtra Region, which currently irrigates only 20 lakh hectares farm land. Despite this, it is significant to note that around 80% of irrigation in the Gujarat state comes from tube-wells. The State Government and several other grass-roots organisations embarked on decentralized water harvesting and built more than 15000 check dams, more than 12000 village tanks, and bori-bunds (built with gunny sacks stuffed with mud), which played a gigantic role in the agricultural growth particularly in Saurashtra Region and Kutch Region. Because of availability of water the state has increased milk and livestock production significantly.

To overcome of the irrigation problem, the state with the participation of public of Gujarat has promoted drip irrigation to conserve water in semi-arid districts. Gujarat government offers subsidies and loans like other states, but it has more fast-tracks and simplifies procedures. Farmers contribute 5% initially. Then a state-owned company provides 50% as subsidy, and arranges a bank loan for the balance of 45%. One lakh acres have been covered by drip irrigation so far. Therefore, a farmer of Gujarat has a better opportunity in farming as well as agribusiness.

**Rural and Farm Roads:** Rural Roads and Farm Roads are the most important investment for agriculture sector. Gujarat state has one of the best rural road networks in India, and 98.7% of villages are connected by pukka roads. Because of the construction of farm roads most of the farmers are in a position to take high value crops and transport it to the big agriculture markets event to export it. The state is known for the exports of fruits and vegetables to different countries.
Electricity Supply: Government of Gujarat, under its special scheme of power and electricity namely Jyotigram scheme provides continuous and of constant voltage electricity to villages for domestic use and for the irrigation purpose for farming. Under this scheme separate electric feeders for domestic use and pump-sets are also provided to the farmers. This uninterrupted electricity facilities has facilitated a switch to high-value crops like mango, banana, sugarcane, cotton, fruits and vegetables which need assured water. Constant voltage has protected farmers from damage to pump-sets earlier caused by fluctuating voltage. Continuous power for non-agricultural uses has spurred diversification into non-farm activities, vital for rural growth. The irrigated area has expanded at the rate of 4.4% per year. The fastest growth in crops has been in wheat, followed by cotton and fruits and vegetables. This is one of the very important parameter in the Ease of Doing Business Index developed by the World Bank Group, i.e. ‘Getting Electricity’ and that also in a constant mode.

Improved Seeds: Private seed companies and even foreign companies have brought in new technology to the state farming for several crops, ranging from cotton, bajra, castor, and vegetable but above all in Bt cotton. More than 20 Bt cotton varieties are now produced by 30 seed companies. It is noteworthy to mention that the Gujarat state has only 26% of India's cotton area, but it contributes to 35.5% share in cotton production. Because of high product and productivity, superior quality, the Gujarat has become a famous in neighbouring countries like China, Pakistan and other Asian countries as the producer and exporter of Bt cotton. Rising world prices have also helped, and been buttressed by a huge jump in the minimum, support price for cotton.

Hence, doing business of producing and exporting Bt. Cotton has given a very good opportunity to the farmers of Gujarat.

AGRICULTURE DEVELOPMENT THROUGH SPECIAL INITIATIVES IN GUJARAT

Gujarat Agro vision 2010 and Gujarat Agro vision 2020 envisages improving the quality of life of the rural population, including those who are resource poor, by widening their employment opportunities and increasing their income. 63% of the population of Gujarat lives in rural areas and depends for its livelihood on agriculture and the rural non-farm sector that is interlinked with agriculture. The Government is sensitive to the role of Agriculture in Economic development with a vision.

- Greater wealth creation for farmers and farm labourers
- Offer a sustainable increase in productivity
- Ensures Food Security
- Offer higher value addition to agricultural produce and exports
- Conservation of Water resources through micro irrigation

The vision seeks to accelerate demand driven agricultural and agro industrial growth in the new globalized agricultural environment. The goal for Gujarat agriculture is to become a world-class producer and supplier in the crops where it enjoys competitive advantage.

The government envisages Agriculture promotion through focused agricultural research, and application of biotechnology, information technology and eco-technology. Conservation of soil, water and biodiversity is the prime concerns to be environmentally sustainable. As a result, a separate Department for ‘Climate Change’ is set up as a major challenge to Humanity.

Department of Agriculture, Government of Gujarat has provided very good opportunities in development of the framing as a business for the farmers of Gujarat.

GOVERNMENT INITIATIVES TO PROMOTE AGRIBUSINESS IN GUJARAT

Role of Gujarat Agro Industries Corporation
Gujarat Agro Industries Corporation (GAIC), which promotes agricultural activities at the ground level and fosters the development of agro industries in the state, is a manifest example of the forward-looking policies of the state. Set up in 1969 under the Companies Act, 1956, GAIC acts as a facilitator and nodal agency for implementation of various scheme of Government of Gujarat and Government of India. It plays an important role in increasing competitiveness by encouraging farmers to adopt an integrated approach to agriculture and work towards better returns from the existing set-up.

**Agri Infrastructure Project**

- Integrated Pack House for Fruits & Vegetables
- Banana Pack House
- Centre for Perishable Cargo
- Modern Potato Cold Storage
- Cold Storages For Tribal Development
- Onion Cold Storage
- Gamma Irradiation Processing Plant
- Rice Flakes Unit

**An Agri Factopedia**

- Connecting 7 Districts on 8 Mbps and 18 Districts on 4 Mbps to State Centre at Gandhinagar using leased circuits provided by BSNL, Reliance and Tata Tele Services.
- WTO Cell is being established to increase export-related competency of major agricultural commodities.
- Credit, Insurance and Financial support is being extended to farmers.
- Cattle breeding have been encouraged and efforts are being made to produce good quality wool from sheep.

**Micro Irrigation Scheme**

Gujarat Green Revolution Company limited is an implementing agency for implementation of Micro Irrigation Scheme on behalf of Government of India and Government of Gujarat in Gujarat State through reputed authorized Micro Irrigation System suppliers, who supplies and installs the Micro Irrigation System and also provides agro services pertaining to Micro Irrigation System. It is aim to bring 2nd Green Revolution in the state by saving of water, electricity and enhancing agriculture productivity resulting in the farmers prosperity at large.

Gujarat is heading for second green revolution through optimal use of natural resources. Gujarat Green Revolution Company is a special purpose vehicle created for the widespread coverage of micro irrigation system throughout the State.

**Dairy Development**

The Gujarat State is known for milk cooperatives, which has 12 District Milk Producers’ Unions including Amul. There are 10,725 Milk Cooperative Societies functioning at village level, which collect more than 150 lakh litre/day Milk from farmers, mostly from women farmers. There are more than 20.84 lakh Members working under the fold of Milk Cooperatives in Gujarat. The milk cooperative model of Gujarat states has been adopted in several states and working successfully.

**Fisheries**

With a Coastal belt of 1600 kms, Gujarat occupies First position in production of marine fish (6.71 lakh m.t./year) with a share of 24 % in total quantity. The area of continental shelf is estimated at 164,000 sq.km and is 32.54 % of the shelf area of India. Gujarat contributes 28% of the national marine export
in quantity and 15% in terms of value. Total fish production of fish during the year 2014-15, in Gujarat was 10 lakh tonnes, valuing Rs. 45 billion. Gujarat state ranks first in the country in marine fish production and it has exported 1.98 lakh tonnes of marine products worth Rs. 2,156 crore in 2013-14. The Gujarat State has domestic sale of Rs. 40 Billion and export is worth Rs. 500 crore. The main source of livelihood and source of income is from fisheries business in several coastal villages of Gujarat. Fishing fleet of Gujarat have been increased up to 40000, of which 26000 were mechanized.

**Village Pond, Check Dam, Boribandh dams (sand bag dams)**

The success key point in Agriculture is increased access to water. Gujarat has created history in water conservation, by launching a drive for blue revolution, constructing number of check-dams. Gujarat is a drought-prone state, with an irrigation cover of just 36% of gross cropped area. Increased water supply from Sardar Sarovar project, higher investments in check-dams and watersheds (as of June 2007, a total of 2, 97,527 check dams, boribunds and Khet Talavadi (farm ponds) had been constructed by the state in cooperation with NGOs and the private sector). Good rainfall for the past few years has helped propel growth.

**Animal husbandry**

Major share of motive power of agriculture comes from livestock. Livestock keeping- an integral part of farming system as land, labours and water can be efficiently utilized. An intensive animal vaccination program was launched in all the villages at the Krushi Mahotsav held since four years, so as to focus on disease management and the rearing of healthy livestock In addition to vaccinating the livestock, animal health camps were also held.

Gujarat has 23 Intensive Cattle Development Projects (ICDP) with 1078 Breeding Centres in the state which are aimed at improving the breed of cattle and buffaloes. Gujarat has 12 Intensive Poultry Development Projects (IPDP), 5 District poultry Extension Centres, and 85 Poultry Service Centres. As per the livestock census 2007, total livestock population of Gujarat was 237.94 lakh.

**Dairy Sector**

Gujarat state is leader in milk procurement and milk processing. Amul model is famous in all over the world. There are total 14,598 primary Milk Cooperative Societies affiliated to 17 district level cooperative dairy plants. 3.01 million farmers are the members of dairy cooperatives in Gujarat, who get the benefits of dairy business. Apart from cooperative there are 25 small private dairy plants operating in the state. The state has total 130 lakh liter/day milk production.

The Gujarat Cooperative Milk Marketing Federation is the India's largest food products marketing organisation. The Banaskantha Coop. Dairy is biggest in Asia and second in world. Similarly Dudhsagar Cooperative Dairy Mehsana is ranked second biggest dairy in Asia. Total annual milk collection in the state accounts 3.50 billion litres with daily average collection of 9.50 million litres. The state also export the milk product of Rs.100 crore every year.

**Irrigation**

World's Largest Irrigation Network made possible by the Sardar Sarovar Project on Narmada with the Dam height raised from 90 meters to 121.9 meters is the biggest project. The project has immense contribution towards irrigation, hydropower and drinking water supply. The Sardar Sarovar Project will provide irrigation facilities to 18.45 lac ha. of land, covering 3112 villages of 73 talukas in 15 districts of Gujarat. It will also irrigate 2,46,000 ha. of land in the strategic desert districts of Barmer and Jalore in Rajasthan and 37,500 ha. in the tribal hilly tract of Maharashtra through lift. About 75% of the command area in Gujarat is drought prone while entire command in Rajasthan is drought prone. Assured water supply will soon make this area drought proof.
Power

There are two power houses viz. River Bed Power House and Canal Head Power House with an installed capacity of 1200 MW and 250 MW respectively. The power would be shared by three states - Madhya Pradesh - 57%, Maharashtra - 27% and Gujarat 16%. This will provide a useful peaking power to western grid of the country which has very limited hydel power production at present. A series of micro hydel power stations are also planned on the branch canals where convenient falls are available.

Water Shed Development

It aims at increasing soil and moisture conservation and productivity of the degraded land, and thereby increase the income of people. The programs seek to promote the overall development of the project area while maintaining a special focus on the weaker sections. With the implementation of the watershed programs, several outcomes have been expected with increase in healthy living lifestyles with better income, education and resources.

Drip Irrigation

Many villages in Gujarat have adopted 100% drip and sprinkler irrigation systems to water crops. In June 2009, more than 93,000 farmers in Gujarat have adopted drip irrigation for their total 1.51 lakh hectare land... Drip Irrigation system and inter-linking of 21 rivers of the state for conservation of water has made it possible for record Sugarcane cultivation in the state.

GGRC is aimed to promote Micro Irrigation System (MIS) to the farmers of Gujarat as an implementing agency on behalf of Government of Gujarat (GoG) and Government of India (GoI) to bring 2nd Green Revolution in consonance with the Agriculture policy of Gujarat Vision 2010 so as to save water and energy, besides multiple benefits to improve Agricultural productivity and farmer’s prosperity at large.

Water Harvesting

3 Lac ground water harvesting structures have been constructed in the state in last 5 years which has increased the ground water level throughout the state and increased the Agriculture income by four times. There are complete medium, small and planned irrigation projects. Narmada water distribution system is planned for water harvesting.

Horticulture

Gujarat State Horticulture Mission (GSHM) a registered society has been set up for implementation of NHM in the state. The State has strong cooperative credit & marketing structure, along with 213 cold storages having 9.50 lakh mt. storage capacity About 42 fruit & vegetable co-operative marketing societies and 197 Agriculture Produce Market Committees (APMCs) dealing with selling & buying of horticulture produce in the State.

Agriculture Export Zone for dehydrated onion & zone for fruits - vegetables has been established, which will be the back bone to boost horticultural development in the state. There is ample potential to export various horticultural produce to other countries. The mangoes among the many fruits, many vegetables and spices are exported. Gujarat is one the major banana growing states and ranks 2nd in Exports of Bananas in India with Exports of 1800 Tonnes in 2014-15.

Soil Health Card

Soil Health Cards have been provided to 17 lakh farmers of the state till now. It has been envisaged to provide more 4 lakh soil health cards to the farmers during the current year. The information of nature
of soil will be available to the farmers from computer installed in Gram Panchayats under E-gram project.

**Sujalam Suflam Yojana**

Due to the results of soil Health card scheme which explants the manner of cropping based on nature of soil, the farmers have sown crops which more previously unknown to them. This unique scheme is a sure way to increase income of the farmers.

The beneficiary farmers of the scheme have earned financial profit at lower cost based on use of fertilizers, pesticides, seeds and balanced use of water provided by the state government. The scheme will be implemented at the cost of Rs 6,237 crores for additional facility of irrigation in 10 districts on war footing. The work is being carried out at 73 different places at a time in full swing.

**Krushi Mahotsav**

The Taluka oriented Krushi Mahotsav see a new light in the direction of Agriculture which is organized in 225 talukas for farmers. The concept evolves the India’s first Home Minister, Sardar Vallabhbhai Patel’s pledge in Bardoli to bring prosperity to farmers.

The Krushi Mahotsav campaign which is being held since 2006, covered 18,600 villages in June 2015, with 260 ‘Krushi Rath’ (vans) reaching to farmers with Researchers, Scientists, experts, Agriculture officers and Ministers, interacting and providing information and counselling on soil health, organic farming, technology and inputs, irrigation, etc., besides infusing a new spirit of change and mass mobilization. The Government has set up four agro-climate zones and starting institutes for research and education in the field of agro technology. An innovative concept of ‘Animal Hostel’ is proposed on experimental basis through public participation.

**DOING BUSINESS OF VALUE ADDED AGRICULTURE**

Steady globalization of trade has profound implications for future agricultural development in India in general and Gujarat in particular. The diversity of agriculture crops, taking cash crops and high value crops with higher productivity provide potential for agricultural competitiveness to Gujarat agriculture in a globalized economy. It is expected that with increasing globalization of markets over the years there will be demands for agricultural intensification. This will also be favoured because of greater backward and forward linkages between agriculture and food industry in the state. Therefore, increase in production and productivity are bound to be strategically important to economy. Intensification will not only favour alleviation of rural poverty but will also improve resource conservation particularly in the small farming sector where farmers can be encouraged to take up organized production of high value crops such as fruits, specialty vegetables, flowers medicinal and aromatic herbs etc. Stronger demands for crops of the small farmers’ will not only improve incomes and welfare but will also make investments in technology and resource conservation more attractive.

Understanding the local, national and international environment under which agricultural production the state government and farmers are developing their own strategies for higher production and processing and export of agriculture products from the state. As Gujarat is situated on the western coast of India, has a good potential to develop a vibrant agriculture by deriving competitive advantages from Gujarat's unique position in many commodities.

Gujarat is endowed with abundant natural resources in terms of fertile land, river systems, good soil and climatic conditions in many parts of the state and good support in terms of input industries and most importantly, enterprising people and technical talent.

**Potential for existing and new areas of agri-business in Gujarat:**
The State government has a comprehensive Agri-Business Policy to facilitate projects of value addition in centre value chain from farm to market, develop Agri Infrastructure, encourage research and development, and promote food safety management system at the farm level and processing units. Gujarat is an upcoming Agro business destination, there are several investment opportunities in milk, animal husbandry, oilseeds, fisheries, fruit and vegetables, infrastructure and innovative technologies sectors. Mega Food Park Scheme of India (MFPS) is a new initiative promoted by government. MFPS is expected to facilitate the achievement of the Vision 2020 of Ministry of Food Processing Industries to raise the processing of perishables in the country from the existing 6% to 20%, value addition from 20% to 35% and the share in global food trade from 1.5% to 5% by the year 2020. The present scheme/benefits of Mega Food Park of Government of India will be extended to the Mega Agribusiness Parks be developed in Gujarat over the next 5 years.

The potential areas in Agribusiness are horticulture infrastructure projects like cold storage, fresh fruits and vegetables pack house, mechanized grain handling and storage at port, Food Parks, terminal markets, irradiation centres. The state has also potential of export-oriented processing and value added processing based on local resources, natural resources based opportunities: natural food colours, medicinal herbs extraction, tree oil based bio-pesticides, food processing enzymes and so on. IT and technology based projects are also the area of potential for business in agri and allied agri area. Horticulture Related industries namely Onion dehydration units, Mango pulp and pickles units, canned vegetables, potato flakes, tissue culture laboratories, nurseries, spices and psyllium processing units and cold storages are the new areas for ease of doing business in agriculture sector.

CONCLUSION

The paper has highlighted the overviews of agriculture sector in Gujarat state and the emerging trends in value added agri business. Like industrial development, the agriculture sector is also progressive in Gujarat state. As the state is most industrialised state and several industries in the state depend upon the agriculture sector for their raw materials. Gujarat ranks first in the production of Cotton, groundnuts, Mango, Chikoo, Caster and fruits. It is also leading in production of banana, sugarcane, vegetables; as well as livestock and fisheries. The rapid growth of agriculture has helped the state not only to make Gujarat as self-reliant but also for meeting the needs of other state and several other countries. As it is proved that mere 0.5% growth in agriculture adds to 2.5% growth in GDP, which shows the importance of agriculture in Indian economy and Gujarat State has shown 10% growth rate in agriculture during last 15 years. The state has also done tremendous progress in agro industries sector especially creation rural roads, farm road, rural godowns and cold storage and agro processing units. The all-round development of agro business in Gujarat include all elements of food chain from farm to the market grading, sorting, pre-cooling, packing, refrigerated transport, warehousing, cold storage, retail outlets for handling agriculture, horticulture and floriculture products etc. The state is far ahead in at production and productivity of several agri products such as cotton, groundnuts, mango, chikoo, Caster, Cumin, banana fruits and vegetable etc. Since the state is known for its USP of taking maximum cash crops it is to be ahead in the field of processing, value addition and export. Thus the distinctive and value added culture of AGRI made Gujarat a prominent state and known for ease of doing AgriCULTURE business.

Gujarat is far ahead in agriculture production, productivity, share in agri produce, share in GDP, share in processing as well as export. The initiatives taken by agri entrepreneurs with the help of government for doing business out of agriculture resulted into conversion of agriculture into agriculture industry. The paper provides the facts and figures about the government initiatives and support to the farmers in
supply of high quality agri inputs, technology support, infrastructure support such as storage, marketing, processing and value addition as well as export support which has resulted in doing ease business out of agriculture business.

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Abstract

The case focuses on Rang De, innovative micro finance organization which brought new concept of social investment. The case discuss how Rang De works, which models are successful, how it has change lives of people. With changing lives, many other organization have supported Rang De, and started an evolution under financial inclusion. Moreover, case highlighted field partners, corporate partners who are associated with Rang De.

Keywords: Financial inclusion, Micro finance, Social investment.

1 INTRODUCTION

Anjali Das, a resident of Bhuinpada, Orissa lives with her husband & their two daughters. Their children study at school & her husband works as a daily wage labour. She used to rear cows, but has to stop as she was not able to manage both home & cows. Hence she taught of starting a small business of processing paddy as she was acquainted with it. In order to start the business she got loan from Rang de. Today she is making an income of Rs. 5000 to Rs. 6000 per month.

Manisha Jatav an owner of small flour mill lives with her husband in Madhya Pradesh. She was already having the customer & day by day the number keeps on increasing. The major worries to Manisha was repair of machineries which will yield more flour. She applied & got loan of Rs. 8000 from Rang de, which helped her to repair machineries & buy second hand motor. She is thankful to Rang de for the loan and as of today she is earning Rs. 5000 to Rs. 6000 per month with Rs. 1000 as savings.

There are real life changing examples that how micro credit have changed their lives which was provided by Rang de. By being in touch with rang de these women were able to move out of financial crunch. Apart from financial help, Rang de helped rural entrepreneurs and their development. In India, demand for micro finance is 30 billion $ and supply is less than 2.2 billion $. Rang de micro credit initiatives involved lending needed amounts to the people below poverty line.

Ramkrishna N K & Smita Ram founder of Rang de wanted to do something social in India in fields of Farming, Child labour & special child. They concluded that major cause of any problem in India is poverty. So in December 2006, they got an idea of starting an online Micro – lending website “Rang de”. The foremost formality for online platform was registering the domain name. They partnered with Niyati technologies who gave them discount of 50 percent. The founders attended microfinance India sumit in October 2007. They got offers of equity & many investors also showed their interest in investing in the sumit. On 26th January 2008 Rang de went online at national level.
by Nobel laureate Muhammad Yunus’s Grameen Bank, but realised that conventional micro credit in India was bit expensive.” The reason they found was the huge cost of raising capital. So this couple came up with the idea of peer-to-peer lending, or crowd sourcing, as a way to make micro loans cheaper. In their model, social investors (or lenders) can browse stories of borrowers, understand who they are and why they need a loan, and then contribute to the amount needed in multiples of Rs 100. The borrower repays the amount in a fixed time at an interest of 10 per cent. “From this, they deduct the field partner’s fee, a fixed contingency amount and Rang de’s expenses, and return 2 per cent on the capital put in by our social investors.

The impact of these micro loans, from the time Rang De began in 2008, has been huge. New investors and borrowers join Rang De every day; at last count, the organization had disbursed 34,561 micro loans as per data on 16th March 2015. Their repayment rates are high, in spite of the fact that loans are disbursed mainly to high-risk individuals with no financial leverage that formal banks won’t consider as borrowers. “In all 92 per cent of loans are repaid on time; under 8 per cent are delayed for a variety of reasons but paid nevertheless. Rang de have very few defaulters. This insights can motivate to do a business.

Currently, Rang De disburses about Rs 10 crore in micro loans to borrowers across India. It works with 16 active field partners spread across states like Manipur, Orissa, Maharashtra and Madhya Pradesh. These are NGOs with an extensive network who vet borrowers and ensure that social investors get regular reports on how their investments are faring. Transparency is something that Rang De is paranoid about, which is appropriate given the flak that micro credit financing schemes in India have sometimes drawn. Rang de publish their interest rates; provide regular updates to their social investors; hold regular offline meetings, Rangdevous, in different cities where all the players involved with Rang De meet face to face and even invite social investors to join Rang de on field trips to meet field partners and borrowers.

3 HOW RANG DE WORKS

Rang De is only micro credit organization which aims to work on financial inclusion as well as for generating employment with common citizens. They make people to be responsible social investor and in return they also pay interest, which is very nominal amount but of course it’s needed for motivation. As social investors you can lend any amount more than Rs 100. This model is really innovative in a sense that it involve common people who can turn into social investors and can help others. In other micro finance model financial institute are financing and they charge heavy amount of interest. Here in Rang De, this drawback is vanished.

The significance of the Rang De model is that it has successfully used technology to put a human face to poverty. By doing so, it has managed to add the one element often lacking in the world of finance — compassion. Rang De’s vision is to scale up their model so that they are able to disburse ~100 crore annually. Rang de model is very friendly for lender as well borrowers, an easy way to do business. As its social investment and encourage social investor to lend money for development of small scale business. Social investor from anywhere from world can choose borrowers to fund small business and for education. They can invest Rs 100 or more. After investor’s loan Rand de’s field partners receive and disburse the loans to borrowers. Borrowers repay the loan according to a repayment schedule. As and when they repay, Social investor receive investment with a nominal return on it.

Rang De Microcredit is a low cost, easy to access and borrower friendly credit meant for low income households. It is designed to match the business needs of these groups with the ability of individuals (social investors) to lend small sums of money and make a social impact. Rang De ensures that any income generation loan has an interest rate of no higher than 10% flat p.a.

The breakup of the 10% interest on any income-generation loan is as follows:

- 5.5% goes to the field partner
• 2% goes to the social investor as a nominal financial return along with their phenomenal social return.
• 2% goes to Rang De to cover its operations.
• 0.5% goes to a contingency fund that is maintained by Rang De to repay social investors in case a borrower dies or defaults on a loan.

Source: http://www.rangde.org/how-rang-de-works

4 RANG DE LOAN DISBURSEMENT
Table 1 – impact statistics

<table>
<thead>
<tr>
<th>Loans Disbursed</th>
<th>Social Investments Raised</th>
<th>Social Investors</th>
<th>Social Investments Repaid</th>
<th>Women Borrowers</th>
<th>Education Loan</th>
<th>States Covered</th>
<th>Interest Rate Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>37,906</td>
<td>314.8 Million Rupees</td>
<td>7,799</td>
<td>240.3 Million Rupees</td>
<td>94.13%</td>
<td>1,999</td>
<td>15</td>
<td>9-18%</td>
</tr>
</tbody>
</table>

Source: https://www.rangde.org/ as of 5th August 2015

5 PARTNERS

Rang De is expanding their work with other field partners. Field partners are in different states like Bihar, Delhi, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Orissa, Tamil Nadu, Uttar Pradesh, West Bengal etc. Their average repayment rate is 80.35% of loan disbursed.

Along with Field partners, Rang De has been associated with corporate partners & funders. Their corporate partners and funder are:

5.1 Corporate Partners – Rang De has been associated with ICICI venture, ZOHO Corp, Trafigura foundation, freshdesk, Spark Capital, Muthoot Papacchan group, urnalis systems, Sagtaur, Aura, Cosmic Circuits, Fairmac Group, Neev Technologies, Assystem, SmartClues.com, Hyjiya.com, Snuvik & Wisdom Times have provided funding to Rang De which will be deployed as loans to Micro – Entrepreneurs.

5.2 Funders – The World Bank, Millennium Alliance, ICICI Foundation for Inclusive Growth, National Bank for Agriculture and Rural Development (NABARD) & Trafigura Foundation have shown their interest and has funded in Rang De.
6 AWARDS

Rang De has won many accolades for its initiative as online microfinance lending platform.

6.1 Bihar Innovation Forum Award - Rang De won this award for its innovative work in the area of financial services.

6.2 Bangalore Heroes – The Times group initiative, awarded to individuals and organizations for innovation, sustainability and impact. Rang De won this award in 2013.

6.3 The World Bank – Through Development Marketplace (DM) Rang De has been funded by World Bank.

6.4 Millennium Alliance Award – In 2013 Rang De won this award. It is a platform to leverage Indian creativity, expertise, and resources to identify and scale innovative solutions being developed and tested in India to address development challenges.

6.5 Ashoka Fellowship – In February 2012, Ramkrishna N K won this fellowship for leading social entrepreneur.

6.6 SAFRG (South Asian International Fund Raising Group) – Rang De won this for fund raising campaign award for their “World Cup Fever Campaign”.

6.7 The India Digital Award – In 2012, for best use of internet for social good, Rang De won 1st Runner up award.

6.8 Manthan South Asia Award – The award given for the best practices in e-content and creativity which was won by Rang De in 2011.

7 RANG DE EDGE

7.1 Rang De Habba – An online store which helps artisans to showcase their art & earn for betterment of their life.

7.2 Rang De Brand Ambassador – Waheeda Rehman, Nagesh Kukunoor & Raghu Dixit are the brand Ambassador for Rang De.

7.3 Rang De Chapters – they are the group who voluntarily spread mission of Rang De.

8 CONCLUSION

Rang De is practicing innovative micro finance practice which is very rare, but easy to do business. Its involving investor and needy and also giving return to investor. Return is very small amount but it motivation to give loan again. Rang De is already working more than 30 organization in almost 14 state but long way to go. According to our Prime Minister’s new agenda of financial inclusion, Rang De has bright future, but need to scale its operations and approach more people which can change their lives. This new innovative idea of social investment is still not in lime light. That’s where it is lacking. It’s time to go front and involve more people to be social investors and bring change in society as well.

9 REFERENCES

SIGNIFICANCE OF RIGHT TO PUBLIC SERVICE ACT AND RULES (GUJARAT) IN EASE OF DOING BUSINESS

Hirnesh Bhavsar
Ph.D. Scholar,
Department of Public Administration, V.N.South Gujarat University, Surat,
&
Personnel officer, surat municipal corporation, Gujarat, India
hirneshbhavsar@gamil.com

ABSTRACT

Right to public service Act 2013 is a landmark legislation enacted by the Gujarat legislature entitle citizens to get time bound public services with stipulated time frame, empowering also to book the erring service provider and grievance redressal officer under the act to punish and seek compensation so that they can participate meaningfully in governance and hold government/ public servants accountable and responsive.

International finance corporation - World Bank rank India in business ease 132 amongst 185 countries. In against Starting business- rank 173, time taken- to score index- 27 days, best performing- New Zealand - 1 day. Construction permit- 182- 196 – Hong Kong 67/day, Getting electricity- 105 - 67/day- Iceland- 22 days, Property registration-94 -"44 days , Georgia 2 days, Getting credit- 23 Rank Malaysia ,South Africa, U.K. –Top, Protecting investor- 49 -score 6, New Zealand 9., paying taxes- 152 - 243 hour- , UAE -12 hours, Trading across borders- 127 - 16 to 20 days Singapore- 5 / 4 days, Enforcing contract- 184 - 1420 days -Luxembourg- 321 days, Resolving insolvency- 116 4.3 years , Japan 0.6 years. Out of 17 places listed to business easiest in India, Ludhiana, Hyderabad, Bhubaneswar, Gurgaon, Ahmadabad, New Delhi, Jaipur, Guahati, Ranch, Mumbai, Indore, Noida, Bengaluru, Patna, Chennai, Kochi, Kolkata only one from Gujarat.

As per survey of times of India 54 % people resort to corruption in India. India is amongst last 100 least corrupt countries out of 178 as per transparency international report. India is amongst last 50 nations out of 178 in human development index shows Benefits / advantages not reach completely & time bound to needy or for who proposed. All these indicate corruptions, manipulations, maladministration & mismanagement, thus poor public administration.

Globalization, openness, free economy mean, to unshackle economy from myriad administrative control, deregulation in more possible manner. Remedy lies in time bound qualitative service delivery to not only citizen but also industry, business, tax payers and all stake holders with provisions of speedy effective economical and efficient grievance redressal mechanism which the right to public service Act and rules aim.

Keywords: Accountable, citizen, designated Authority, service rendering Officer, grievance redressal officer, Right to public service

1. INTRODUCTION:

Right to citizens public service (RTPS) is a civic right.

Right to public service may be construed on par with fundamental rights as it has been derived from Right to Freedom, to move freely throughout the territory of India, to reside and settle in any part of the territory of India, to practice any profession, or to carry on any occupation, trade or business etc.
Right to Freedom & Right to life and Liberty under article 19 & 21 respectively of the Constitution of India. Simultaneously now it is inevitable and Integral part of public administration towards good governance.

Public service or civic services are delivered by state or on behalf of state by an agency at the instance of state. And service include all the goods and service including functions obligations responsibilities or duty to be provided or rendered by public authority.

Information is power. The secreting or hoarding of information may be an act of tyranny camouflaged as humility( Robin Morgan).

To quote Nobel Laureate Niel Bohr, “The best weapon of a dictatorship is secrecy, but the best weapon of a democracy should be the weapon of openness”.

Openness with accountability or responsiveness helps strengthen democracy and promote efficiency and effectiveness in government. Citizens right to public service (RTPS) is an essential step in ensuring time bound service delivery accompanied by speedy result oriented grievance redressal mechanism with transparency and accountability in Government systems and processes. When a government is responsive, accountable and transparent, the chances for corruption are less and there is more room for effective and efficient governance with economy. The Right to public service generally understood as the right to access qualitative goods and service rendered by public authorities. is not just a necessity of the citizens; it is a precondition to good governance. And that’s why RTPS include effective grievance redressal system too. Right to citizen keep on tenterhook public/ government servants in particular and public authority in general which makes democracy more vibrant and meaningful and empowers citizens to participate in the governance process of the county.

As per transparency international report in 2013 India is amongst last 90 least corrupt countries out of 178, while India is amongst last 50 nations out of 178 in human development index. Illiteracy rate is 38% while 36% bellow poverty line population is projected. As per Hongkong based agency’s survey in 2011 Indian bureaucracy is worst in Asia & least efficient and is ranked 9 out of 10.

This indicates that benefits of budgetary allocations and welfare schemes do not reach to the real beneficiaries. This indicates an opaque and unaccountable governance in India up to the extent.

International finance corporation - world bank rank India in business ease 132 amongst 185 countries. In against Starting business- rank 173, time taken- to score index- 27 days, best performing- New Zealand - 1 day. Construction permit- 182- 196 – Hong Kong 67day, Getting electricity- 105 - 67days- Iceland- 22 days, Property registration-94 -*44 days , Georgia 2 days, Getting credit- 23 Rank Malaysia ,South Africa, U.K. –Top, Protecting investor- 49 -score 6, New Zealand 9., paying taxes- 152 - 243 hour- , UAE -12 hours, Trading across borders- 127 - 16 to 20 days Singapore- 5 / 4 days, Enforcing contract- 184 - 1420 days -Luxembourg- 321 days, Resolving insolvency- 116 4.3 years , Japan 0.6 years. Out of 17 places listed to business easiest in India, Ludhiana, Hyderabad, Bhubnesvar, Gurgaon, Ahmedabad, NewDelhi, Jaipur, Guahati, Ranch, Mumbai, Indore, Noida, Bengaluru, Patna, Chennai, Kochi. Kolkata only one from Gujarat.

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All these indicate corruptions, manipulations, maladministration & mis management, thus poor public administration.

Globalization, openness, free economy mean, to unshackle economy from myriad administrative control, deregulation in more possible manner.

Hence to enforce the accountability and responsiveness with transparency in the working of every public authority State of Gujarat passed the Right to public service Act in 2013. The Act states that the Constitution of India has established a democratic Republic federal structure. And democracy requires an empowered citizenry and transparent, accountable public administration having efficiency, effectiveness with economy. These are vital to its functioning and also to contain corruption and to hold Governments and their instrumentalities accountable to the governed;

Father of nation Gandhiji has already quoted that "The real swaraj will come not by the acquisition of the authority by a few, but by the acquisition of the capacity by all to resist when abused." Of course to have transparent, accountable, responsive governance RIGHT TO INFORMATION Act 2005 is already in operation since 2005 with an objectives:

To set practical regime for access of information, Informed citizenry, Transparency, Accountability & to contain corruption and last but not the least, Government & its instrumentalities hold accountable to governed.

Which provide one of most important provision of proactive disclosure under section 4 (1) b of the act under 17 different manuals. But even after a decade still it is distance dream for the people to have practical regime for access of information holding government and its instrumentalities accountable to citizen and people at large.

Some of the reasons for filing the RTI applications found in observation and research are:
Lack of proactive disclosure, Lack of citizen charter, Indifference in record classification & poor maintenance of record, Equality before law Article 14 of constitution not maintained, First in First out procedure not followed, Grievance redressal not quick and most important one is Public duty not performed scrupulously.

Now remedy lies in time bound qualitative service delivery to not only citizen but also industry, business, tax payers and all stake holders with provisions of speedy effective , economical and efficient grievance redressal mechanism which the right to public service Act and rules aim.

2. THE MAJOR PROVISIONS OF THE RIGHT TO PUBLIC SERVICE ACT 2013:

The RTPS Act is divided into nine chapters consisting of 30 sections, 20 rules, 10 kind of different form A to F notified on February 26 2014. With an objective of:

To lay down an obligation upon every public authority to render public services within the prescribed time limit and provide for grievance redressal mechanism to citizens for non-compliance and for the matters connected there with or incidental there to.

Chapter 1 sections 1 and 2 of the Act include the extent of the Act, its commencement. Definitions of various terms like authority, complaint, designated officer/ authority, grievance redressal officer, public authority, service among others, and also included in the said chapter.

The Act is applicable to whole of Gujarat
An Act to provide for setting out the effective regime of right to public service for citizens to ensure rendering public services within the prescribed time limit and provide for effective grievance redressal mechanism under the control of public authorities, in order to promote responsiveness and accountability in the working of every public authority, the constitution of a designated officer, designated authority, state appellate authority etc. and for matters connected therewith or incidental thereto.

Chapter 2 section 3 is on right to delivery of service and grievance redressal mechanism.

Chapter 3 is on notification of service by state and designation of service rendering officer for the services under section 4 and 5.

(C) Days means working days. Referred to as time limit.

(i) "public authority" means any authority or body or institution of self-government established or constituted—

(1) by or under the Constitution;
(2) by any other law made by Parliament;
(3) by any other law made by State Legislature;
(4) by notification issued or order made by the appropriate Government, and includes any—
      (a) body owned, controlled or substantially financed;
      (b) non-Government organisation substantially financed, directly or indirectly by funds provided by the appropriate Government;
      (c) An organization or body corporate in its capacity as an instrumentality of state as defined under article 12 of the constitution and rendering services of public utility in the state of Gujarat
      (d) A government company as defined under section 617 of the companies Act 1956 which is a state public sector undertaking.
      (e) Any other company which supplies goods or renders services to the state Government in pursuance of an obligation imposed under any central or state Act or under any law for the time being in force.
      (5) By an agreement or memorandum of understanding between the state Government and any private entity as public-private partnership or otherwise.

2(j) Service means all the goods and services, including functions, obligation, responsibility or duty, to be provided or rendered by a public authority.

This indicates that wherever public fund is utilized every such public authority falls under the preview of RTPS falling within an ambit of “state” under article 12 of constitution of India. Including an NGO, government company and even other company supplying goods or rendering services, and also private entity having agreement with state under PPP.

While all government & public offices by status fall under it.

Under rule 5 of 26th February 14 every citizen who desire to avail service shall apply in prescribed form or otherwise along with the documents to designated officer who if not enclosed the documents not shall mention it in receipt to be given within three working days. But not mention date of service delivery but if enclosure are in order shall mention in receipt the date of delivery as notified by state under section 4 of the act. He will exclude public holiday/s.

Under rule 5 no fee for complaint or appeal to grievance redressal or designated authority or state appeal authority.

Chapter 4 Section 6 to 9 covers topics like appointment and obligations of grievance redressal grievance redressal officers within two months of notification under section 4 for all administrative
units or offices of state like municipalities, municipal corporations, panchayats, notified areas or state wherever services are rendered to receive, enquire into and redress the complaints from citizens in the prescribed manner. It also provide to have grievance redressal officer at least one level above the designated officer who deemed to have administrative control over him/her.

It also provide to display it on notice board, website with name, designation, Contact Numbers, E-mail etc. Act provide to have as many officers as required for easy access and to assist citizens in filing complaints, including rendering reasonable assistance to reduce oral in writing. It also mandate on the part of grievance redressal officer to acknowledge receipt within three working days in writing or E.Mail, or text message or other means specifying date, time place unique complaint number, particulars of receiver along with stipulated time of redressal. He has also to ensure communication of redressal to complainant

It is obligatory on part of grievance redressal officer to ensure grievance remedied within prescribed time frame, identify the reasons of occurrence, fixing responsibility of defaulter. In case of deficiency, negligence or malfeasance of the concern action is to be taken in accordance with applicable rules. Grievance redressal officer in case of failure to report within prescribed time the complaint/s not redressed with description to designated authority which may be required as necessary.

Chapter 5 section 10 deals with appeal to designated authority

Every complained forwarded to him by grievance redressal officer or person aggrieved with decision or not taking decision within stipulated period may file an appeal within thirty days to designated authority. designated authority may condone delay beyond thirty days. Designated authority shall issue receipt within 3 days, disposed off appeal within stipulated period including deemed appeal matter sent by grievance redressal officer. He may impose penalty against concerned officer after giving opportunity of being heard.

Under section 9 or 10 if grievance redressal officer or designated authority is convinced that officer has willfully neglected to render service or prima facie case of prevention of corruption act making observation of the same refer the matter to concerned appropriate authority.

Chapter 6 section 11 to 22 of the act deals with appeal to state appellate authority, constitution of state appellate authority, terms, salary powers etc.

U/s 11 appeal to state appellate authority within thirty days, delay condone provision is also there beyond thirty days. decision of authority shall be binding.

u/s 12 state government shall notify constituting one or more state appellate authority note more than 3 members. Person to be qualified shall be he is or has been an officer of the state government in the rank of secretary/ principle secretary/ additional secretary or ACS or CS. member shall hold the office for a period of three years or attained the age of 65 years which ever is earlier. Provided the officer shall not hold office beyond the as officer of the state.

Act also provide for assisting staff to authority, their salary shall governed under this provisions. If member appointed receiving pension salary shall be reduced by amount of pension. His function as member.

Member may by writing letter to chief secretary resign from office, State may remove if he is adjudged insolvent or has been convicted of an offence which in the opinion of the state government involves moral turpitude or engage in paid employment during office outside the duties or unfit to continue by reason of infirmity of mind or body or acquired such financial interest which may affect prejudicially.
State government may by rules, regulate the procedure for investigation of misbehavior or incapacity of member.

- The authority is empowered with as civil court for functioning of the act U/s 17
- The authority shall arrange to deliver copies of the decision to the parties concerned within the prescribed time frame U/s 18
- The officers of the authority shall be deemed to be public servants within the meaning of section of the Indian penal code U/s 19
- The authority shall be vested the powers of civil court under the civil procedure code 1908 which include
  - Summoning and enforcing the attendance of any person and examining him on oath.
  - Discovery and production of any document or other material object producible as evidence.

Authority is also empowered by statute for receiving evidence on affidavit, requisitioning of any public record, issuing commission for the examination of witness and such other matter which may be prescribed. But Authority shall not be bound by civil procedure code but guided.

Authority shall deliver the copy of order/ decision to the parties u/s 18 while U/s 19. The staff deemed to be public servants u/s 21 of IPC

U/s 20 upon adjudication of complaint authority have the power to issue direction requiring the public authority to take such steps as may be necessary to render the services in compliance of notification Under section 4. Simultaneously authority is duty bound to receive and inquire in to a complaint from any person who has been unable to submit a complaint to designated authority or has been refused redress of grievance under this act or whose complaint was not disposed off within prescribed time or in respect of any other matter U/s 20 of the act.

In any appeal proceedings burden of proof to establish the non redressal of complaint shall be on grievance redressal officer who denied the request. U/s 21

Designated officers must maintain of records of all the cases. Availability of all needed resources to laymen for effective implementation of the act. The state government must observe efficient implementation of act by continuous monitoring of all provisions of act. The state govt. must publish list of efficient public servants yearly as an appreciation for their efforts

It is obligatory on the part of authority in case grievance complaint is indicative of corrupt practice or practice in terms of prevention of corruption Act on the part of responsible officer to record the evidence and refer the matter to appropriate authority U/s 22.

Chapter 7 section 23 deal with penalties and compensation where in designated authority or State appellate Authority are empowered to impose lump sum penalty against a designated officer responsible for rendering of service to which the applicant is entitled or against grievance redressal officer for acting in mala fide manner or for having failed discharge his duties without any sufficient and reasonable cause, which shall not be less that one thousand rupees and may extend up to ten thousand rupees which shall be recovered from the salary of the official against whom penalty has been imposed.

Of course concerned officer shall be given reasonable opportunity of being heard before imposing penalty.

It is also provided that State appellate authority or designated authority may by order direct that such portion of the penalty imposed shall be awarded to the appellant as compensation as it may deem fit not exceeding the amount of penalty imposed. Also it provided that guilty public servant shall be
prosecuted by the discipline authority of the concerned public authority and liable to such punishments the discipline authority may decide.

Chapter 8 sections 24 provide for reporting of redressal of grievances by public authority. It makes obligatory on the part of every grievance redressal officer to keep a record of complaints and appeals made, the decisions taken, While on public authority to publish in prescribed manner and in prescribed time frame a report mentioning Number of appeals and complaints received, disposed of, pending, and such other particulars

Chapter 9 section 25 to 30 provide for bar of jurisdiction of court U/s 25, enforcement of order of state public authority as if it were a decree or order made by a court in a suit pending there in and it shall be lawful for the authority to send in the event of its inability to execute it such order to the court within local limits of jurisdiction, in case of company at its registered office, in case of any other person at place where s/he reside or carries business and in other case at main office of public authority. On receipt of the same court shall execute the order as if it were a decree or order sent to it for execution.

Section 27 provide for protection of action taken in good faith or delay in rendering service or not being rendered on account of reasonable cause beyond the control.

Section 28 provides that provisions of this act are in addition to and not in derogation of any other law for the time being in force.

Section 29 gives rule making powers to state not inconsistent with this act, The matter for which rules can be framed are.

Manner to receive, enquire and redress the complaint, acknowledgement of receipt, stipulate time frame to redress under section 7 and 8 and particulars of complainant time frame to report by grievance redressal officer, and such other matters, time frame for disposal of appeal U/s 10(4). time frame for delivering copy of decisions by designated authority, time frame for appeal against it, number of members of state authority, regulate the procedure for misbehaviour of member, the manner and the time frame to discharge of functions and publish report by public authority etc.

And section 30 provide for removing difficulty by official publication in gazette by state, the matters, rule to be laid before assembly as per statutory provision.

Under rule 8 aggrieved citizen to complain in writing in form C to grievance redressal officer by hand delivery, Fax, post or RPAD, grievance redressal officer to communicate receipt within three working days, grievance redressal officer to issue notice to designated officer within stipulated time and in case of failure he has to proceed under rule 10 for hearing by communicating through hand delivery, fax, message, E,. Mail post etc. to remain present to both the parties, he has to dispose of within thirty days communicating decision to both the parties and also forwarding the matter undisputed to designated authority.

Designated authority to dispose of appeal within 45 days Under rule 13, appellate authority to take decisions in accordance with rules and to communicate in fifteen days including public authority requiring compliance.

All have to maintain record in prescribed form/registers,

Important rules frames providing training, awareness, education including school curriculum, providing staff infrastructure, and dissemination of information including training to designated officer, grievance redressal and others. And staff of appellate authority. State shall have to introduce
central monitoring with the help of Information technology, E. governance etc. and last but not the least, state to make arrangement. Through effective guide line, rules to award and appreciate the officers not defaulted in a year by recording in annual confidential report and certificate accompanied by reward fixed by state under rule 20.

SIGNIFICANCE OF ACT AND RULES IN EASE OF DOING BUSINESS:

Looking to the statutory provisions of display of services provided by public authority along with nature of service, time frame to render, designated officer, grievance redressal officer, designated authority, state appellate authority mandatory to publish, disseminate and publicize citizens will be awakened towards their legitimate rights. For industry or businessman also this will make simple, speedy and easy, user friendly time bound to get the work done from different public authority right from acquisition of land to get various registrations, certificates and statutory compliances including commercial, Vat, vehicles registration, tax filling getting refund, labour and industrial act compliance etc. within prescribed time frame to commence business or provide service as per targeted schedule. This will make Industrial growth and gross national product upward. Also the system may facilitate to eliminate corporate corruption or commercial lobbying.

At present, Though citizen charter is in operation, proactive disclosure of RTI Act too in operation but both lacking punitive actions in case of failure, Which never compel Government machinery to strengthen the details of services rendered or goods provided by public authority. By statutory provisions under this act it will definitely streamline with legal force. This will facilitate the citizens to avail state supply timely qualitative and in prescribed quantity. Simultaneously business and industrial community will get all these details on mouse click doing away from red tapist mentality. The system of time bound service provision will facilitate to business community to deal business with not only government but also to private sector too. Liberalization, globalization and privatization process will certainly get boost. It will also encourage public private partnership venture too in ease of doing business. There is roll of Government and public authorities right from issue of birth certificate to death certificate, Right from shop registration, factory or industrial licensing of number of multiple authorities, product quality control registration, contract labour to employee provident fund, Employees state insurance, workman compensation labour welfare, payment of wages, or ancillary labour laws, or transport registrations to renewal and clearance from various check post or authority and agencies. When all these services will be declared time bound with designated officer for each and in case of failure, the grievance redressal officer, The designated authority at same authority level and last one The state appellate authority to take erring public servants to task, to question them their credentials and whenever and wherever required to punish them surely set an exemplary business and industry friendly environment for ease of doing business. This will certainly reduce the manipulation and contain corruption too at long run. This will also give impetus to industrial investment for ease of doing business.

CONCLUSION:

Looking to past experience of Right to information act awareness,, proactive disclosure provisions and implementation experience of the decade right person need to be on right job, quarterly review of statutory publishing information by all public authority, involvement of senior level officer need to review scrupulously and take the erring public servants to task sue motu to get the system go on, regular training, awareness and education of all category of staff with change of mind set of bau dom to do away from red tapism to transparent ,accountable, responsive participatory governance need to enforce to implement the act in true letter and spirit following path need to adopt.

- Soul searching by functionaries to act as per conscious.
- To go with the content of the act not intent.
- Have positive attitude & treat applications under RTPS to evaluate/introspect to improve.
• RTPS to be treated as third party civil society inspection, rather than complex towards it. Facts came to notice under RTPS act to the authority should always be treated as public evaluation of functioning of authority & public authority should sportingly snatch the opportunity to introspect. People/citizen should use the act with sporting spirit & not with any ulterior motive. This kind of negativity from the mind of people should also need to change. Practice of applicants with ulterior motive should be discouraged by activists & NGO too to maintain morale of administrators.

On scrupulously implanting The RTPS Act in Gujarat definitely the environment will be not only citizen centric but also business and industry friendly too. The problems of business community and industry to run from pillar to post for various formalities in Government agencies right from registration to renewal, payment of taxes, assessment etc will be time bound hassle free speedy and target oriented to term in real sense ease of doing business.

SUGGESTION:

Citizen charter need to scrupulously displayed by all public authorities and quarterly review of same need to enforce at senior level. Including district state level, coordination/monitoring committee, M.P /M.L.A committee, district planning board etc.

In annual appraisal report separate column to write and review of performance need to add. Designated officer as far as practicable should not be of much junior level else Grievance redressal officer will also be comparatively of junior level which may kill the very purpose of the act and noble idea of legislature.

Looking to bitter experience in RTI rather than many number of designated and grievance redressal officer qualitative dedicated and committed officers/public servants need to designate.

Of course unlike RTI designated authority at public authority level is comparatively more empowered to hear appeal, take punitive actions including disciplinary action reference and awarding compensation to the applicant. This will certainly maintain uniformity too in decisions which is not only an essence of era but also for impartial neutral synchronized governance too. But caution need to take here not to deviate the spirit of the act by delegating such an important functions to lower level or less experienced and unexposed officers.

At state appellate authority provisions and qualifications of members are from amongst secretary or upper level bureaucrats only which may turned the state appellate authority again in bureaucratic organization with structured pyramid kind or hierarchy. Rather to fulfill aim of the very act eminent and experience persons from the field of Law, Public administration, sociology and judiciary need to incorporate by amendment.

Though state act is of April 2013, rules notified in February 14 and August 14 respectively yet, services to be rendered, or provided, time frame to render, details of designated officers, grievance redressal officer, constitution of state appellate authority under section 4 and 11 to be notified even after passage of more than two and half years of enactment, which need to speed up.

IT is a welcome step to cover private public ventures, authority and government and allied company with all those authority declared as state under article 12 of the constitution within an ambit of public authority to serve better purpose but regulatory mechanism and stringent enforcement are inevitable to avoid escapism under one or other guise clandestinely by pre defining all such service prior to full commencement of the act.
In the era of new public administration followed by new public management and now civic centric citizen oriented administration is pre requirement of good governance and good governance is possible by networking of government, responsive, accountable, transparent, civic participatory, having system of third party or civil society inspection or audit, review and report is lacking here. Which need to incorporate if necessary by amendment in the act and rules.

The most important factor post implementation of the act is managerial information system. Though we adopted citizen charter prior to two decades and RTI Act prior to decade still we are running short of computerized user friendly programme for public authority, government and regulatory mechanism authority while it is still a distance dream for common man to have access to know the status of application online which makes the process of data and statistics submission cumbersome and tedious to concerned. Also data submitted are not reflecting true pictures too. Thus question of review evaluation system reform or reengineering remain far away which is fundamentally necessary to have good governance. After all we have not to run the government like business but civic oriented government with good governance.

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) sector has been recognized as engine of growth all over the world due to contribution of this sector towards economic advancement and for removal of disparities among the cross section of society. With Indian economy rising fertile opportunities are emerging for the MSMEs which will be further buttressed by Make in India initiative.

MSMEs have acquired prominent position in the economic structure of Gujarat- one of the most industrialized and the fastest developing states of the nation which also enjoys the reputation of highly “Investor Friendly” state due to ease of doing business here. Knowing the socio economic significance of the sector, the state has always given all the types of incentives and encouragement to the sector. In this paper, the authors will attempt to study the MSMEs sector in Gujarat and the incentives and assistance given to them by the state and SIDBI- the pioneer and pivotal organization working in this sphere.

Keywords: MSMEs, Gujarat, SIDBI, ease of doing business

1. INTRODUCTION

India is one of the fastest growing economies of the world. However, India’s position in the ‘Doing Business’ annual reports published by the World Bank continues to be less than favourable. The latest rankings place India 134th among 185 countries; lowest in the BRICS Group (Brazil, Russia, India, China, and South Africa) counterparts. By 2020 the median of the age of India would be 27; hence young India needs enough jobs to feed this aspiring youth to maintain their living as well as a healthy family life. To take the advantage of the age dividend, India needs to promote a better business climate. To evolve the businesses as part of culture, Indian Government already has taken many steps, including giving many incentives and subsidies schemes to encourage youth to opt for business as another career option which would be a better and stable career option compared to doing jobs for others.

2. FOUNDATION OF MSME IN INDIA

Micro, Small and Medium Enterprises (MSME) sector has been recognized as engine of growth all over the world. MSME sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. This sector not only plays crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.
2.1 Definition of Micro, Small and Medium Enterprises
(As per Micro, Small and Medium Enterprises Development Act, 2006)

2.1.1 Manufacturing Enterprises
The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

1) Micro Manufacturing Enterprises: The investment in plant and machinery does not exceed Rs.25 lakhs.
2) Small Manufacturing Enterprises: The investment in plant and machinery is more than twenty five lakh rupees but does not exceed rupees 5 crores.
3) Medium Manufacturing Enterprises: The investment in plant and machinery is more than rupees 5 crores but not exceeding Rs.10 crores.

2.1.2 Service Enterprises
The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

1) Micro Service Enterprises: The investment in equipment does not exceed rupees 10 lakhs.
2) Small Service Industries: The investment in equipment is more than 10 lakh but does not exceeds rupees 2 crores.
3) Medium Service Enterprises: The investment in equipment is more than rupees 2 crores but does not exceed rupees 5 crores.

2.2 Current Status of MSMEs in India
The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country (Source: Ministry of Micro, Small and Medium Enterprises Report: “MSME at a Glance”). The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

With growing importance of MSMEs in India’s growth story for sustainable development, Government of India (GoI) and Reserve Bank of India (RBI) have taken steps to increase credit flow to MSMEs. In July 2013, RBI had increased its limits of loans to MSE (Micro and Small Enterprises) under priority sector lending scheme and set high growth target of 20% in credit to MSE for banks. Furthermore, in November 2013, loans to medium enterprises were included under priority sector lending scheme.

This had led to increased credit flow to MSME which grew by 28% in FY14 on y-o-y basis compared to mere 10% in FY13. The share of Bank credit to MSME had grown to 16% as on March 21, 2014 compared to 14% as on March 22, 2013. Overall credit growth was 14% in FY14 compared with 13.6% in the previous year. Thus, credit to MSME segment had in fact aided banks to maintain their overall credit growth.

CRISIL has analysed the growth performance of 3,850 micro, small, and medium enterprises (MSMEs) rated by it across India from 2010-11 to 2012-13 (refers to the financial year April 1 to March 31). The analysis reveals that the average sales per enterprise of these CRISIL-rated MSMEs grew from Rs 1,668.80 lakh in 2010-11 to Rs 2,505.30 lakh in 2012-13, at a compound annual growth rate (CAGR) of 22.53 per cent.
The following chart shows the same:

The above graph mentions the state wise growth of MSMEs during the period. It is interesting to note that the top five states are from northern and western India. They benefit from a strong agricultural base and a growing population across northern India, which is fuelling demand for various products and services. Gujarat on which the research paper is based is on the top 5 categories showing strong base for MSMEs in the state.

It is also interesting to study the state wise key industries. The following table shows the same.

<table>
<thead>
<tr>
<th>States</th>
<th>MSME Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uttar Pradesh</td>
<td>Food processing, Leather/sports goods, tourism</td>
</tr>
<tr>
<td>West Bengal</td>
<td>Agro based, textile, handicrafts, sericulture</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>Textile, leather, irrigation pump/motor, agro based</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>Engineering, electrical, food processing, chemicals, pharmaceutical</td>
</tr>
<tr>
<td>Punjab</td>
<td>Textile, agro based/food processing, hosiery, energy</td>
</tr>
<tr>
<td>Odisha</td>
<td>Iron &amp; steel, aluminium, handloom</td>
</tr>
<tr>
<td>Kerala</td>
<td>Rubber, coir, tourism, chemicals, fertilizers</td>
</tr>
<tr>
<td>Gujarat</td>
<td>Textile, pharmaceutical, engineering, dyes &amp; intermediaries, diamond processing</td>
</tr>
</tbody>
</table>

Odisha has emerged as one of the hottest investment destination for new projects as per the data released by the Reserve Bank of India. Punjab, primarily an agricultural state, has various sets of problems like power shortage, high land prices and high amount of drug/liquor usage among the youth which makes them relatively under-productive. The states such as Maharashtra, Kerala and Tamil Nadu have a large pool of skilled workforce which is primarily engaged in the knowledge-based industries like information technology and related sectors. Further, the states located near the sea like Gujarat, Maharashtra, Tamil Nadu and Kerala are major hubs of sea trade which also spurs the growth of MSMEs in these regions. The following chart shows the industry wise segregations of MSMEs in India:

Leading Industries of MSME Sector

(Source: Annual Report 2013-14 of Ministry of Micro, Small and Medium Enterprises)
It can be very clearly seen from the above graph that the Retail Trade, Except of Motor Vehicles, Repair of Personal & Household Goods dominates the MSME sector with 39.85% share followed by other industries with 19.40%. The Manufacture of Textiles and Manufacture of Fabricated Metal Products except Machinery & Equipment is the lowest share of 2.33% each.

2.3 Government Schemes and incentives

Recognizing the importance of MSME sectors both Central and state governments run various schemes. Various Ministries and Department of Government of India have been running schemes targeted towards MSME Sector. Different ministries extend support in the areas of skill development programmes, market development assistance, technology support, credit flow, public procurement policies, participation in exhibitions both within the country and overseas, etc. Various schemes are available under the abled guidance of the different ministries for the help and upliftment of the women, young, differently abled entrepreneurs and minority entrepreneurs to name a few.

Apart from this acknowledging the fact that MSME sector faces the toughest time in accessing credit and that too with comparatively higher rate, i.e. interest rate for the MSME sector ranges between 13% and 15% while it is between 10% and 11.5% for large units, the interest rate subsidy scheme is made operational by the Government for the benefit of the sector. Under this scheme interest subsidy is available to MSME units for establishing new units or for expansion or diversification and modernization of existing units. For the purpose of interest subsidy, the MSME unit may get term loan from Financial Institution/Bank recognized by Reserve Bank of India. Maximum interest subsidy at the rate of 5% is available to MSME unit. However, the unit is required to pay minimum 5% interest per annum to the Financial Institution/ Bank. As of now the interest subsidy to the sector is available for maximum 5 years limited to maximum Rs.5 lakhs per year with the cap of total interest subsidy to the unit not exceeding Rs.25 lakhs in 5 years period.

Now, a brief outline of MSMEs in Gujarat is given.

3. MSMEs SCENARIO IN GUJARAT

Gujarat the most urbanized state of India is situated on the Western coast of India. The state of Gujarat is one of the highly industrial states in India with its reputation of being a highly investor-friendly state according to Gujarat state Report. MSMEs being backbone of industrial development in Gujarat has always accorded high priority to this sector. Before inception of MSMED Act, 2006 there were 3,12,752 SSI units registered and having generation of employment to 14,89,216 people in the state. A total of 2,61,760 MSMEs were acknowledged during 2006 to 2014. Thus the total MSMEs aggregates to 5,74,512 units on 31/12/2014 providing employment to 36,53,821 people in the state. Gujarat contributes 21 % in exports and 13 % in India’s industrial production. The number of registered working factories in the state was 21536, with an average daily employment of 9.27 lakhs, approximately 11.6 % of the total national workforce. As per estimates of Institute of Small Enterprises and Development (ISED) the State has the First Rank of integrated overall performance of MSMEs at the national level.

MSMEs being a backbone of industrial development, Gujarat has always accorded high priority to this sector. The state government provides support to MSMEs in various ways and some of the very prominent are by way of

- interest subsidy for manufacturing and service sector,
- venture capital assistance,
- quality certification,
- technology acquisition fund,
- patent assistance at national and international level,
- energy and water conservation audit,
- market development assistance and support,
• credit rating,
• helping MSMEs raising funds through SME Exchange,
• reimbursement of CGTSME scheme for collateral free loan,
• State awards under MSMEs,
• Skill development etc.

As MSMEs due to lack of funds cannot do much on marketing front, the Government also provides assistance for facilitating use of better market practices by them like
• Providing assistance to MSMEs for participation in International Exhibitions in foreign lands,
• Providing assistance for organizing exhibitions in Gujarat,
• Providing assistance for machinery purchase during exhibitions in Gujarat etc.

Gujarat demonstrates a significant tendency of clustering of MSMEs. These clusters together constitute 37.6% of investments. There are, in all 83 industrial clusters for different industry groups that have been identified in the state, developed at a number of different locations. (Gujarat State Report, 2014). Looking in to this fact the state Government has taken initiatives to extend support for further strengthening these clusters through interventions such as technology upgradation, quality improvement, setting up of common facility centres, skill development facilities etc. with the active assistance of R&D institutions, as well as industry associations. The State Government also has introduced “Cluster Development Scheme” to promote and strengthen existing crafts & craft-clusters of Khadi, Handloom, Handicraft, Gra-modyog and Clay work.

MSMEs play a major role in shaping economy especially in creating ample opportunities and reaching into rural parts. Here below the functions are mentioned in detail.

4. Functions of MSMEs

MSMEs have created great employment opportunities over the years and have proved to be a pivotal segment of Indian economy. As per the article in the Economic Times dated June 9, 2013, MSMEs play a critical role in generating millions of jobs, especially at the low-skill level. The sector employs around 40% of India’s workforce. It also has been a noticeable foreign exchange earner for Indian economy as the sector accounts for 40% of India's total exports.

Apart from that the one very important function done by this sector is that unlike large scale industries it has been present majorly in the rural areas and thus has enshrined the objective of removing urban and rural disparities and creating opportunities for people in rural areas and improving their lives. The following graph reveals the same.

5. REVIEW OF LITERATURE

Shah Anavar Ali (2011), Mehmood Tariq (2011) et al. has conducted study to analyse the potential of SMEs in economy of Pakistan. Through the study it was found that the SMEs constituted major share in the exports of Pakistan and contributed almost thirty percent to GDP on average during the time period of last five years. It was also revealed that SMEs have significant contribution in the economy of rural areas of the state. For instance, they found that SMEs in Rural Sindh had 45% contribution and it can further be increased. It was also found that that potential contribution of SMEs to the sustainable growth of Pakistan can be large if constraints which most SMEs uniformly face like political instability, uncertainty in the business climate, the lack of credit and the conditions required for obtaining credit...
are addressed and if the government support in marketing and developing market for their products is given. The study very correctly points out that there are a lot of things in which large companies are experts while there are other things which small firms can do better and hence if the climate is created in which both small and large firms do their business in which they get comparative advantage, the welfare of the economy can be maximized and the state of specialization can be attained.

Goyal Malini (2013) has done research on contribution and productivity of SMEs in India. Her study very rightly reveals that at 48 million, India has the second largest number of SMEs in the world with China leading with 50 million. With employing close to 40% of India's workforce and contributing 45% to India's manufacturing output, SMEs play a critical role in generating millions of jobs, especially at the low-skill level. However, the study also shows concern over poor productivity of the sector. It rightly points out that though the sector employs 40% of India's workforce it only contributes 17% to the Indian GDP. The reasons for the low productivity of the sector as found by the author are that; too many firms stay small, unregistered and un-incorporated in the unorganized sector so that they can avoid taxes and regulations which in turn hamper their productivity and apart from this getting access to finance is also a big hurdle resulting to the low productivity of the sector.

6. RESEARCH GAP

MSMEs have received importance worldwide and various scholars have done research on the same yet we have realized that though MSMEs are major player in the state of Gujarat not much research is done on the growth and presence of MSMEs in the state, the contribution of the sector on employment generation and its role in bridging the gap between urban and rural disparities. The present paper strives to bridge this gap. The objectives of the paper are mentioned below.

7. OBJECTIVES

7.1 The research has been undertaken with the following objectives:
7.2 To analyse the growth of MSMEs in Gujarat in last 8 years and their impact on employment generation
7.3 To analyse the district wise presence of the MSMEs in Gujarat
7.4 To analyse the Industry and segment-wise distribution of MSMEs in Gujarat and the penetration of the same in urban and rural areas
7.5 To peep into the most recent and popular schemes of Government for which SIDBI has been chosen as a Nodal agency

8. RESEARCH METHODOLOGY

As the objectives of the research have been to analyse the MSME sector in Gujarat in the realm of its growth, its geographical presence and its employment generation potential and study of the schemes impacting the sector, the data used has been taken from reliable secondary sources and personal visits to the officials pertaining to the field. So, our research methodology is a combination of secondary and primary data and inputs.

9. FINDINGS

Findings of the study are presented here below:

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of MSME Units</th>
<th>Investment (Rs. In Lacs)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>4131</td>
<td>293685.76</td>
<td>76196</td>
</tr>
<tr>
<td>2007-08</td>
<td>13186</td>
<td>757995.54</td>
<td>197341</td>
</tr>
<tr>
<td>2008-09</td>
<td>17867</td>
<td>777109.85</td>
<td>251963</td>
</tr>
<tr>
<td>2009-10</td>
<td>19993</td>
<td>779070.24</td>
<td>247031</td>
</tr>
<tr>
<td>2010-11</td>
<td>27940</td>
<td>890264.41</td>
<td>264867</td>
</tr>
<tr>
<td>2011-12</td>
<td>51781</td>
<td>1161450.59</td>
<td>362871</td>
</tr>
<tr>
<td>2012-13</td>
<td>62835</td>
<td>1292165.07</td>
<td>381092</td>
</tr>
<tr>
<td>2013-14</td>
<td>58627</td>
<td>1273368.71</td>
<td>383250</td>
</tr>
<tr>
<td>TOTAL</td>
<td>261760</td>
<td>722510.17</td>
<td>2164611</td>
</tr>
</tbody>
</table>

(Source: State Industrial Profile of Gujarat (2014-2015) by MSME Development Institute, Government of India, Ahmedabad Office)
9.1 Growth of MSMEs in Gujarat

One of the objectives of the study was to analyse the growth of MSMEs in Gujarat both in terms of their numbers, investment and the employment potential of the sector. During the research it was found that there were only 2169 small scale units in 1961 at the time of formation of the state. The number of the same has increased continuously. The table above shows MSMEs units registered in Gujarat over a period of eight years from 2006 to 2014. It can be very well seen that there has been visible rise in the number. Similarly investment in the sector which was only Rs 293686 lacs in 2006 has risen to Rs 1273368 lacs in 2014 with the investment in the sector in last eight years totalling up to mammoth amount of Rs 7225110 lacs. MSMEs Sector has also been the catalyst of socio economic change as it can be seen in the table that it is providing employment to people in a significant way and the employment it provides is increasing each year. So far it has provided employment to 2164611 people in last eight years and has improved their lives.

It is also important to know the investment and employment per MSME unit in the study period. The following chart shows the same.

Graph 4: Investment and Employment per MSME

From the above chart it can be analysed that over the years though the number of MSMEs, investment and employment in the same has grown, the investment and employment per unit has come down significantly over the years. This trend can be interpreted as a positive sign as now MSME units are becoming more efficient as the less funds and manpower are needed for the unit to function. It can also be interpreted that the majority of the new units coming up are micro units because the microenterprises are the ones which need the least investment and less workers.

As MSMEs have a major stake in creating employment opportunities it is important and interesting to know the relationship of employment generation by MSMEs with their number and their investment. Here below is the regression model created based on the above table which is created by taking employment by MSMEs as dependent variable Y and Number of MSME Units and Investment as independent variables X1 and X2 respectively.
### Anova

<table>
<thead>
<tr>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>Significance F</th>
<th>Regression</th>
<th>Residual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Standard Error</th>
<th>t Stat</th>
<th>p-value</th>
<th>Lower 95%</th>
<th>Upper 95%</th>
<th>Lower 95.0%</th>
<th>Upper 95.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-14824.59393</td>
<td>-0.460813113</td>
<td>0.664282036</td>
<td>-97521.52846</td>
<td>67872.34059</td>
<td>-97521.52846</td>
<td>67872.34059</td>
</tr>
<tr>
<td>X Variable 1</td>
<td>-0.134489528</td>
<td>-0.147997659</td>
<td>0.888127842</td>
<td>-2.470447685</td>
<td>2.20146863</td>
<td>-2.47044768</td>
<td>2.201468628</td>
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<tr>
<td>X Variable 2</td>
<td>0.320882544</td>
<td>0.155604405</td>
<td>0.486160682</td>
<td>0.155604405</td>
<td>0.486160682</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the above model the relationship is established as follows:

\[ Y = -14825 - 0.1345X_1 + 0.3209X_2 \]

With the R Square being as high as 0.9779 the model can be said to be relied upon for future planning and forecasting with around 2% of variability in result. For instance if one wants to forecast the employment generation by MSMEs in Gujarat for year 2014-15, using this model it can be done by taking the value of \( X_1 \) for the year as 85596 units (expecting CAGR of number of units of 46% as calculated from Table 1 to continue) and by taking the value of \( X_2 \) for the year as investment of Rs 1566244 lacs (expecting CAGR of investment of 23 % as calculated from Table 1 to continue). Placing these values in the above model the employment in the sector for the planning period can be forecasted at 476270.

### 9.2 Presence of MSMEs in the Districts of Gujarat

#### Table 4: District wise Registration of MSME Units

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ahmedabad</td>
<td>865</td>
<td>17</td>
<td>3979</td>
<td>9124</td>
<td>13196</td>
<td>17944</td>
<td>15034</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Amreli</td>
<td>75</td>
<td>55</td>
<td>57</td>
<td>126</td>
<td>151</td>
<td>173</td>
<td>171</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Anand</td>
<td>43</td>
<td>255</td>
<td>240</td>
<td>246</td>
<td>353</td>
<td>377</td>
<td>524</td>
<td>473</td>
</tr>
<tr>
<td>4</td>
<td>Banaskantha</td>
<td>19</td>
<td>235</td>
<td>243</td>
<td>148</td>
<td>141</td>
<td>170</td>
<td>152</td>
<td>262</td>
</tr>
<tr>
<td>5</td>
<td>Bharuch</td>
<td>154</td>
<td>305</td>
<td>407</td>
<td>649</td>
<td>815</td>
<td>901</td>
<td>1100</td>
<td>1100</td>
</tr>
<tr>
<td>6</td>
<td>Bhavnagar</td>
<td>150</td>
<td>246</td>
<td>333</td>
<td>331</td>
<td>438</td>
<td>903</td>
<td>1198</td>
<td>789</td>
</tr>
<tr>
<td>7</td>
<td>Dahod</td>
<td>90</td>
<td>20</td>
<td>8</td>
<td>101</td>
<td>56</td>
<td>112</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Dang</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Gandhinagar</td>
<td>109</td>
<td>438</td>
<td>355</td>
<td>350</td>
<td>401</td>
<td>461</td>
<td>382</td>
<td>366</td>
</tr>
<tr>
<td>10</td>
<td>Jamnagar</td>
<td>96</td>
<td>324</td>
<td>429</td>
<td>484</td>
<td>710</td>
<td>822</td>
<td>1150</td>
<td>951</td>
</tr>
<tr>
<td>11</td>
<td>Junagadh</td>
<td>48</td>
<td>100</td>
<td>141</td>
<td>100</td>
<td>226</td>
<td>262</td>
<td>217</td>
<td>258</td>
</tr>
<tr>
<td>12</td>
<td>Kutch</td>
<td>19</td>
<td>116</td>
<td>301</td>
<td>206</td>
<td>228</td>
<td>250</td>
<td>263</td>
<td>253</td>
</tr>
<tr>
<td>13</td>
<td>Kheda</td>
<td>14</td>
<td>174</td>
<td>124</td>
<td>147</td>
<td>102</td>
<td>150</td>
<td>160</td>
<td>142</td>
</tr>
<tr>
<td>14</td>
<td>Melsana</td>
<td>129</td>
<td>401</td>
<td>283</td>
<td>200</td>
<td>332</td>
<td>234</td>
<td>222</td>
<td>248</td>
</tr>
<tr>
<td>15</td>
<td>Narmada</td>
<td>9</td>
<td>99</td>
<td>100</td>
<td>100</td>
<td>101</td>
<td>150</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>16</td>
<td>Navsari</td>
<td>12</td>
<td>321</td>
<td>289</td>
<td>324</td>
<td>404</td>
<td>425</td>
<td>500</td>
<td>200</td>
</tr>
<tr>
<td>17</td>
<td>Pandhimahals</td>
<td>13</td>
<td>107</td>
<td>139</td>
<td>118</td>
<td>153</td>
<td>241</td>
<td>300</td>
<td>136</td>
</tr>
<tr>
<td>18</td>
<td>Patan</td>
<td>12</td>
<td>53</td>
<td>64</td>
<td>56</td>
<td>55</td>
<td>127</td>
<td>115</td>
<td>129</td>
</tr>
<tr>
<td>19</td>
<td>Porbandar</td>
<td>3</td>
<td>103</td>
<td>88</td>
<td>60</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>79</td>
</tr>
<tr>
<td>20</td>
<td>Rajkot</td>
<td>532</td>
<td>899</td>
<td>1473</td>
<td>1917</td>
<td>2272</td>
<td>4433</td>
<td>4317</td>
<td>4588</td>
</tr>
<tr>
<td>21</td>
<td>Sabarkantha</td>
<td>45</td>
<td>221</td>
<td>144</td>
<td>217</td>
<td>401</td>
<td>395</td>
<td>393</td>
<td>171</td>
</tr>
<tr>
<td>22</td>
<td>Surat</td>
<td>1225</td>
<td>4544</td>
<td>6627</td>
<td>5884</td>
<td>9459</td>
<td>24548</td>
<td>34527</td>
<td>29369</td>
</tr>
<tr>
<td>23</td>
<td>Surendranagar</td>
<td>64</td>
<td>249</td>
<td>175</td>
<td>236</td>
<td>325</td>
<td>360</td>
<td>381</td>
<td>326</td>
</tr>
<tr>
<td>24</td>
<td>Tapi</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>77</td>
<td>100</td>
<td>128</td>
<td>125</td>
</tr>
<tr>
<td>25</td>
<td>Vadodara</td>
<td>307</td>
<td>916</td>
<td>1158</td>
<td>906</td>
<td>887</td>
<td>2408</td>
<td>3091</td>
<td>2639</td>
</tr>
<tr>
<td>26</td>
<td>Valsad</td>
<td>228</td>
<td>574</td>
<td>698</td>
<td>649</td>
<td>584</td>
<td>588</td>
<td>623</td>
<td>645</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4130</strong></td>
<td><strong>13186</strong></td>
<td><strong>17867</strong></td>
<td><strong>19993</strong></td>
<td><strong>27940</strong></td>
<td><strong>51781</strong></td>
<td><strong>68235</strong></td>
<td><strong>58627</strong></td>
<td></td>
</tr>
</tbody>
</table>

(Source: State Industrial Profile of Gujarat (2014-2015) by MSME Development Institute, Government of India, Ahmedabad Office)

TOTAL MSMEs : 2,61,760

One of the objectives of the study was to analyse the district wise presence of MSMEs in Gujarat in the research period of last eight years i.e. from 2006 to 2014. In Gujarat, the MSMEs are registered in 26
districts. The above table shows the no. of MSMEs registered district wise in the last 8 years. The number of the same has increased continuously. It can be seen that there has been significant rise in the total number. Surat is the district which shows the highest growth in no. of registered MSMEs from the year 2006 till 2014 followed by Ahmedabad and then Rajkot.

The table 5 shows the share of each district in overall number of MSMEs registered during the study period.

Through the research it is found that Surat district leads the state with 44.38% of the MSME units registered during the period which is the highest share amongst the all followed by Ahmedabad with 26.36% and Rajkot with 7.8%. It is also revealed that MSMEs are present in all the districts of the state though their number varies. So further incentives and encouragement should be given for establishing MSMEs in the districts where the number of the same is less as of now yet there is potential to increase the presence of the same.

### 9.3 Industrial Groups of MSMEs in Gujarat

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Industry Group</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Textiles</td>
<td>68171</td>
<td>8206</td>
<td>351</td>
<td>76728</td>
</tr>
<tr>
<td>2.</td>
<td>Machinery and parts except electrical</td>
<td>20668</td>
<td>2478</td>
<td>81</td>
<td>23227</td>
</tr>
<tr>
<td>3.</td>
<td>Metal Products</td>
<td>2778</td>
<td>685</td>
<td>18</td>
<td>3481</td>
</tr>
<tr>
<td>4.</td>
<td>Food Products</td>
<td>4853</td>
<td>1498</td>
<td>66</td>
<td>6411</td>
</tr>
<tr>
<td>5.</td>
<td>Chemical &amp; Chemical Products</td>
<td>7078</td>
<td>2311</td>
<td>133</td>
<td>9522</td>
</tr>
<tr>
<td>6.</td>
<td>Wood products</td>
<td>3043</td>
<td>318</td>
<td>15</td>
<td>3376</td>
</tr>
<tr>
<td>7.</td>
<td>Rubber &amp; Plastic Products</td>
<td>5414</td>
<td>1518</td>
<td>79</td>
<td>7011</td>
</tr>
<tr>
<td>8.</td>
<td>Non-Metallic mineral products</td>
<td>3927</td>
<td>1251</td>
<td>174</td>
<td>5352</td>
</tr>
<tr>
<td>9.</td>
<td>Basic metal industries</td>
<td>16908</td>
<td>2515</td>
<td>121</td>
<td>19644</td>
</tr>
<tr>
<td>10.</td>
<td>Paper products &amp; Printing</td>
<td>4269</td>
<td>926</td>
<td>67</td>
<td>5262</td>
</tr>
<tr>
<td>11.</td>
<td>Electrical machinery and apparatus</td>
<td>5156</td>
<td>726</td>
<td>25</td>
<td>5907</td>
</tr>
<tr>
<td>12.</td>
<td>Transport equipments and parts</td>
<td>1906</td>
<td>461</td>
<td>10</td>
<td>2377</td>
</tr>
<tr>
<td>13.</td>
<td>Leather products</td>
<td>3641</td>
<td>821</td>
<td>27</td>
<td>4489</td>
</tr>
<tr>
<td>14.</td>
<td>Beverages, tobacco &amp; tobacco products</td>
<td>1052</td>
<td>166</td>
<td>2</td>
<td>1220</td>
</tr>
<tr>
<td>15.</td>
<td>Service activities</td>
<td>25606</td>
<td>1288</td>
<td>79</td>
<td>26973</td>
</tr>
<tr>
<td>16.</td>
<td>Trading activities</td>
<td>48200</td>
<td>358</td>
<td>9</td>
<td>48567</td>
</tr>
<tr>
<td>17.</td>
<td>Other</td>
<td>10597</td>
<td>1503</td>
<td>113</td>
<td>12213</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>233267</strong></td>
<td><strong>27129</strong></td>
<td><strong>1364</strong></td>
<td><strong>261760</strong></td>
<td></td>
</tr>
</tbody>
</table>

(Source: State Industrial Profile of Gujarat (2014-2015) by MSME Development Institute, Government of India, Ahmedabad Office)
Through the research it was found that of the total MSMEs registered in Gujarat in last eight years, 83 percent- 217831 units are from urban and the rest- 43929 units are from rural areas. The proportion of investment in MSMEs between urban and rural Gujarat stands at 60:40 i.e. Rs 4364470 lacs in urban areas and Rs 2860635 lacs in rural areas. Whereas the employment generation during the same period stands out at 1606705 and 557906 in the urban and rural areas of Gujarat respectively.

Besides it was also found relevant to analyse individually the presence of each of micro, small and medium Enterprises in terms of their number, investment and employment in urban and rural areas of the state. The following is the chart which depicts the same.

Graph 5: Penetration of MSMEs in Urban and Rural Gujarat: No. of Units, Investments and Employment

From the graph it can be interpreted that in both the urban and rural areas of the state the presence of micro enterprises is highest followed by small and medium enterprises. As far as investment is concerned during the study period the urban area has witnessed highest investment in micro enterprises followed by small and medium enterprises whereas in rural areas the small enterprises are dominating in terms of investment followed by medium and micro enterprises. The interesting fact about employment revealed from the graph is that in both urban and rural areas highest employment is generated by micro enterprises followed by small and medium enterprises but as it can be seen in the graph the difference between employments provided by micro and small enterprise in urban areas is much more compared to the rural areas.

The following table shows investment per unit and employment per unit in urban and rural areas of the state.

Table 7: Investment & Employment per unit in urban and rural area

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Investment per unit (Amount in Rs lacs)</th>
<th>Employment Per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Micro</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Small</td>
<td>104</td>
<td>176</td>
</tr>
<tr>
<td>Medium</td>
<td>811</td>
<td>905</td>
</tr>
</tbody>
</table>

(Source: Calculation based on data in State Industrial Profile of Gujarat (2014-2015) by MSME Development Institute, Government of India, Ahmedabad Office)
areas compared to urban areas whereas in medium enterprises per unit employment generation is more in urban areas.

The following write up discusses a few of recently introduced and a few of already existing prominent schemes of SIDBI.

9.4 Schemes of SIDBI for MSMEs

Getting access to Finance at the right time at the right price is considered the biggest hurdle for MSMEs. The banking sector in India is quite robust and satiates the credit needs of various sectors of Indian economy including MSMEs. Yet credit given by banks to MSMEs is a very minuscule of their overall advances. For instance of the total advances of the banking sector in Gujarat which stands at Rs 344286 Crores only Rs 55834 Crores are towards MSMEs, making it 16 percent of overall advances.( Socio Economic Review, Government of Gujarat, 2014). Hence, there is always need for organization which works specially for MSMEs. SIDBI is a very special organization working in this direction by its various schemes, incentives and financial assistance and thus creating ease of doing business for MSMEs. As per the researchers’ interaction with the officials of SIDBI, it was found that SIDBI does a lot of lending to the MSME segment in the state and for the year ending on 31st March 2015, the overall loans outstanding towards MSMEs in Gujarat by SIDBI stands at Rs. 2192.51 crores and for the same year the amount pertaining to Ahmedabad stands out to be Rs 546 crores. Here below a few of very recently launched and a few of already existing but prominent schemes of SIDBI are discussed.

9.4.1 SIDBI Make In India Loan for Enterprises Scheme (SMILE Scheme)

Most of the MSME businesses in India are family owned In India and more than 90 per cent of the MSMEs are partnership and proprietorship concerns due to which investment in pure equity form is difficult and hence they have to rely more on debt. So, the rate of interest matters a lot.

The idea behind the launch of SMILE scheme is to provide soft loans in the nature of quasi-equity and term loans on relatively soft terms to MSMEs to meet the required debt-equity ratio norm as also for pursuing opportunities of growth by existing MSMEs. The focus will be on identified 25 sectors under ‘Make in India’ programme. Under the scheme, start-ups and MSMEs can get soft loans at 10-12 per cent interest, which is lower than what banks offer. The scheme has built-in higher concessional terms for enterprises promoted by people from scheduled caste or scheduled tribe category and persons with disabilities and women.

Under the scheme 10% of the project cost subject to a maximum of 20 lakh and Up to 15% of the project cost for the enterprises promoted by Scheduled Caste (SC) / Scheduled Tribe (ST) / Persons with Disabilities (PwD) and women, subject to a maximum of 30 lakh is given as soft loan for the period of 3 years and on expiry of 3 years from the date of first disbursement, the outstanding soft loan together with any dues thereon get converted into secured term loan and the entire loan will carry applicable rate of interest as per internal rating of the borrower.

9.4.2 Growth Capital and Equity assistance for MSMEs (GEMs) and Flexible Assistance for Capital Expenditure [FACE] schemes

Here it is worth to mention about Growth Capital and Equity assistance for MSMEs (GEMs) and Flexible Assistance for Capital Expenditure [FACE] schemes of SIDBI. GEMs provides assistance in the form of quasi-equity to deserving MSMEs and FACE scheme facilitates MSMEs with multiple repayment schedules. Both the GEMs and FACE are significant initiatives to address the evolving needs of the sector. GEMs scheme helps deserving MSMEs in getting adequate capital for sustaining the growth momentum as many of them often fail to get adequate capital due to non-availability of adequate owner’s capital and all assets to be offered as security. Under GEMS, funds are provided on the strength of cash flows rather than asset coverage or security. The initial longer moratorium of 3 to 5 years on
principal instalments ensures greater chances of success of the ventures. The FACE offers flexibility to plan capex for immovable and other fixed assets jointly or separately. The tenure of each component is linked with its economic life and cash flow and can be in the range of 3-7 years for movable fixed assets and as long as 10 years for land and building.

### 9.4.3 Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

The main objective is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that the lender availing guarantee facility should endeavour to give composite credit to the borrowers so that the borrowers obtain both term loan and working capital facilities from a single agency. The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss. The guarantee cover available under the scheme is to the extent of 75% / 80% of the sanctioned amount of the credit facility, with a maximum guarantee cap of Rs.62.50 lakh / Rs. 65 lakh. The extent of guarantee cover is 85% for micro enterprises for credit up to Rs.5 lakh.

The lender should cover the eligible credit facilities as soon as they are sanctioned. In any case, the lender should apply for guarantee cover in respect of eligible credits sanctioned in one calendar quarter latest by end of subsequent calendar quarter. Guarantee will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the term credit in case of term loans / composite loans and for a period of 5 years where working capital facilities alone are extended to borrowers, or for such period as may be specified by the Guarantee Trust in this behalf.

### 9.4.4 Credit Linked Capital Subsidy Scheme for Technology Upgradation (CLCSS)

One of the hurdles faced by MSMEs is getting access to funds for technology Upgradation and hence acknowledging this hurdle the Government of India has launched the scheme for which SIDBI along with NABARD has been appointed as nodal agency. The scheme aims at facilitating Technology Upgradation of Micro and Small Enterprises by providing 15% capital subsidy on institutional finance availed by them for induction of well-established and improved technology in approved sub-sectors/products. The admissible capital subsidy under the scheme is calculated with reference to purchase price of Plant and Machinery with the maximum limit of eligible loan for calculation of subsidy under the scheme being Rs. 100 lakhs.

### 10. CONCLUSION AND WAY FORWARD

Through the research it was found that MSMEs sector in Gujarat has registered huge growth over the years in terms of both number and investment and this can be possible only when there exists ease of doing business. The state of Gujarat really has turned out to be very friendly state for MSMEs due to the support, incentives and investment climate it has provided to the sector and thus creating ease of doing business. MSMEs are present in all the districts of the state and are spread across different industrial sectors creating a diversified base. Besides, the MSMEs are present in both urban and rural areas of the state with more tilt towards urban areas. The diversified base of MSMEs and their presence pan Gujarat has made them an important employment generator and pivotal sector of the state economy. Besides the schemes and incentives of the government and the schemes of SIDBI are having very positive impact on the sector and with the recently introduced schemes like SIDBI Make In India Loan For Enterprises (SMILE), Growth Capital and Equity assistance for MSMEs (GMEMs), Flexible
Assistance for Capital Expenditure [FACE] and other already existing prominent schemes like Credit Linked Capital Subsidy Scheme for Technology Upgradation (CLCSS) the promising trend seems to continue.

Looking in to the performance of the MSME sector in the state so far, in future it is expected the sector will be growing and will continue to have positive impact on the growth and development of the state. However, during the research it was strongly felt that the presence of MSMEs is not as robust in rural areas of the state as it should be and presently the MSME units are mainly in urban areas. So, efforts are needed at the state level and more incentives and schemes should be offered for boosting the growth of MSMEs in rural areas as well so that more employment opportunities are created in rural areas thus reducing burden on agriculture and lessening rural-urban disparities.

REFERENCES

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[8] SME Digest (2014) ,CARE RATING, India
ABSTRACT
Micro, Small and Medium Enterprises (MSMEs) have been the backbone of our economy, having boosted not only industrial growth but also created huge employment opportunity in the past. They will have a key role in ensuring the success of the, “Make in India,” Program. They contribute 8% to India's GDP and 43% to the total manufacturing output, besides making up 40% of our exports. This segment has the potential to further enhance industrial growth and bring us closer to the promise of inclusive growth. Significant growth earnings, low investment requirement, low-value imports, location-wise mobility, capacity to develop indigenous technology and products are characteristic of MSMEs. A number of government schemes such as the Entrepreneurial Skill Development Program, Prime Minister Employment Generation Program, Credit Guarantee Fund Scheme and institutions such as the National Small Industries Corporation, Small Industries Development Bank of India and much more has been set up for the benefit of this segment.

Despite their inherent capabilities to grow, MSMEs are facing a number of problems such as smaller scale of economies, technological obsolescence, poor accessibility to institutionalized finance, skill deficit, lack of marketing ability, unorganized nature of operations, poor regulatory framework, etc. In 2011-12, ten States were found to have the biggest share of MSMEs in the country: Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Andhra Pradesh, Kerala, Gujarat, Karnataka, Madhya Pradesh and Rajasthan. This paper discusses the practices adopted in some of these states - Uttar Pradesh in the North, West Bengal in the East, Tamil Nadu and Andhra Pradesh in the South, and Gujarat and Maharashtra in West. The analysis is based on criteria such as infrastructure development, cluster growth, business development, quality of the products manufactured and technological upgradation and market links.

The paper discusses the revival of the District Industrial Centres (DIC’s) which is the most important vehicle to decentralized development of business and small industries. It analyses the challenges faced by DICs, which include the inability to provide a single window clearance, dispersing assistance like difficulties in the procurement of raw material, procurement of machinery among others.

The failure of institutional initiatives to provide rural credit and exploitative informal systems paved the way for the rise of Microfinance institutions. While these institutions have been successful in dispersing credit to rural areas, they have not been free from problems. Some of the challenges plaguing them include, low outreach, smaller scale of operation, high interest rates, shift from social to profit motive, neglect of urban poor, loan defaults, uneducated clients and poor debt management, delayed payments and regional disparities, are discussed in the paper.

The paper suggests an overhaul of these institutions and suggests aligning them with new government initiatives such as India Aspiration Fund (IAF) and SIDBI Make in India Loan for Enterprises (SMILE) to cater the financial requirements and push growth opportunities for this sector. It also suggests creation of a small-entrepreneur facilitation centre, organizing business development workshops, as well aligning government policies such as MUDRA, in line with the aspirations of young entrepreneurs, so that it remains relevant in these changing times.

Keywords: Micro, Small and Medium Scale Enterprises, Challenges, Overhaul, Business Development
1. INTRODUCTION:
India slipped two positions in ease of doing business index from 140 in 2014 to 142 in 2015 as per the World Bank Report. Lower position not only reflects the hurdles faced by foreign entities, but also reflects administrative and regulatory hurdles faced by the Indian entrepreneur to start his business. Ease of doing business index reflects the ease with which a local entrepreneur can start his small to medium enterprise with relevant regulatory compliance. The index measures regulatory procedure affecting the life cycle of business which includes- starting a business, getting credit, getting electricity, dealing with construction permits, registering property, protecting minority investors, trading across borders, enforcing contracts, paying taxes, resolving insolvency and labour market regulation. India’s low rank in the business index affects the incoming investment and entrepreneurial environment. (Group W. B., 2015). There is a sharp decline in investment by 51% through private equity, fell from USD 306.27 million to USD 251 million (T E Narasimhan, 2013). The total gap in funding is estimated at USD 126 million.

As per the Reports released by SMB Chamber of Commerce, and Ministry of Micro, Small and Medium Enterprises (MSMEs), India, currently has more than 48 million MSMEs (Goyal, 2013). At present, MSMEs contribute more than 40% to India’s exports and approximately 45% to industrial growth, while it creates around 1.3 million jobs every year (Narayan, 2012). Ministry of MSMEs reveals that there are more than 6000 products which ranges from high-tech to traditional, which are being manufactured for domestic and international market (MSMEs, 2012-13). According to Economic Survey, Indian MSMEs rank second in fostering employment opportunities after agriculture sector. Also, it accounts for approximately 40% of Indian work force.

But, MSMEs face number of challenges on a day-to-day basis. Major concerns include - lack of financing and credit disbursement facility, weak regulatory framework, lack of affordable technology, lack of basic infrastructure facilities such as electricity and water supply, absence of modern marketing platform, and lack of skilled work force (Group A. F.-G., 2014).

2. OBJECTIVES:

The contribution of MSMEs to the economy is significant, but is gripped in structural hurdles. Hence, the objectives of the study are:
- To study the financial, administrative, and regulatory challenges faced by the MSMEs in India.
- To find appropriate measures to address the above mentioned challenges faced by MSMEs.

3. LITERATURE REVIEW:

Growth story of MSMEs in India shows a steady rate from the past three years which contribute approximately 37% of the GDP in 2012-13. 30.7% is contributed by service sector and the rest by manufacturing sector. The trend in the steady rate of growth is depicted in Table 2.1 below (Kamath, 2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Sector MSMEs</td>
<td>7.39</td>
<td>7.27</td>
<td>7.04</td>
</tr>
<tr>
<td>Service Sector MSMEs</td>
<td>29.30</td>
<td>30.70</td>
<td>30.50</td>
</tr>
<tr>
<td>Total</td>
<td>36.69</td>
<td>37.97</td>
<td>37.54</td>
</tr>
</tbody>
</table>

Source: Ministry of MSMEs

Capital requirement for MSMEs encompasses loans for fixed, equity, and working capital. Government has taken measures to meet the capital requirement through administered credit support. As per RBI, the aggregate credit outstanding from the scheduled commercial banks to MSMEs has
increased from 6.81 lakh crore in 2012 to 10.35 lakh crore in 2014. The credit outgrowth in these years is shown below. (Kamath, 2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Sector Banks (In Crore)</th>
<th>Private Sector Banks (In Crore)</th>
<th>Foreign Banks (In Crore)</th>
<th>All Scheduled Commercial banks (In Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>3,96,993.36 (7.5%)</td>
<td>1,08,982.78 (23.7%)</td>
<td>21,708.44 (3.5%)</td>
<td>5,27,684.58 (10.3%)</td>
</tr>
<tr>
<td>March 2013</td>
<td>5,02,459.09 (26.6%)</td>
<td>1,54,731.82 (42.0%)</td>
<td>30,017.83 (38.3%)</td>
<td>6,87,208.74 (30.2%)</td>
</tr>
<tr>
<td>March 2014 (Provisional)</td>
<td>6,15,976.38 (22.6%)</td>
<td>2,00,138.36 (29.4%)</td>
<td>30,020.06 (0.01%)</td>
<td>8,46,134.80 (23.1%)</td>
</tr>
</tbody>
</table>

Source: RBI

Note: Figures in brackets indicate year on year % growth/decline

As per the data, there is an increase in credit outgrowth which is consistent in the last three years, but there is no substantial rise in the capacity utilization.

The quantum of advances from the Public Sector Banks (PSBs) to the MSMEs has increased over the years in absolute terms, but the share of Net Bank Credit (NBC) has declined during the same period. Also, the share of NBC to the Micro enterprises has declined from 7.8% in 2000 to 4.9% in 2009. The inability of the micro entrepreneurs to repay the loans led to rise in Non-Performing Assets (NPA).

RBI data shows a consistent growth in the NPA’s in MSMEs is sizeable which needs to be addressed (Prime Minister’s Task Force Micro, 2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Sector Banks (In Crore)</th>
<th>Private Sector Banks (In Crore)</th>
<th>Foreign Banks (In Crore)</th>
<th>All Scheduled Commercial banks (In Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>24,272.44 (6.1%)</td>
<td>1,880.73 (1.7%)</td>
<td>159.83 (0.7%)</td>
<td>26,312.99 (5.0%)</td>
</tr>
<tr>
<td>March 2013</td>
<td>28,575.29 (5.7%)</td>
<td>2,506.44 (1.6%)</td>
<td>396.23 (1.3%)</td>
<td>31,477.96 (4.6%)</td>
</tr>
<tr>
<td>March 2014 (Provisional)</td>
<td>38,949.80 (6.3%)</td>
<td>3,021.63 (1.5%)</td>
<td>457.36 (1.5%)</td>
<td>42,428.79 (5.0%)</td>
</tr>
</tbody>
</table>

Source: RBI

Note: Figures in brackets indicate NPA percentages

Equity and venture capital as a source of finance is under-utilised in MSMEs. Payments from the buyers, mainly the corporate are delayed, this results in lack of working capital. Under many circumstances, MSMEs are unable to make optimum utilisation of the available technology and government schemes. Another critical challenge is the lack of formal structure and centralised database system to track these enterprises so that their inability to scale up the available government schemes can be bridged (Kamath, 2015).

Major challenges reflected in the studies includes - dearth of finance and credit instrument, unavailability of modern and affordable technology, weak regulatory policies, lack of basic infrastructure facility, absence of exclusive marketing platforms and distribution networks, inflexible labour laws and insufficient skilled labour. It reveals the above mentioned challenges are location specific. For example, access to credit is easier in tier 1 cities than in tier 2 and tier 3 cities. However, common challenge cutting across the geographical spectrum is the lack of basic infrastructure facilities such as power, water, telecom and waste management (Group A. F.-G., 2014).

Despite consistent growth over last few years, MSMEs did not reach its full potential because of the constrained environment in which it performs. Therefore, in order to improve competitiveness, Government of India introduced Lean Manufacturing Competitiveness scheme (LMCs) in the 11th five year plan under the National Manufacturing Competitiveness Program (NMCP). The overall performance of scheme shows that the participating units saved around Rs 60 cr. Besides, the average inventory reduction was about 25%, 10% rise in production capacity without any addition of equipment and over 10,000 employees were trained in lean concepts. Then the scheme was extended
by allocating additional funds in 12th Plan period to increase the outreach. It has been observed that the scheme positively impacted the manufacturing MSMEs (CARE Ratings, 2014).

4. RESEARCH METHODOLOGY:

Data used in the study are secondary in nature and mostly collected from the Annual Reports published by the Ministry of Micro, Small and Medium Enterprises. The study covers a period from 2005-06 to 2014-15. Four parameters namely no. of units, gross-output, employment and investment fixed assets have been used for performance analysis of MSME. The details of outstanding bank credit is taken from the RBI.

5. ANALYSIS AND FINDINGS:

5.1 Perspectives from Different States:

For the promotion and development of MSMEs sector, Central Government has taken various initiatives such as adequate flow of credit from MFIs/banks, creating a platform for technology upgradation, integrated infrastructural facilities, skill development programs, assistance for better access to domestic market. But, the primary responsibility of development of MSMEs lies with the State Governments.

Ten leading states in terms of number of MSMEs in FY 2011-12 were Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Andhra Pradesh, Kerala, Gujarat, Karnataka, Madhya Pradesh and Rajasthan. The paper compares various factors affecting the growth of MSMEs in Uttar Pradesh in the North, West Bengal in the East, Tamil Nadu and Kerala in the South, and Gujarat and Maharashtra in the West (CARE Ratings, 2014).

There is a direct relationship between number of MSMEs and employment generated which is depicted in the below graph.

The graph above shows that there is no direct relation with number of MSMEs and gross output produced. The high output generated in states such as Maharashtra and Tamil Nadu is due to factors such as availability of skilled work force and their accessibility of sea route.
The growth of MSMEs in these states based on the various initiatives taken by state government is divided into below mentioned five categories:

5.1.1 Infrastructure Development:

Integrated Infrastructural Development (IID) Scheme was launched in 1994 with an aim to provide facilities such as electricity, water, telecom, roads, banks, raw materials, and storage etc. The scheme covers rural as well as urban areas. (MSME, 2014)

The Government of Uttar Pradesh exempts Electricity duty for 10 years to all new units and stamp duty from 50% to 100% depending upon the location of the unit. Likewise, the Government of West Bengal depending on the location of MSME gives Capital Investment subsidy up to 40%, and refund VAT and stamp duty in the range of 80-90% and 25% to 100% respectively. The Government of Maharashtra exempts 100% stamp duty for acquiring land. IT units are offered 100% electricity duty exemption for seven years and capital subsidy of 20% on fixed capital investment. The Government of Gujarat offers interest subsidy up to 7% to woman and young entrepreneurs. The Government of Tamil Nadu funds 20% of cost to develop infrastructure and offers 50% rebate on stamp duty for private industrial estate. Kerala government provides 15% (max 20 lakhs) of fixed capital investment. (CARE Ratings, 2014)

5.1.2 Business Growth:

Along with infrastructure, business development is another challenge for MSMEs. To facilitate and minimize the hurdle in the development of business, states come up with various initiatives. The Government of Uttar Pradesh launched Business to Business (B2B) Portal to promote ease of doing business and upgrade the networking through this portal to encash maximum benefits. Pradeshiya Industrial and Investment Corporation of UP (PIICUP) and the UP Financial Corporation (UPFC) were restructured to facilitate financing the enterprises. (SiliconIndia, 2015). The Government of West Bengal initiated a development plan of Rs. 26000 cr to boost MSME and textile industry through PPP mode. (PTI, Economic Times, 2015). The Government of Maharashtra in order to boost investment in MSMEs plans to invest 10% - 15% share in initial public offerings (IPOs).

5.1.3 Cluster Development:

The Ministry of MSME has adopted the cluster development approach as a key strategy for enhancing the productivity, sustainability, cost-effectiveness (MSME, 2014). It is estimated that there are around 6,400 clusters in India. Uttar Pradesh has the largest number of 504 clusters of all types followed 322 in West Bengal, 314 in Gujarat, 310 in Maharashtra, 225 in Tamil Nadu, 181 in Kerala. (CARE Ratings, 2014)

Key clusters in Uttar Pradesh include leather industries, power loom, equipment, electronic goods, and toys. Common Facility Centre have been set-up by the government at Varanasi (Glass beads), Bhadohi (Carpet), Khurja (Pottery), Gorakhpur (Leather), and Meerut (Scissors). Key clusters in West Bengal are provided financial assistance up to Rs. 5 Cr to establish common infrastructure facilities in industrial clusters. Gujarat provides financial assistance up to 80% of the project cost. Similarly, Tamil Nadu initiated mini tool room scheme, provide 25% of the cost (up to 1 Cr) (CARE Ratings, 2014).

5.1.4 Quality of the products manufactured and technological up gradation:

National manufacturing competitiveness programme was launched by ministry of MSME, which aims at increasing productivity, upgrading technology and conserving energy in the manufacturing process. Under the programme certain directions were issued to the state governments to support the technology up gradation and improving the quality of products (CARE Ratings, 2014).
### Table: 4 Institutional Supports for Quality and Technological Upgradation in different states

<table>
<thead>
<tr>
<th>States</th>
<th>Institutional support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uttar Pradesh</td>
<td>50% (Maximum of Rs 75000) for obtaining ISO/ISI certification</td>
</tr>
<tr>
<td>West Bengal</td>
<td>i)50% (Maximum of Rs 5 lakh) for standard quality compliance</td>
</tr>
<tr>
<td></td>
<td>ii)50% (Maximum of Rs 5 lakh) for obtaining patent registration</td>
</tr>
<tr>
<td>Kerala</td>
<td>10% of fixed capital investment (upto Rs 10 lakh) for technology upgradation</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>i) 50%(Maximum of Rs 2 lakh) for obtaining patents</td>
</tr>
<tr>
<td></td>
<td>ii)50% (Maximum of Rs 25000) for obtaining trademark</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>i)75% of expenses incurred on quality certification</td>
</tr>
<tr>
<td></td>
<td>ii) 75% of cost incurred in credit rating</td>
</tr>
<tr>
<td>Gujarat</td>
<td>i)50% (Maximum of Rs 6 lakh) of cost of quality certificate</td>
</tr>
<tr>
<td></td>
<td>ii)50% of cost of technology acquired</td>
</tr>
<tr>
<td></td>
<td>iii)50% of expenditure incurred in obtaining patents</td>
</tr>
</tbody>
</table>

### 5.1.5 Market Development:

Marketing is another most important criterion where MSME failed to develop over the time. They do not have surplus funds to invest in marketing activities. However, government initiated special schemes to facilitate SMEs solely for their marketing activities. For example, the Government of Gujarat offers financial assistance to MSMEs for participation in International Trade Fair as “Gujarat Pavilion outside India” up to 50% (maximum of Rs.2 lakh) of total cost of participation. Others do not have special schemes under this umbrella but they follow similar practises in their respective state to market MSMEs in global markets (CARE Ratings, 2014).

### 5.2 Financial Challenges:

Capital is essential for establishing, developing and sustaining an enterprise. Accessing funds is a difficult task for any entrepreneur irrespective of the scale of the enterprise. Ironically, the degree of difficulty increases as the scale of the enterprise decreases. Hence, MSMEs which are inherently heterogeneous in their operation, face problems are complex and huge in number as compared to that of large corporations. It has been predicted by Planning Commission in its report that MSMEs will face an acute funding gap of around Rs.5000 billion by March 2017. The report published by CARE Ratings, on Indian MSMEs, has estimated that the funding gap predicted by planning commission, would mean a shortfall of finance by almost 43% of total requirement of the sector. Also, CARE Ratings, has evaluated that the bank credit to this segment has grown at a Compounded Annual Growth Rate (CAGR) of 30% in the last five year ending FY13 (refers to the period April 01 to March 31), but still, this is not enough as almost 9 out of 10 MSMEs are yet to get access to the banking finance.

Majority of the MSMEs start their business with minimum funds. Absence of adequate funds at appropriate time, especially in the initial stages of development of the business stunts the growth of MSMEs. In addition to this, MSMEs suffer high cost of credit which is compounded by limited access to equity market, need for collateral to avail loans, and insufficient data on credit availability & requirement (PwC, 2013). Also, the cumbersome procedure in credit disbursement due to complex procedural requirements and absence of single window facility restricts availability of credit.

Despite number of initiatives taken by the central and state government, access to finance remains severely constrained. But, Microfinance Institutions (MFIs) which provided collateral-free credit exclusively for micro-enterprises played a significant role in strengthening the informal sector and mitigating the vulnerability of micro entrepreneur. Unfortunately, MFIs which were believed to be angels that will salvage the poor from poverty have got itself entangled in series of problems.
5.2.1 High Interest Rate:

The interest rate charged by MFIs is higher than that of commercial banks. Recently, RBI has notified that MFIs can charge interest rates based on the cost of funds plus margin (currently capped at 10%) or the average base rate of the five largest commercial banks by assets multiplied by 2.75, whichever is lower. The notification allows the MFIs to charge maximum of 27% as interest rate. But, there are numerous factors to justify the increased interest rate charged by MFIs (Unnikrishnan, First Post, 2015)

MFIs have limited access to capital market and, are also restricted from accepting deposits from the public. So, they primarily depend on commercial banks, donations, grants, and refinancing institutions such as NABARD, SIDBI and MUDRA for their capital requirement. Since, MFIs are serving the underserved section of the community, there is a need for incurring additional expenses due to transportation cost involved in reaching the remote parts of the country which are excluded from the traditional banking system, cost involved in training and employing officers who will frequently visit the clients, the cost involved in customising processes and systems to fulfil the requirements of the bottom of the pyramid customers (Hunter, 2011). The above mentioned expenses inflate the operation and transaction cost which in turn gets reflected in the interest rate.

5.2.2 Commercialisation of MFIs:

MFIs which were set up to alleviate the poor are now perceived as the next big investment opportunity. Indian microfinance sector is emerging as the most attractive sub-sector with better commercial returns, in the global market. Financial sustainability of this socially significant model is claimed as the reason for the transition. Unfortunately, MFIs are getting transformed into socially insensitive commercial organisations, at a faster phase, with profit as its only motive.

In India, SKS Microfinance was the first company to get listed in the stock exchange. Since, investors expect higher returns for their investment; listing of the companies in the stock exchange imposes pressure on the performance to the company. In order to achieve the financial targets, SKS provided multiple loans and frequent loans for the same customers. Borrowers fell into debt trap as it was beyond their credit absorption capacity. So, SKS adopted unethical and inhuman means to recover the loan amount from the people. Debt trapped poor who were unable to withstand the pressure committed suicide. Thus, the idea of commercialisation of MFIs which are supposed to function with developmental objective, failed in the Indian context.

5.2.3 Low Out-Reach:

Outreach of MFIs in India is low both in terms of depth and breadth. Depth refers to the ability to reach the poorest of the customers and breadth refers to number of the customers to whom MFIs serve. Though, India has a huge potential for the growth of MFIs in depth and breadth, the rate of penetration is as low as 8%, compared to Bangladesh which had achieved penetration rate of 65%. It was believed that MFIs will penetrate into those geographical territories that were neglected by the traditional banking system. But, government has not taken sufficient measures to promote MFIs, which are instruments for financial inclusion across the country, especially in the areas where there is need for MFIs.

Though the share of MFIs in southern states such as Tamil Nadu, Kerala, Karnataka and Andhra Pradesh is as high as 53.5%, the growth of the MFIs in areas neglected by the traditional banking model such as north-eastern states and in poor states such as Odisha, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, and Uttaranchal, is not adequate (Nasik, 2013). Absence of financial products and services that matches the needs and requirements of the micro-entrepreneurs is also a major reason for low outreach.
5.2.4 Financial Illiteracy:

Financial literacy refers to the ability to make informed decisions about the use and the management of money (Bhushan Bhatia). MasterCard’s index for financial literacy evaluates financial literacy among countries based on three parameter - basic money management, financial planning and investment. India stands last among 16 Asian-Pacific countries that were surveyed. Also, as per the 2011 census, literacy rate in the country is 75% and still there are 2.42 Crore households (9.74%) who does not have even one literate among its members. So, creating awareness about the microfinance products and its efficient usage before serving the target population turns out to be a very challenging task. Providing financial literacy is an additional burden for MFIs which are already charged with the task of penetrating into the areas excluded by formal financial institutions. Regrettably, MFIs neither have the institutional wherewithal nor adequate funds and skills to undertake massive financial education programs. Hence, the clients are unable to make efficient utilisation of the facilities available to them.

5.3 Administrative structure and challenges:

5.3.1 District Industries Centre:
The District Industries Centre (DIC) programme was started by the central government in 1978 with the objective of providing a one point stop to local enterprises. DIC’s are responsible for promoting enterprises at the district level and render all possible help and guidance in establishing the units. To facilitate the process of development, DICs have been entrusted with administrative and financial powers. DIC functions under the ‘Department of Industries’. Each DIC is headed by a General Manager who is assisted by functional managers and project managers to look after the economic feasibility of the project, installation of plant and machinery, training and marketing assistance.

With the advent of DIC, there had been a boost in the MSMEs in the country. It accelerated the overall efforts for industrialization in the villages, but it failed to provide the sustainability. DIC worked with the government policies like Prime Minister Employment Generation Programme (PMEGP). It establishes training and skill development centre but with limited outreach because of poor financial and policy literacy. They provide domestic market to the MSMEs but little has been done for promotion of exports. DIC’s in various states like UP, Maharashtra, Gujarat, Tamil Nadu are digitized and reduces documentation, and sets timeline for different processes.

5.3.2 Small Industries Development Bank of India:
The Small Industries Development Bank of India (SIDBI) was set up under SIDBI Act, 1989. It is envisaged as the principal agency for promotion, financing, structuring business and development of the small and medium enterprises. The agency coordinated its functions with other institutions to facilitate the ease of business to these enterprises. It is being an apex bank and having a role of being a mentor with an emphasis on solving sectors problem and meeting its need.

In India, we have a dynamic pool of young entrepreneurs with innovative ideas that can transcend into a successful business, but lack of awareness regarding various financial supports and other government policies. SIDBI in 2013 had restructured its business strategy to cater the needs of the MSME. It comes up the initiative like loans for energy efficient and green production technologies. It opened up e-portal, which aims to empower people with financial literacy. It helps in preparing a business plan, understand policies and regulations, fund the business and its management and support export growth. SIDBI also establishes credit advisory centres, loan facilitation centres and capacity building programs for small banks such as Regional Rural Bank. (Khan, 2013)

5.4 Micro Unit Development and Refinancing Agency:

MUDRA Bank will provide refinance and assistance to financial institutions which finances MSMEs in India. In case of default or accessing further loans, MUDRA will refinance and provide further financial support. As of now, MUDRA Bank will only assist to those MFIs and Investors which are
investing in sectors such as manufacturing, trading and services. Through various statutory enactments, MUDRA aims to reach out to the “last mile financier of small/micro business enterprises” and help them managing their finances, and increasing investment.

5.5 IAF and SMILE:

Government of India in order to boost up the start-up ecosystem in the country recently announced funds like India Aspiration Fund (IAF) and SIDBI Make in India Loan for Enterprises (SMILE). It would be managed by Small Industries Development Bank of India (SIDBI) which is the principal financial institutions for the promotion, financing and development of the Micro, Small and Medium Enterprises (MSME) sector. The fund is expected to catalyse huge equity investment in the start-ups and is expected to create millions of employment in the coming years.

The objective of SMILE fund aims to provide quasi-equity and term loans on soft terms to MSMEs to meet the required debt to equity ratio. The focus would be on the 25 identified sectors under the Make in India programme with emphasis on small enterprises. The scheme also has an inbuilt concessional term for the enterprises promoted by Scheduled Caste (SC) / Scheduled Tribe (ST) / Persons with Disabilities (PwD) and women.

These measures needs to align with the existing structural support provided to the MSMEs. Technological improvements, skill development, and measures to scale up the production needs to go along with these measures, so as to develop and make the enterprises self-sustainable.

6. CONCLUSIONS:

From the comparative analysis of the 6 leading states of India, it is evident that there is a need for strong institutional intervention for the promotion and development of MSMEs. Hence, there is a need to replicate practices from well performing states to under-performing states to deepen the outreach. There is a need to revamp functioning of DICs, such as digitization as undertaken in some states. The limitations to credit outgrowth should be supplemented by the series of initiatives such as IAF, SMILE, and MUDRA to strengthen the financial architecture. LMC Scheme for enhancing competitiveness for the promotion of MSMEs and for the support during their operation. But, looking to the heterogeneity of the sector, there is a need to take comprehensive policy remedy, cross-cutting strategies and dynamic support mechanisms. So, the initiatives of the government have to be synchronized, consolidated and customized based on the needs and requirements of the sector to unleash the potential and reap the benefits of the sector.

BIBLIOGRAPHY

REASSESSING REGULATORY FRAMEWORK FOR A VIBRANT BUSINESS ECOSYSTEM

Bakul Navinchandra Pandya
Advocate
High Court, Bombay
Email: bakulpandya@gmail.com

Abstract

In recent years, regulation has emerged as one of the most distinct and important fields of study in the social sciences, both for policy-makers and for scholars who require a theoretical framework that can be applied to any social sector. As those entering the world of business will learn, laws and government regulations affect virtually all business activities from hiring and firing decisions to workplace safety, manufacturing and marketing of products, business financing, and more. To make good business decisions, a basic knowledge of the laws and regulations governing these activities is beneficial, if not essential. Today, as international trade expands, businesses must manage complexities in the laws that were not imagined in times past.

Economic reforms initiated in 1991 introduced far reaching measures which unlocked India’s enormous growth potential and released powerful entrepreneurial forces. India’s economic growth in the last two decades has garnered immense investor interest as the country is expected to move on a higher growth trajectory supported by a strong domestic demand, dynamic service sector, improving infrastructure, and a youthful population. In order to fulfill its higher growth aspirations, ease of doing business is a key imperative for the country to accelerate its pace of growth and make India an investment destination of choice.

The contemporary legal and regulatory environment is much more complex and to understand its implication in business, one must appreciate the role of law as the foundation for business practice in the private market system where regulation is increasingly seen as a basis for modern business practice. Yet it is often difficult to obtain a holistic sense of its contours and the nature of its terrain. In view of this, it is absolutely critical for India to identify key deterrents in the existing regulatory framework that needs to be addressed with the goal of boosting India’s position as a business friendly destination.

The purpose of this paper is to explain the main forms of regulation and its complex coordination through public private networks, identifying process inefficiencies & bottlenecks slowing down the flow of foreign investments into India and analyses the main proposals for regulatory reform and ideas for a more radical insights to the government's ongoing efforts to improve 'Ease of Doing Business' in India.

Keywords: Business Regulations, Economic Growth and Development, Regulatory Reforms

1. INTRODUCTION

Business is the nation’s engine for growth and development. It deploys capital, engages labour, produces goods and generates profit that is re-invested for further expansion at domestic and international fronts. A growing economy, one that produces more goods and services with fewer resources over time, yields income for business owners, their employees, and stockholders. So a country depends on the wealth its businesses generate. Across the world, the inter-linkages among business regulations, business procedures, market returns, growth and development have been established.
The countries that have performed better than the others in terms of thriving business have, to a great extent, done so on account of the quality of business regulatory environment that they have been able to maintain. The locational preferences of capital are also determined after assessing relative ease of doing business and the return rate predictability of investments in any country. As the importance and impact of international business overall has increased, there is a commensurate need to identify, as early as possible, emerging issues, and assess their potential effect on policy makers, practitioners, and researchers.1

The expression ‘regulation’ is frequently found in both legal and non-legal contexts. It is not a term of art, and unfortunately it has acquired a bewildering variety of meanings. Sometimes it is used to indicate any form of behavioural control, whatever the origin. But when, in the rhetoric of the day, politicians and others refer to the stifling effect on industry of ‘regulation’ and the need to ‘deregulate’,2 they clearly do not have such a broad concept in mind. They may be assumed instead to be referring to what one American social scientist has described as the ‘central meaning’ of regulation: a ‘sustained and focused control exercised by a public agency over activities that are valued by a community’.3

We need to recognize that ‘regulation’ is fundamentally a politico-economic concept and, as such, can best be understood by reference to different systems of economic organization and the legal forms which maintain them.4

2. THE DEFINITION AND RATIONALE FOR REGULATION

Regulation refers to a rule of order having the force of law, prescribed by a superior or competent authority, relating to the actions of those under the authority's control.5 In its most common context, regulation is an attempt to control or influence private behaviour in the desired direction by imposing costs on or proscribing undesirable behaviour. Since regulation can have important consequences for economic efficiency and private incentives, it is usually justified only under special conditions.

Accordingly, there are three sets of justifications for regulatory interventions; prevention of market failures, restriction or removal of anti-competitive practices, and promotion of public interest. Law is a fundamental ingredient in the development, maintenance, and expansion of healthy economies. Its optimal role in this context is as a tool to enable private actors to use their economic freedom in ways that contribute to the common good.

Regulation covers all activities of private or public behavior that may be detrimental to societal or governmental interest but its scope varies across countries. It can be operationally defined as “taxes and subsidies of all sorts as well as explicit legislative and administrative controls over rates, entry, and other facets of economic activity”.6 The rules laid down by regulation are supported by penalties or incentives designed to ensure compliance.

There are two main theories regarding the genesis of economic regulation. One is the "public interest" theory which conceives regulation as arising from the need to rein in the free exercise of market forces and consumer and producer impulses in cases where such a display can act as an obstacle to the maximization of societal well-being or to remove externally applied obstacles to market forces when their play is desirable. In certain cases, regulation is also justified by this school on equity grounds.

An alternative theory is that of capture espoused by a variety of realists drawn from varied professional and academic backgrounds who see regulation as being supplied in response to the demands of interest groups struggling among themselves to maximize the incomes of their members.7 This school, therefore, gives importance to political economy factors which get manifested in the unequal bargaining powers of different vested interest groups which in turn result in their unequal influence over regulatory rules/norms and hence outcomes.
other words, regulation is seen as a tool which can be manipulated by different interest
groups to their advantage using their respective bargaining powers with the regulating machinery.
It would be overly simplistic to label one theory as superior to the other on the basis of their
abilities to characterize reality, given the complexities typifying economic activity. In drawing
these basic distinctions, of course, we risk oversimplifying the complex and multi-faceted
function of law which is a necessary consequence of any system of economic organization. Clearly, it is wrong to identify the market system exclusively with private, facilitative, and
decentralized law. No society can exist without the state providing a minimum degree of order
and security by imposing and enforcing some obligations and, if necessary, overriding private
agreements.

3. GROWTH OF THE NEW REGULATORY SOCIAL ORDER

Regulations has been an imminent feature at least of the developed countries and the past two
decades, the developed countries have witnessed an unparalleled rise in new regulations related to
the environment, health, and safety. In addition, businesses in many countries face an increasing
array of demands related to paperwork and are providing such additional benefits for employees
as child care and health care. During that period, many of the developed countries’ industries
including airlines, trucking, railroads, financial markets, energy, and telecommunications have
undergone substantial economic deregulation. At the same time, developing countries,
complementing their far-reaching privatization programs, are deregulating various sectors of the
economy and devising new regulatory frameworks as the renewed interest in markets has given
rise to a set of economic policies that recast the role of the state. For example, interest in
privatizing state-owned enterprises has been increasing worldwide.

Rules and regulations serve as a governance structure for many areas of economic activity. They
are developed for a variety of purposes, including economic benefit, social improvement, health
improvement, reduced environmental risk, protection of intellectual property, and fairness and
political expediency.

The rules are formulated and enforced by a variety of institutions such as local or national
governments, and endorsed by state and private bodies, including professional organizations such
as medical and legal, among others. Generally, rules and regulations are developed with a focus
on their alleged benefits. This practice ignores the fact that in some cases, rules and regulations
can potentially have large costs. Regulations can create costs and inefficiencies in several ways.

The first, and most direct, is that the administrative and compliance cost of regulation can be high.
Second, regulations can be distortionary in the sense that they leave firms with less incentive to
economize on resources. Third, when regulation limits competition, excess rents may accrue to
capital or labor, distorting the prices of these factors of production. Fourth, regulations can
prevent firms from increasing economies of scale and scope. Fifth, regulations may reduce
innovation.

Therefore a robust regulatory environment is essential to ensure just and sustained business
development. As a first step to engineer a robust regulation, its objective should be well defined
along with timelines to deploy an agenda driven approach. To simulate and institutionalize the
same, requisite policies should be laid out with the establishment of empowered institutions,
having clarity and objectivity in their approach.

Policies so formulated should furnish unambiguous rules to ensure seamless execution of the
entire process. Once government formalizes a regulation, a) step-by-step procedures, requiring
adherence and b) practices, requiring compliance, should be detailed out. A good Business
Regulatory Framework, so deployed, should be collectively relevant, mutually consistent and
independently efficient to realize the set goals so envisioned. Such a process for tuning up the
business regulatory environment is required in the States, as well as the Centre.
The business regulatory framework of any jurisdiction typically consists of six elements:
- Objectives and timelines i.e. the ambition/ vision
- Policies, which are articulated to drive the objective(s)
- Institutions tasked to formulate and administer the rules required to implement the policy
- Rules, formulated to implement the policy
- Procedures/ guidelines laid out to adhere to the rules
- Practices adopted by the governing institution to monitor implementation of the rules

4. BUSINESS REGULATION AND ECONOMIC GROWTH

There is a growing consensus that the quality of business regulation and the institutions that enforce it are a major determinant of employment creation, private sector development, and economic prosperity and the same is corroborated by a number of studies focusing on the effect of business regulation on one of the growth drivers (labour productivity, investment, innovation, total factor productivity). A number of studies substantiate the aforementioned consensus Busse and Groizard for example used a standard cross-country growth regression with regulation interacted with FDI inflows and other control variables. Regulation was measured by five components of the World Bank Doing Business Indicators. They found that FDI does not stimulate growth in economies with excessive business and labour regulations.

In a sample of more than 26,000 manufacturing establishments across 71 countries (both OECD and developing), Dutz et al. found that the aggregate Doing Business indicator, as well as its sub-indexes, were positively correlated with product and process innovation for young firms in non-OECD countries. These findings stressed the importance of business environment in stimulating incentives for competition and innovation.

Using a panel of micro-data on firms from the European Union between 2002 and 2008, Dall’Olio et al. investigated whether structural or firm-specific characteristics contributed more to labor productivity growth. Results showed that improvements in the Doing Business indicators were positively correlated with increased labor productivity in manufacturing and services in EU-15 and EU-12 countries, though the magnitude of this association was larger in EU-12 countries.

Other studies gave more insight on direct links between business regulation and growth. Djankov et al. for example investigated the impact of business regulations on growth in 135 countries during 1993-2002. They found that business regulations index and growth were consistently and positively correlated. Countries with less burdensome business regulations grew faster.

In the same order of ideas, Loayza et al. focused on two key measures of macroeconomic performance, namely the growth and volatility of real GDP. The sample covered 76 countries. The authors corroborated that regulation tends to reduce growth.

In most instances, better institutions help mitigate, and even eliminate, the adverse impact of regulation on macroeconomic performance. Using a large sample of industrial and developing countries, Loayza et al. suggested that a heavier regulatory burden reduces growth and increased the size of the informal sector. The negative effects of excessive regulation were aggravated in countries with poor governance. On a related issue, Dawson estimated both “direct” and “indirect” effects of business regulation on growth. The estimates of the indirect effect showed that the index of business regulation was statistically significant and positively related to growth. This result suggested that countries with less business regulation experienced higher long-run growth rates as a result of higher total factor productivity.

Haidar looked at how the state of investors’ protections affects income level and growth in 170 countries over the period 1980–2004. The data was based on the investor protections index of doing business. It measured the strength of minority shareholder protections against directors’
misuse of corporate assets for personal gain. Results showed that the level of investor protection mattered for cross-country differences in GDP growth: countries with stronger protections inclined to grow faster than those with poor investor protections.

In the same order of ideas, Haider in a recent study investigated the connection between investor protection among 9 other business regulatory reforms and economic growth rates in 172 countries over the period 2006–2010. A five-year dataset on business regulatory reforms from the World Bank's Doing Business reports as well as variables that captured macroeconomic dynamics were used. The key empirical finding was that business regulatory reforms were good for economic growth: on average, each business regulatory reform was associated with a 0.15% increase in growth rate of GDP. The author indicated that reforms, which improved business and investment climate, may have helped to mitigate the effects of the 2008 global slump in economic growth. Countries with more business regulatory reforms enjoyed higher economic growth rates.

5. A BUSINESS-FRIENDLY POLITICAL AND LEGAL ENVIRONMENT CRITICAL TO A STRONG INVESTMENT CLIMATE

The state of a country’s business and investment climate is a key factor in that country’s ability to attract foreign investment and develop small and medium enterprises. Transnational enterprises prefer to invest in enterprises in countries with a healthy business climate where cost, delay, and risk are minimized. In addition, SMEs are more likely to flourish in a climate where they are not overburdened by taxes and regulations.

The World Bank website puts it as follows: “A good investment climate is an essential pillar of a country’s strategy to stimulate economic growth, which in turn generates opportunities for poor people to have more productive jobs and higher income.”

For a developing and transition economy like India without the gift of natural resources such as oil or gas, it is mandatory to improve the business climates in order to remain competitive. How else can India attract additional investment and help development of domestic enterprises? Clearly, nearly all business climate-related quality indexes show that the wealthier and the middle income countries have the stronger or faster improving business climates, and that countries that have taken steps to improve their business climates have been rewarded with greater FDI and improved economic performance. While private enterprises must be responsible for their own success, it is still up to governments to provide the best framework possible for those enterprises to operate successfully.

6. INDIA’S BUSINESS REGULATORY ENVIRONMENT

The Indian democracy has been influenced profoundly by the social welfare concept ingrained in the Constitution which delineates the basic principle of governance in India. The Constitution of India aims at establishing a sovereign socialist secular democratic republic in India so as to secure to all its citizens, inter alia, social, economic and political justice.

An added feature is that the ideal of social welfare state is sought to be translated into practice through state planning of economic resources with a view to create a socialist pattern of society which involves improving the economic conditions of the people keeping in view the demands of social justice. All resources of the country are organized and utilized with that end in view. This has led to state activism.

After India gained independence in 1947, the government used regulation to directly control economic activity in order to spur development and protect domestic industry from foreign competition. The state took over a large number of functions, which ranged from economic and social planning to industrial production, control over infrastructure and
involvement in social services like health, education and social welfare leading to an increase in the administrative functions of the state. To enable the administration to discharge its functions effectively, it was given vast powers of inquiry, control and supervision.

The government regulated economic activity in this period by controlling heavy industries and utilities, and licensing imports and substituting them with domestic production to eliminate foreign competition and protect domestic industry. The government controlled the private sector through licensing, price controls, quotas on outputs and imports, restrictive controls on foreign investment, and high import tariff protection. Relying on the public sector for production, and restricting trade, had unintended consequences that are now all too familiar: thwarted competition, operational inefficiencies, poor quality goods and services, technological backwardness, high production costs, and inefficient allocation of resources.\(^{19}\)

Gradually, authorities recognized the need to relax economic controls and to allow the free market to operate. Minor reforms included relaxing regulations relating to licenses for some industries, import licensing for capital goods and some intermediate goods, and expansion of capacity by large enterprise were introduced in the late 1980s. Then, in 1991 in response to a balance of payments crisis, the government introduced the New Economic Policy. India started developing regulatory institutions with the introduction of reforms in 1991.

Kick starting the delicensing of industries, abolishing quotas on business outputs, permitting private players to enter sectors that were previously government monopolies, liberalizing quotas and tariffs on the import of capital goods, and reducing import tariffs in order to stimulate growth through market forces and competition. The economy grew at 5.5% in 1992-93, up significantly from 1.1% in 1991-1992.\(^{6}\) Thus, liberalization did promote economic growth. But the regulatory environment which has developed over a period of time did not seem homogeneous across sectors. India still ranks very low in terms of the enabling nature of its business environment and unnecessary regulatory burdens are imposed upon business and investors. The rule making machinery of government is complex given the size and levels of government.

### 7. TYPES OF REGULATION IN INDIA

Over the past two decades since its liberalization, India has instituted various economic regulations and set up regulatory authorities to enact and enforce them. These economic regulations fall into two main categories: cross-sector and sector-specific. Cross-sector regulations include the Securities and Exchange Board of India (SEBI) Act (1992), the Competition Act (2002), and the new Companies Act (2013). Sector-specific regulations include the Telecom Regulatory Authority of India (TRAI) Act (1997), the Electricity Regulatory Commissions Act (1998), the Insurance Regulatory and Development Authority (IRDA) Act (1999) and the Petroleum and Natural Gas Regulatory Board (PNGRB) Act (2006). Similar initiatives are envisaged for other sectors such as ports, coal, real estate, and education. The main objectives of these regulations are to facilitate development of the market, encourage competition, promote efficiency, and protect the interests of consumers.

### 8. INDIA’S AMBIGUOUS BUSINESS REGULATORY ENVIRONMENT

For policy makers trying to improve their economy’s regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. Doing Business provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking.
The annual listing is based on 11 parameters including: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor regulations.

India’s regulatory structure though much improved since liberalization began in 1991 continues to be overwhelmed by problems such as overlapping jurisdiction, unintended market distortions and poor enforcement. The world Banks Ease of Doing Business Index 2015 ranked India at 142 after it slipped two places among 189 countries measured. On these aspects India’s ranking is dropped in the 8 of the 10 areas: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; paying taxes; trading across borders; resolving insolvency. While India’s position in ‘enforcing contracts’ at 186 remained unchanged from the previous year. The only area ‘Protecting minority interests’ has shown a significant rise in its ranking from 21st position last year to 7th position in the current year.

Comparing with other nations’ rankings, with exception of Bangladesh (173 rank), India's ranking has remained lower than those of its South-Asian neighbors including Sri Lanka (99), Nepal (108), Maldives (116), Bhutan (125) and Pakistan (128). Its ranking is also reported lowest among BRICS nations, with South Africa positioned at 43; Russia at 62; China at 90 and Brazil at 120.

However, the report placed India amongst the countries which have received the highest score on the 3 new Indices namely extent of conflict of interest regulation index, extent of shareholder governance index and strength of minority investor protection index.

9. INDIA’S REGULATORY CHALLENGES

Regulation in India since liberalization has had direct and indirect benefits, but the regulatory structure continues to be plagued by problems such as overlapping jurisdiction, unintended market distortion, and poor enforcement. These problems can hinder the growth of the economy; indeed, some estimate that the problems are delaying projects worth nearly INR 2 trillion. The key regulatory challenges in the country are as follows

9.1. Plethora Of Business Regulations

The maze of laws and regulations resulting from State activism coupled with legal and administrative procedures of delivery of justice has created a challenge on the one hand for the demands of economic liberalization and on the other for ensuring an effective and responsive Government. The scope of business regulations is both ambiguous as well as vast. In a broad sense, it covers all the legislations, subordinate legislations, by-laws, rules, policies, procedures and praxis that have been adopted and practiced by the Union, State and Local governments for regulating different aspects of business and have a bearing on the performance of business in general as well as particular terms. There are vast numbers of business regulations at different levels of government that are in existence in the country and only a guesswork could be done while arriving at their exact number. So far, there has been no comprehensive effort to consolidate business regulations and procedures at pan-India level. Nor have these been classified sectorally, for instance, those relating to manufacturing sector, and those relating to services sector.

9.2. Regulatory Convergence

Warranting convergence among regulations with overlapping functions is a major challenge because regulations have been introduced at different times in India, as and when the need for a regulation was felt. This fragmentary development has generated overlapping jurisdiction between sector-specific and cross-sector regulators, all of whom are responsible for expediting competition and efficient market functioning and protecting consumer interests.
And when multiple regulators have jurisdiction over the same matter, the resulting uncertainty and unpredictability make regulation less effective. Sector-specific and cross-sector regulators are both necessary, but regulatory convergence is imperative to mitigate the uncertainty arising from legislative ambiguity, jurisdictional overlap, and interpretative bias. Overlapping jurisdiction causes confusion and delays decisions.

It also creates an incentive for regulated entities to indulge in forum shopping to seek regulators who are most likely to favour them again causing delays costly to businesses and eroding investor confidence. After liberalization, sector-specific regulations are essential but as competition increases over time, it may be best to replace their competition-related function with general competition regulations.

9.3. Incoherence In Business Regulatory Governance
As in every country in the world, there is also scope for simplification. A specific regulatory issue in India concerns the relationship between the federal government, the states and then local governments. State and local governments are bound by national laws. This relationship between the three levels of government sometimes produces three times the regulation and worse still, different types of regulation, which is time-consuming and expensive.

For example, it has been well documented that the Indian central government and some state governments have achieved greater economic performance through enhancing the regulatory frameworks for a better environment for businesses.

These efforts encourage investment makes it easier to start up a business, and conducts business more generally. However, this has not happened in a concerted manner across different states or in a co-ordinated way and as a result, such efforts fail to sufficiently reflect the aspirations of target constituencies, namely, existing businesses and emerging entrepreneurs. Tackling this issue head-on through a ‘whole of government’ approach will vastly improve the consistency and quality of the regulatory environment in India.

9.4. Chasm Between Proclamation And Implementation Of Regulations
In the past, there have been several efforts undertaken by the government, industry and other agencies to identify the bottlenecks with business regulations, business facilitation, investment promotion and the likewise. Such efforts resulted into detailed recommendations and action points.

But the extent to which such recommendations were considered and applied by the respective governments is seldom measured. While exploring these reform endeavours, it emerged that most of the recommendations given by the expert bodies are of advisory nature only and on their own, have no authoritative bearing on the targeted regulations and procedures.

The follow-up over reform recommendations is not structured and the corresponding government departments are not expected to necessarily comply with these. One of the reasons for such constraints with uptake of reforms is that the regulations are passed by Union or State Legislatures, and until the recommendations towards making amendments into the corresponding regulations are not backed by appropriate legislation, reform outcomes would continue to remain negligible. Because, in such a scenario, the fate of regulatory reform endeavours is bound to be determined on the basis of the discretion of political and administrative leadership at the national and state levels.

9.5. Lack Of Dedicated Authority For Business Regulatory Governance
The lack of an explicit whole of government regulatory policy means that there is not a uniform approach or standard on rule-making. This should be supplemented through effective implementation and oversight, sometimes through independent regulatory agencies. However
a serious concern with the regulatory governance in India is the influence of the government (at all levels) and the executive in the working of the regulatory agencies. The electricity sector, especially, suffers from political interference, particularly with respect to tariff setting, which is the responsibility of the central and state electricity regulatory commissions. Further, another problem faced by the electricity sector is regarding the government’s monopoly over coal, which is the primary fuel for electricity generation in India. As the state-owned Coal India Limited (CIL) produces around 81% of the coal in the country\(^{23}\) and controls around 74% of the coal market,\(^{24}\) this monopoly prevents the entry of private actors in the generation of electricity as the preference is given to public generating companies.

Unlike the case with various countries that are faring well in business regulatory reforms agenda, India lacks dedicated institutions to look into business regulatory governance at pan-India level. Business facilitation and investment promotion entities have been set-up at the national as well as state levels. Efforts have also been made to create dedicated investment and export promotion zones. Still, as highlighted in the previous pages, such efforts have not been concerted and are being undertaken inadequately. They are not effectively planned or monitored, particularly when it comes to reforming the business regulatory environment across the country.

Despite that the business regulatory reform agenda is high in the country, there is no dedicated authority that could guide the whole process of reform in a structured, planned, cogent and systematic manner, thereby mandating the respective departments of the Union, State and Local governments to comply in a timely, result oriented and predictable way. Such finding does not entail that there are no efforts for coordinated actions among various such departments. What is missing is the authorised entity that has specifically been given the mandate of pushing for such reforms in a dedicated and coherent way.

10. REASSESSING REGULATORY GOVERNANCE

The business regulatory framework, given its role in improving the overall Business ecosystem, requires a concerted effort by many Government agencies in order to meet the needs and requirement of the various stakeholders involved. The Government of India has taken up regulatory reforms as a part of its mission to ease bureaucratic pressures and to reform the administrative structure of the country. It is the responsibility of the Government to provide both encouragement as well as oversight to business, through a set of policies, laws, and practices, and the institutions that administer these laws. The Second Administrative Reforms Commission’s 13th Report on the Organizational Structure of Government of India, which devotes a chapter to regulatory reforms, along with the draft of the Regulatory Reform Bill, 2013 which the Planning Commission of India drafted. The Bill aims to “govern the constitution, powers and functioning of the regulatory commissions for public utilities and generally for taking measures conducive to development of public utility industries, determination of tariffs, enforcement of performance standards, promoting investment and competition”\(^{25}\) Currently, the draft bill has not been introduced in either of the houses of the Parliament, and has been placed in the public domain for comments by the various stakeholders.

Another regulatory reformatory exercise has been the conceptualization of Damodaran Committee by the Ministry of Corporate Affairs in August 2012 to suggest ways to improve India’s dismally low ranking on the World Bank’s index ranking countries on the 10 parameters measuring ease of doing business and also to make recommendations for reforming the regulatory environment for doing business in India.\(^{26}\) The report of the Committee was submitted to the Ministry on 2\(^{nd}\) September, 2013

The recommendations made by the committee were classified broadly as follows:

- Legal reforms
Regulatory Architecture

Improving efficiency of the regulatory process

Empowering micro, small and medium enterprises

Addressing the state level issues

Legal Reforms:

- Government of India and the respective State Governments should examine the content of all laws and rules which has influence on the ease of doing business, and should make appropriate changes therein to reflect the requirements of modern day trade and commerce.

- The Committee expressed the need for quick resolution of commercial dispute as commercial dispute resolution in India takes a long time and as a result there are a large number of cases pending. The delayed enforcement of contract is a specific area of concern and is an outcome of a bigger problem, which is judicial delay.

- Mechanism to dis-incentivize use of civil courts for resolving contractual disputes, so as to encourage arbitration as a preferred manner of resolution of commercial disputes

Regulatory Architecture:

- Prior to instituting a new regulatory organization, adequate thought should go into the need for such an organization, the capacity to administer the same and to ensure its functional autonomy.

- The appointment of persons to head regulatory bodies should be attempted in a far more transparent manner. It is recommended that there should be a transparent system in which the Head of the regulatory organization and his Board level colleagues appear before an appropriate Parliamentary Committee once in six months to report on the developments of the previous six months and the broad plan of action for the next six months.

- Autonomy of regulatory authorities: Genuine functional autonomy would also have to be reinforced with financial autonomy by putting in place a system where regulatory organizations are not dependent on government departments for financial support by way of handouts.

- Self-evaluation by regulatory organizations: The Committee recommends that each regulatory organization should undertake a self-evaluation of itself once in three years, and put-out the conclusions in the public domain for informed discussion and debate.

- Well established system of advance ruling so that every organisation tasked with the writing of regulations makes a provision for an advance authority for rulings.

Improving Efficiency of the Regulatory Process:

- Each government organisation/department which has the responsibility of writing regulations should undertake a two-stage process of consultation, wherein a revised draft is put up for consultation after the first round of stakeholder consultation.

- Allocating priority to systemic issues

- Putting in place consent mechanism for matters of low significance

- Regulation Review Authority to continuously examine the stock of existing regulations and to weed out those that do not have any continuing use

- Regulation Review Authority can also be given the task of reviewing draft regulations that are in the pipeline in order to ensure that unnecessary regulations are not given effect to.

- A regulatory impact assessment of every proposed regulation should precede the public consultation process.

Empowering Micro, Small and Medium Enterprises:

- Setting up an overarching body to enable policy and process coordination for MSME
It is necessary to have single window channels of compliance to help small business entities and also a hassle free tax payment regime.

The granting of permissions or the decision not to grant permissions should be taken within a prescribed time period failing which there should be a provision for deemed permission.

Addressing the State Level Issues:

- Each State Government appoints a nodal person and a nodal office, which can be the single point contact for persons intending to obtain information on the procedural and substantive conditions to be fulfilled for setting up a business.
- Incentivising regulatory reforms amongst states.
- There should be built into the system an appellate process where a person aggrieved by an order of rejection may, as a matter of right, approach a superior authority for reconsideration of the matter on merit.

Another important push towards regulatory reforms may come from the new central government headed by Mr. Narendra Modi, who came to power in India based on a pro-development agenda that seeks to make India a business friendly country.

11. CONCLUSION

Innovations in governance stem from the idea to manage the regulatory state by taking a ‘whole of government’ approach, tracking the lifecycle of regulations and laws, from the early stage of policy formulation to implementation. India's regulatory issues of overlapping jurisdictions, appropriateness and adequacy of regulations, and poor governance, are major challenges. In order to pave way for an improved regulatory system, the need of the hour is not more regulations but smarter regulations.

The hallmark of any regulatory reform is the degree to which the recommendations of past studies conducted by various government and industry institutions. The Indian government needs to focus on a number of regulatory reforms that will address the ease of doing business, reduce transaction costs and expedite approval timelines. Currently, businesses need to secure a plethora of approvals and licenses from multiple agencies. There is an imminent need to move away from over-regulation to a system of self-regulation. To make the system transparent and stakeholders accountable, the government has to ensure that E-Governance becomes the backbone of regulation. Moreover, the regulatory process should be re-engineered to replace the current system with deemed approvals and automatic approvals. A time-bound approvals system can help fast-track projects, businesses and start-ups, thus improving the business climate in the country.

12. REFERENCES

ABSTRACT

Internal migration is now recognized as an important factor in influencing social and economic development, especially in developing countries. Indian censuses record that in 2001, 309 million persons were migrants based on place of last residence, which constitute about 30% of the total population of the country. This is nearly double the number of internal migrants as recorded in the census of 1971 (159 million).

It suggests that economic changes in the last three decades have greatly affected the mobility of the population. This paper attempts to provide the trends and patterns of internal migration and challenges faced by the migrants. This paper briefly examines the existing government and non-government policies. It also summarise the policy recommendations to enable better inclusion of the migrants.

From the internal movement of professionals to the urban migration of unskilled rural workers, migration is a complex and multifaceted phenomenon characterised by risk but also opportunity for business and society. It also focuses on the positive impact business can have, both individually and collaboratively, through its three “spheres of influence”: core business activities, social investment and policy dialogue.

The paper also offers a framework for a business and Government to respond to this complex and ever-evolving issue. A roadmap is needed for business and government to play a more constructive role in managing labour migration to achieve optimum outcomes in India.

Key words: Migration, Economic, Business, Social, Policy, 2001 Census

INTRODUCTION

A migrant worker is:

“[a] person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national”

The UN Convention on the Rights of Migrants

Migration of persons within national borders is far greater in magnitude than migration across international borders and has enormous potential to contribute to economic prosperity, Business, social cohesion and urban diversity. Internal migration is an essential and inevitable component of the economic and social life of the country, given regional imbalances and labour shortages, and safe migration should be promoted to maximize its benefits. However, in the absence of a coherent policy framework and strategy, migration imposes heavy costs on human development through poor labour arrangements and working conditions of migrants, and obstacles in their access to shelter, education, healthcare and food.

Analysis of migration pattern is important to understand the changes taking place in the people’s movement within the country. It is most volatile component of population growth and most sensitive to economic, political and cultural factors (Singh, 1998).
Proper understanding of the patterns of migration would help in the estimation of future population redistribution. The reliability and dependability of these estimates depend much on the consideration of all the temporal factors of birth, death and internal migration on which population grows in its finest precision (Chakravarty, 1997). Internal migration spurred primarily by employment and marriage helps shape the opportunity for business and societal life of India. About two out of ten Indians are internal migrants who have moved across district or state lines—a rate notable for the sheer numbers who move within a country with a population that tops 1.2 billion.

During the days when there is a lot of economic and industrial development in various parts of the country and when movement of the population has intensified, emphasis should be given to further understanding and study of the trends and patterns of migration. Several studies (Bose, 1977; Nair and Narain, 1985; Premi, 1990; and Singh, 1998; Zachariah, 1963, 1964) found that volume of interstate migration in India was low but asserted the fact that about one third of India’s population is enumerated outside their place of birth indicating the importance of migration as a major demographic process in India.

Four major categories of interventions can be envisaged, which will important for the migration. These categories relate to:

- addressing underdevelopment and improving the synergy between migration and development;
- improving labour market outcomes;
- ensuring basic entitlements to migrant workers; and
- improving the social and political environment for migration.

**OBJECTIVES OF STUDY**

The objectives of the paper are as below:

- It focuses on internal migration, describing the political, economic, and social barriers to integration that migrants face, and detailing the policy environment surrounding their integration challenges.
- This paper also draw existing business practices to give an overview of the opportunities and risks associated with labour migration.
- It focuses on the positive impact business can have, both individually and collaboratively, through its three “spheres of influence”: core business activities, social investment and policy dialogue.
- The report also offers a framework for a business response to this complex and ever-evolving issue.

**LITERATURE REVIEW**

Migration is defined as a move from one migration defining area to another, usually crossing administrative boundaries made during a given migration interval and involving a change of residence (UN 1993). The change in residence can take place either permanent or semi-permanent or temporary basis (Premi, 1990). Internal migration involves a change of residence within national borders (Dang 2005). Until 1951, district was the migration defining area (MDA), implying that a person was considered a migrant in India only if he or she has changed residence from the district of birth to another district or a state. Since 1961, data on migration have been collected by considering each revenue village or urban settlement as a separate unit. A person is considered as a migrant if birthplace is different from place of enumeration.

In 1971 census, an additional question on place of last residence was introduced to collect migration data. Since then, census provides data on migrants based on place of birth (POB) and place of last residence (POLR). If the place of birth or place of last residence is different from the place of
enumeration, a person is defined as a migrant. On the other hand, if the place of birth and place of enumeration is the same, the person is a non-migrant (Bhagat, 2005).

Since 1961 census, the duration of residence has been ascertained to provide data on timing of movement. The duration data are published as less than one year, 1-4 years, and 5-9 years, 10-19 years and 20 and above years. Migrants of all durations are defined as lifetime migrants because the time of their move is not known. They are those who came to the place of enumeration at any point during their lives and have been living there ever since, whether this happened just a week before the census or a few decades ago (Premi, 1990). Intercensal migrants are the migrants who have migrated within the duration of 0-9 years.

Migration can be measured either as events or transitions. The former are normally associated with population registers, which record individual moves while the latter generally derived from censuses compare place of residence at two points in time. A recent survey shows that census is the largest source of information on internal migration at the cross-country level. A study shows that 138 countries collected information on internal migration in their censuses compared to 35 through registers and 22 from surveys (Bell, 2003).

In India, information on migration has been collected in a number of large scales and localized sample surveys. Yet the population census has remained the most important source of migration data. The paper uses the place of last residence data from the census of 2001 and attempts to bring out the trends and patterns of internal migration in India.

**INDIA’S INTERNAL MIGRATION FLOW**

Migration impacts a broad range of sectors. Companies in the manufacturing sector draw a great deal of attention as they respond to a growing market for cheap consumer goods combined with downward pressure on costs, creating a strong demand for cheap labour. However, other relevant sectors include the extractives, agriculture, construction and services, such as health care and the hospitality sector, particularly where there is a high demand for low-skilled labour.

Under national human and labour rights conventions, migrant workers should share the same rights as local workers. However, in reality insufficient protection under national laws leaves migrants vulnerable to abuse. These abuses can range from the deduction of recruitment fees pre-departure, to poor working conditions and discrimination, and, at the extreme, forced labour or trafficking.

Migration is proving resilient in face of the recent global economic downturn. However, the downturn clearly has important implications for migratory activities as companies in many industries introduce large-scale employment freezes and contract their workforces. Sectors employing large numbers of migrants, such as manufacturing and construction, have been hit hard, with such migrants more likely to lose their jobs than domestic workers. Protectionist measures have also increased as governments prioritise nationals.

**By the Numbers**

Migration flows have reached unprecedented levels over the last decade. More than two-thirds (69 percent) of India’s 1.21 billion people live in rural areas, according to the 2011 Census of India, but the country is rapidly urbanizing. The cities of Mumbai, Delhi, and Kolkata are all among the world’s top ten most populous urban areas, and India has 25 of the 100 fastest-growing cities worldwide. A significant source of this growth is rural-to-urban migration, as an increasing number of people do not find sufficient economic opportunities in rural areas and move instead to towns and cities. Provisional 2011 census data show that for the first time, India’s urban population has grown faster than its rural population since the last census. Thirty-one percent of India’s population is now classified as urban, up from almost 28 percent in 2001. In 2007-08, the National Sample Survey measured the migration rate (the proportion of migrants in the population) in urban areas at 35 percent. In addition to
migration, natural population increase and the inclusion in census data of newly-defined urban areas also account for some of this urban growth.

Despite India’s impressive rates of economic growth over the past three decades, vast numbers of Indians are unable to secure a meaningful livelihood. In 2010, 29.8 percent of all Indians lived below the national poverty line, while 33.8 percent of rural Indians lived below the national rural poverty line, according to World Bank data. While wage and education gaps between rural and urban Indians are declining, rural India is still characterized by agrarian distress, a chronic lack of employment, and farmer suicides. Thus, the rural-urban divide has been one of the primary reasons for India’s labor mobility.

While migration data from the country is not as comprehensive or as recent as needed to see the whole picture (see Box 1), the 2001 Census counted about 191 million people—or 19 percent of the total Indian population at the time—as internal migrants who had moved long distances to other districts or other Indian states. About 70 percent of all internal migrants are women, and marriage is the primary reason for female migration, accounting for 91 percent of rural female migrations and 61 percent of urban female migrations. By contrast, men migrate mostly for employment-related reasons. Fifty-six percent of urban male migrants move in search of employment. Other top reasons for migration among Indian men (often with other members of the household) include family, business, and education.

Internal migrants have widely varying degrees of education, income levels, and skills, and varying profiles in terms of caste, religion, family composition, age, and other characteristics. National-level data that identify trends in these features are not available. However, micro-surveys suggest that most migrants are between ages 16 and 40, particularly among semi-permanent and temporary migrants, whose duration of stay may vary between 60 days and one year. Scheduled tribes and castes—the tribal and caste groups that are explicitly protected in India’s constitution because of their historic social and economic inequality—are over-represented in short-term migration flows. And most labor migrants are employed in a few key subsectors, including construction, domestic work, textile and brick manufacturing, transportation, mining and quarrying, and agriculture.

ANALYSIS AND MEASUREMENT:

Migration data from the 2011 Census have been collected, but not yet released. The 2001 Census and the 2007-08 National Sample Survey (NSS) both provide broad information on internal migration, but miss important aspects of India’s internal migration patterns.

The North Indian states of Uttar Pradesh and Bihar have the highest percentages of rural populations, with 18.6 percent and 11.1 percent of people living in villages, respectively, as of the 2011 Census. These states are also the largest migrant-sending states. Substantial flows of labor migrants relocate from Uttar Pradesh to Maharashtra, Delhi, West Bengal, Haryana, Gujarat, and other states across northern and central India. Migrants from Bihar relocate to the same destinations, with the highest numbers to Delhi and West Bengal. Other major migrant-sending states are Rajasthan, Madhya Pradesh, Andhra Pradesh, Chhattisgarh, Jharkhand, and Orissa. Predictably, all of the major sending states are characterized by very low social and economic development directories and the major urban destinations (mentioned below) are the growing economic magnets in an increasingly liberalized Indian economy.

Seasonal flows of migrants vary by area and industry, but several fine-grained studies of seasonal migration reveal extensive flows. Significant numbers of people from drought-prone regions—including areas of Andhra Pradesh, Karnataka, and Maharashtra—migrate seasonally to work in brickmaking, construction, tile factories, and crop-cutting operations. According to one study, 90 percent of laborers in the construction industry are internal migrants. Circular migrants are also attracted by agricultural work, such as the rice harvest season in West Bengal and the sugar cane harvest in Gujarat.
Finally, while longer-term migration flows tend to be male-dominated, circular or seasonal flows in India—which are most prevalent among the poorest and tribal populations—tend to have a more even balance of men and women.

**Internal Migration in India**

Table 1: Internal migrants by sex, India 1971-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Lifetime Migrants (in million)</th>
<th>Percentage of migrants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Persons</td>
<td>Males</td>
</tr>
<tr>
<td>1971</td>
<td>159.6</td>
<td>49.6</td>
</tr>
<tr>
<td>1981</td>
<td>201.6</td>
<td>59.2</td>
</tr>
<tr>
<td>1991</td>
<td>225.9</td>
<td>61.1</td>
</tr>
<tr>
<td>2001</td>
<td>309.4</td>
<td>90.7</td>
</tr>
</tbody>
</table>

*Source: Population Census Data, 2001.*

Table 1 gives the absolute figure (in million) of lifetime migrants and intercensal migrants based on the place of last residence criterion. In 1971 census, 160 million comprising of 50 million males and 110 million females, were termed migrants on the basis of place of last residence. This constitutes 30.6 per cent of the total population of the country. In term of total volume of migration, the figure has increased to 201 million in 1981, 226 million in 1991 and 309 million in 2001. The percentages of migrants to total population however declined to 30.3 per cent in 1981 and further to 27.4 per cent in 1991. It has however increased to 30.6 per cent in 2001. Sex wise differences are very prominent in Indian migration data. It has been observed that majority of migrants are females.

Table 2: Percentage Distribution of Growth of Internal Migrants by rural urban status, India 1971-2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Persons</td>
<td>Males</td>
<td>Females</td>
</tr>
<tr>
<td>1971-81</td>
<td>26.30</td>
<td>19.43</td>
<td>29.40</td>
</tr>
<tr>
<td>1981-91</td>
<td>12.04</td>
<td>3.21</td>
<td>15.72</td>
</tr>
<tr>
<td>1991-01</td>
<td>36.96</td>
<td>48.33</td>
<td>32.75</td>
</tr>
<tr>
<td>2071-01</td>
<td>93.82</td>
<td>82.83</td>
<td>98.78</td>
</tr>
</tbody>
</table>

*Source: Population Census Data, 2001.*

Table 3 shows that the growth of female migrants is greater than those of male migrants. There is 169 per cent increase in female migration in urban category during the period 1971 to 2001, as against 156 per cent increase in male migration during the same period.

The educational profile of migrants reveals the ways in which educational attainment configures migration trends. Table-3 shows the educational status of migrants. It is clear that the proportion of illiterates among migrants in India is very high. More than half of the 48.38 per cent were found to be illiterate. The second largest share of migrants has the educational level “literate but below matric/secondary”. The share of migrants with the educational level ‘matric/secondary but below graduate’, was 12.7 per cent in 2001.

It reveals that the proportion of migrants with a higher educational level is very low. This less than optimal track record reveals a compelling area of future state support and policy action. Increased investment in education and ensuring access to education for all is necessary to bolster the skill level and employability of India’s workforce. Current figures show that migration in India is predominantly characterised by the illiterate working class who migrate primarily in search of employment. A sustained emphasis on raising literacy levels will go a long way toward enhancing migrants’ job opportunities and productivity.
However, as far as the employment situation is concerned, the migrants seem better off than the total population. The share of non-workers among migrants is low compared to that among the total population. The rural-urban distribution of migrants by activity status also shows that for men the proportion of main workers is highest in the urban areas (60.9 per cent of the total urban male migrants). For female migrants the proportion of main workers is highest in the rural areas, namely 24.8 per cent. In general, in urban areas three in five male migrants participate as main workers compared to just one-tenth of female migrants. No such differences exist in the gender aspect in the case of marginal workers in the urban areas.

Table 4: Percentage Distribution of Migrants by Activity Status and Sex in India, 2001

<table>
<thead>
<tr>
<th>Activity</th>
<th>Main worker</th>
<th>Marginal worker</th>
<th>Non-worker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Person</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
<td>31.99</td>
<td>(30.43)</td>
<td>56.79</td>
</tr>
<tr>
<td>Rural</td>
<td>30.50</td>
<td>(30.87)</td>
<td>52.19</td>
</tr>
<tr>
<td>Urban</td>
<td>34.99</td>
<td>(29.29)</td>
<td>60.86</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>9.51</td>
<td>(8.67)</td>
<td>13.38</td>
</tr>
<tr>
<td>Business</td>
<td>0.90</td>
<td>(7.79)</td>
<td>7.96</td>
</tr>
<tr>
<td>Education</td>
<td>1.07</td>
<td>(2.02)</td>
<td>0.62</td>
</tr>
<tr>
<td>Marriage</td>
<td>49.64</td>
<td>(2.96)</td>
<td>3.26</td>
</tr>
<tr>
<td>Moved after birth</td>
<td>5.02</td>
<td>(1.66)</td>
<td>2.33</td>
</tr>
<tr>
<td>Moved with household</td>
<td>13.68</td>
<td>(11.72)</td>
<td>69.61</td>
</tr>
<tr>
<td>Other</td>
<td>20.19</td>
<td>(13.87)</td>
<td>18.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>(100.00)</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Computed by the author based on the 2001 Census, D6 Series and B1 Series. Figures in parentheses provide the activity status distribution of the total population.

Table 5: Percentage Distribution of Migrants by Reasons for Migration and Sex, 2001 Census:

<table>
<thead>
<tr>
<th>Area/location Reasons</th>
<th>Employment</th>
<th>Business</th>
<th>Education</th>
<th>Marriage</th>
<th>Moved after birth</th>
<th>Moved with household</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Person</td>
<td>Male</td>
<td>Female</td>
<td>Person</td>
<td>Male</td>
<td>Female</td>
<td>Person</td>
<td>Person</td>
</tr>
<tr>
<td>Business</td>
<td>0.90</td>
<td>2.55</td>
<td>0.20</td>
<td>0.44</td>
<td>1.51</td>
<td>0.15</td>
<td>1.83</td>
<td>3.47</td>
</tr>
<tr>
<td>Education</td>
<td>1.07</td>
<td>2.55</td>
<td>0.24</td>
<td>0.62</td>
<td>2.07</td>
<td>0.24</td>
<td>1.83</td>
<td>3.47</td>
</tr>
<tr>
<td>Marriage</td>
<td>49.64</td>
<td>2.33</td>
<td>0.69</td>
<td>62.53</td>
<td>4.02</td>
<td>77.94</td>
<td>23.38</td>
<td>84.23</td>
</tr>
<tr>
<td>Moved after birth</td>
<td>5.02</td>
<td>9.94</td>
<td>2.94</td>
<td>4.76</td>
<td>13.53</td>
<td>2.45</td>
<td>5.54</td>
<td>6.76</td>
</tr>
<tr>
<td>Moved with household</td>
<td>13.68</td>
<td>19.39</td>
<td>11.27</td>
<td>8.63</td>
<td>17.94</td>
<td>6.18</td>
<td>23.88</td>
<td>26.78</td>
</tr>
<tr>
<td>Other</td>
<td>20.19</td>
<td>35.15</td>
<td>13.87</td>
<td>18.59</td>
<td>44.07</td>
<td>11.88</td>
<td>23.43</td>
<td>27.25</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

In the 2001 Census, the reasons for migration are classified into seven broad groups, namely work/employment, business, education, marriage, moved at birth, moved with family and other. Out of these broad groups, education, employment and marriage occupy a prominent role in migration, and it is people who move out for education, employment and marriage. According to the reason to migrate given by respondents, it appears that employment among young males and marriage among young females are the main reasons given for internal migration of youth in India.

Data from Census of India 2001 shows that about 42.4 million out of a total 65.4 million female migrants cite marriage as the reason to migrate and 12.3 million out of a total 32.8 million male migrants cite work/employment as the reason to migrate. However, it should be noted that the actual design of the Census – allowing respondents to give only one reason for migration – could seriously
underestimate the fact that an undetermined number of women are also migrating for employment (Agnihotri et al, 2012).

**Facts and Figures of the Migration:**
Government responses to India’s significant internal migration are limited. The little legislation that does have provisions for workers’ rights is seldom enforced. The response of India’s diverse civil-society organizations has been more active, with the nongovernmental sector often stepping in to fill the gaps in welfare services, education, and labor rights that are left by the government.

- The Constitution of India (Article 19) gives the right to all citizens to “move freely throughout the territory of India; to reside and settle in any part of the territory of India”.
- The Ministry of Labour and the Departments of Labour, at state levels, are responsible for formulating and implementing measures to protect migrant workers.

- Certain existing labour laws aim to improve the conditions of migrant workers and prevent their exploitation.

- India’s total population, as recorded in Census 2011, stands at 1.21 billion. Internal migrants in India constitute a large population: 309 million internal migrants or 30 per cent of the population (Census of India 2001), and by more recent estimates 326 million or 28.5 per cent of the population (NSSO 2007–2008). This far exceeds the estimates of Indian emigrants (11.4 million) (The World Bank 2011).

- Out of the total internal migrants, 70.7 per cent are women (Census of India 2001). Marriage is given as the prominent reason for female migration in both the rural and urban areas – 91 per cent of rural female migrants and 61 per cent of the urban female migrants (NSSO 2007–2008).

- This assumption blocks further analysis of the women migrants engaged in paid labour and an understanding of how their vulnerabilities are being compounded by contemporary economic practices and not just because of historical or cultural baggage.

- The report estimated that about 30% of the migrants are youth aged 15-29 years and another 15 million are children. The intensity of migration is likely to increase in future in response to economic crises, political instability and global environment change, it warned.

- Migration for employment-related reasons is given as the prominent reason for male migration in both rural and urban areas – 29 per cent rural male migrants and 56 per cent of urban male migrants (NSSO 2007–2008). • Although no clear data are available, there are about 15 million child migrants in India (Daniel 2011; Smita 2011).

- Lead source states: Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh, Andhra Pradesh Chhattisgarh, Jharkhand, Orissa, Uttarakhand and Tamil Nadu.

- Key destination states: Delhi, Maharashtra, Gujarat, Haryana, Punjab and Karnataka.

- Migrants are mostly employed in the following subsectors: construction, domestic work, textile, brick-kilns, transportation, mines, quarries and agriculture (Deshingkar and Akter 2009).
Migrants face denial of basic entitlements including access to subsidized food, housing, drinking water, sanitation and public health facilities, education and banking services and often work in poor conditions devoid of social security and legal protection.

Positive impacts of migration remain unrecognized

Causes of Migration: Landlessness • Lack of sufficient water for agriculture • Agriculture and allied activities are unable to make sustained contribution to the livelihood of the rural poor • Lower wages of daily Labour at Source • Advance /debts • Comparatively better wages and employment opportunities in cities • Attraction of City Life • Major survival strategy

Sectors of Migration: According to (North Central Regional Library) , a large number of migrants are employed in below sectors, which have shown an increase in employing both men and women, Cultivation and plantations, Brick-kilns, quarries, construction sites, Fish processing. Urban informal manufacturing construction Services or transport sectors and are employed as casual laborers, Head loaders, Hotel and tourism industry, Rickshaw pullers and hawkers. • Certain types of work such as construction, transport, hotel, domestic work, sex work, work in garment manufacturing and seafood processing, has shown a marked increase in engaging migrants.

VULNERABILITY OF MIGRANTS

Majority of poor migrants work in the informal sector where: Working conditions are often dirty, dangerous and degrading; Wage rates are poor; with job insecurity and without written contracts; Working hours are long and access to formal social security is limited or non-existent. Non-availability of basic sanitation and crèche facilities (Borhade 2007, Deshingkar and Farrington 2009). Migrants are mainly illiterate and are unaware of their rights and entitlements under law. They are frequently exploited – overworked and underpaid – by agents and contractors. Even those who freelance rarely earn a minimum wage and this is especially true for migrant women. While men’s wages have increased recently, women’s wages have remained low. Men = $4/5, Women = $2

Regardless of the duration of their stay, labor migrants face myriad challenges at their destinations in a country that is dizzying in its diversity of languages and cultures. Among the challenges: restricted access to basic needs such as identity documentation, social entitlements, housing, and financial services. Many migrants—especially those who relocate to a place where the local language and culture is different from that of their region of origin—also face harassment and political exclusion.

PROBLEMS OF MIGRANTS AT DESTINATION

1. Documentation and Identity

Proving their identity is one of the core issues faced by the needy when they arrive in a new place, a problem that can persist for years or even decades after they migrate. Identity documentation that is authenticated by the state is indispensable for ensuring that a person has a secure citizenship status and can benefit from the rights and protections that the state provides.

A birth certificate is the primary proof of citizenship in India, and is the primary document that can be used to acquire other documentation, such as ration cards and election cards. However, there are several variations across the country on how such documentation is issued and used.

In India, many citizens are born at home or in rural or remote areas, not in places such as hospitals or clinics where birth certificates are issued. The overall birth registration rate in the country is 34.7 percent, but there are significant regional differences. Uttar Pradesh and Bihar, the home states of many labor migrants, have birth registration rates of 6.5 percent and 1.6 percent, respectively. This means that many labor migrants are undocumented when they arrive in the receiving community. The Aadhar project seeks to remedy this problem by issuing a 16-digit identity number to everyone on the National Population Register. Eventually, the government intends to issue an identification card to all citizens over 18. Until then, a ration card often stands in for a birth certificate as a person’s primary identity document. Issued by state governments, it is used to buy food, cooking oil, and kerosene at ration shops. The document lists the head of household, names and ages of dependent family
members, and the family’s address. Each household has one ration card (although some states do issue the card to individuals).

Across India, the ration card is the de facto necessary proof of identity that is essential for access to public services such as hospital care and education. It is often requested as a proof of identity and address for initiating telephone service or opening a bank account, and often used for casting a vote. Legally, however, it is only one of several documents that a person can choose to offer to verify their identity.

Though national policy entitles migrants to a new ration card as long as they remove their names from their ration cards at home, in practice they find it difficult to do this. Many do not know the correct procedure for obtaining a new ration card, and others face obstacles if they have never previously held a card because they were absent from their home states when identification documents (such as voter ID cards) were issued. Additionally, officials are often unwilling to accept the documentation provided by some migrants (for varied reasons, including seeking bribes or discrimination). For this reason, many migrants do not want to risk removing their names from a ration card in their home state because they are uncertain of obtaining a new ration card at their destination. Overall, their migrant status makes it difficult for them to obtain identity documents in both the sending and receiving places.

The basic problem of establishing identity results in a loss of access to entitlements and social services. Lack of identification means migrants are not able to access provisions such as subsidized food, fuel, health services, or education that are meant for the economically vulnerable sections of the population. The issue of lack of access to education for children of migrants further aggravates the intergenerational transmission of poverty. Overall, discrimination in the provision of rights and entitlements combined with internal migrants’ identity as outsiders in the receiving society often perpetuate the economic and political exclusion of many groups, and suggest that there are deeply exclusionary trends in India’s democracy.

2. Housing
Migration and slums are inextricably linked, as labour demand in cities and the resulting rural-to-urban migration creates greater pressures to accommodate more people. In 2011, 68 million Indians lived in slums, comprising one-quarter of the population of India’s 19 cities with more than 1 million residents. Across the country, the experiences of slum dwellers are characterized by sudden evictions without adequate rehabilitation and local governments that do not provide low-cost housing for the urban poor.

Slum dwellers who are migrants sometimes face the added challenge of establishing tenure—the right to remain on a particular piece of urban land, and the right to compensation if the dwelling on that land is seized by the government for redevelopment. However, many seasonal migrants are not even able to “make it” to the slums. Unaffordable rents in slums force them to live at their workplaces (such as construction sites and hotel dining rooms), shop pavements, or in open areas in the city. This further perpetuates their vulnerability to harassment by the police and other local authorities.

3. Limited Access to Formal Financial Services
Despite the economic imperatives that drive migration, migrant workers essentially remain an unbanked population. Since migrants do not possess permissible proofs of identity and residence, they fail to satisfy the Know Your Customer (KYC) norms as stipulated by the Indian banking regulations. They are thus unable to open bank accounts in cities. This has implications on the savings and remittance behaviours of migrant workers.

In the absence of banking facilities, migrants lack suitable options for safe-keeping of their money. In order to avoid the risk of theft, they are forced to wait for long periods to settle their wages. This makes them vulnerable to cheating and nonpayment of wages at the hands of contractors and
middlemen. Sometimes, they are forced to avail safe-keeping services from local shopkeepers, who charge a fee for this service.

Many migrant workers end up resorting to informal channels to send money home. In the case of short-distance migration, workers end up carrying money themselves which poses a potential threat of mugging or personal injury. Long-distance migrants use courier systems or bus drivers who charge high service rates. Formal remittance services by private providers are mired by questions of legality, which means that a company like a domestic Western Union is unable operate in India. The government does run a money transfer service, but it is sparsely used due to long delays and corruption.

4. Political Exclusion
In a state of continuous drift, migrant workers are deprived of many opportunities to exercise their political rights. Because migrants are not entitled to vote outside of their place of origin, some are simply unable to cast their votes. A 2011 study on the political inclusion of seasonal migrant workers by Amrita Sharma and her co-authors found that 22 percent of seasonal migrant workers in India did not possess voter IDs or have their names in the voter list. The study noted that “[m] any migrants leave their home at an age as early as 13-14. The voter ID is issued at an age of 18 or more. When they become eligible to get a voter ID, their work life is at its peak and their trips to home short in duration. Many migrants reported to not have the time to get their voter IDs made … and a staggering 83 percent of long distance migrants reported missing voting in elections at least once because they were away from home seeking livelihood options.” Because of this, migrant workers are often left unable to make political demands for entitlements or seek reforms.

Local politics also have major implications for internal migrants. The intersection of local identity politics and migration creates political volatility in many cities and regions across India, including in Assam in the Northeast, Andhra Pradesh in the South, as well as cities across Northern India. The politics of Mumbai, the capital of Maharashtra, are an important example of the clash between migration and local identity politics. About 42 percent of Mumbai is Maharashtrian, and in 2001, migrants from other states accounted for 26 percent of the population in the Mumbai Urban Agglomeration (as compared to 4 percent in India as a whole). Mumbai is known both for its diversity of linguistic and cultural communities, as well as its decades-long history of anti-migrant politics. Since the 1960s, nativist political parties have claimed that migrants threaten Marathi culture and usurp job opportunities, residential space, and amenities that rightfully belong to the local Maharashtrian population.

Historically, the Shiv Sena political party has been the anti-migrant voice in Mumbai’s politics. In the late 1960s, the Sena demanded that jobs be reserved for locals and was especially hostile to the Tamil migrant population that occupied middle-class jobs in Mumbai in the 1970s. Pressure from the Shiv Sena led to concessions from the Congress party, such as measures that gave preference to Maharashtrians for state government jobs.

Today’s virulent anti-migrant party in Mumbai’s politics is an offshoot of the Shiv Sena—the Maharashtra Navnirman Sena (MNS; translated as the Maharashtra Renaissance Army). The MNS accuses North Indian migrants of taking jobs that they claim rightfully belong to local Maharashtrians. In 2008, after a fiercely anti-migrant speech by MNS leader Raj Thackeray in which he accused migrants of swamping Maharashtra, MNS supporters attacked North Indian migrants in Mumbai and other cities. Hundreds of thousands of migrants fled the state as a result. Orchestrated riots and violent political campaigns routinely target these migrants and protest their presence in the city.

Mumbai is a particularly stark example of local identity politics that marginalize internal migrant populations, but it also reflects a basic reality of the Indian states system, which is organized by language and cultural groups: since most Indian states are, by design, the local homelands of India’s different ethnic and linguistic groups, migration between states often creates competitive politics between migrants and locals. It is also important to note, however, that some migrant destinations do
not have a local backlash. Bihari migrants in Kolkata, for example, form a majority of that city’s labor migrants, but there is no substantial natiivist strain in Kolkata’s politics. As with other aspects of internal migration in India, outcomes can vary greatly by local context.

5. Rampant Exploitation
Migration flows are mediated by an elaborate chain of contractors and middlemen who perform the critical function of sourcing and recruiting workers. The lowest links in this chain are most often older migrants who are part of the same regional or caste-based social network in the rural areas. The chain, then progresses toward destination-based contractors who aggregate workers from different geographies and link them finally with the principal employers.

While these networks do serve the purpose of providing migrants with information and subsequent access to work opportunities, they largely operate in the informal economy. There are no written contracts, no enforceable agreements regarding wages or other benefits, and no commitments regarding regular provision of work.

Migrants, completely dependent on the middlemen for information, end up working in low-end, low-value, hard, and risky manual labor and are constantly subject to exploitation with little or no opportunity for legal recourse. Their work lives are characterized by exploitative practices such as manipulation in wage rates and work records, nonpayment or withholding of wages, long work hours, abysmal work conditions, and verbal and physical abuse. Female workers, especially in the domestic and construction sectors, are often sexually exploited in return for the offer of regular work. Accidents and deaths at workplaces are also extremely common in the construction sector, which is aggravated by the absence of any kind of social protection.

The presence of such elaborate contractor networks also means that it is almost impossible to fix accountability for most practices described. The worker never comes in touch with the principal employer who is thus easily able to absolve himself of any responsibility with regard to the welfare of workers.

The fact that migrants are dispersed throughout a vast urban or rural canvas also seriously inhibits their potential to organize themselves in formal or informal ways. This further weakens their bargaining power in terms of wages, benefits, and working conditions.

MAXIMISING THE OPPORTUNITIES AND MINIMISING THE RISKS

1. Opportunities – Business and Society: Managed well, migration can benefit both business and society. Companies can gain directly from migrant workers as well as indirectly from a more sustainable operating environment. The key opportunities include:

2. Filling labour shortages: Migration is an effective mechanism for meeting labour market shortages. Low-skilled migrants are often willing to accept menial jobs that the local workforce is not prepared to undertake, meanwhile skilled migration can offer specialist skills and innovative ideas.

3. Boosting competitiveness: Migrants can help companies establish a competitive edge in the global marketplace, for example, by providing a cost-effective workforce where low-skilled labour is required or by increasing cultural diversity and with it the potential for new ideas. By investing in the fair treatment of migrant workers, firms can reap the rewards of a healthier, more stable and more productive labour force. Global corporate leaders recognise this opportunity, with 71 per cent believing that foreign workers give them competitive advantages.

4. Economic stimulus: Well-managed migration policy can boost receiving country economies via new spending, investment and tax contributions. In addition, skilled migration can stimulate business development and innovation. In sending countries, migration can be positively linked to development. Remittances boost local spending with positive knock-on effects, such as investment in public infrastructure and local enterprise development.
Returning migrants with new skills also commonly initiate entrepreneurial activity, which can help attract further foreign direct investment, creating a virtuous cycle of economic growth.

5. **New business opportunities**: The particular needs of migrant communities can drive demand for new products and services in both sending and receiving states, particularly in the financial services, information communication technology and travel sectors. Catering to the cultural tastes of migrant workers can create new business opportunities, such as for food and drink retailers and restaurants. In sending cities, returning migrants often bolster local SME development and represent potential new consumers for the companies. The more stable these consumers are, the greater the benefits for both business and society.

6. **Skills and knowledge transfers**: Skilled migrants can offer receiving cities access to professional qualifications that are not available in sufficient numbers domestically. In sending communities, returning migrants provide access to previously unavailable skills and expertise for firms based there.

RISKS – BUSINESS AND SOCIETY

Managed poorly, migration can pose reputational and even legal risks for companies, in addition to threatening the welfare of individuals and communities concerned.

Key risks include:

1. **Poor working conditions**: Migrants disproportionately experience bad working conditions, including low pay, no holiday or sick pay, poor health and safety, and the confiscation of travel documents, which can result in high absenteeism, lower productivity and increased accidents. Workers are often unaware of their own rights due to language barriers and restricted access to trade unions. The scale of the problem is also difficult to measure given that many migrants are reluctant or unable to report such mistreatment.

2. **Exploitation by employers and other agencies**: Low-skilled migrants can fall victim to employers who exploit their economic and educational vulnerability as well as social and cultural isolation. Recruitment agencies are also frequently implicated in forms of exploitation, such as charging exorbitant fees for their services. At the extreme, migrants can become indebted labourers, dependent on their employers.

3. **Migrant women are particularly vulnerable**: In India, females are hugely overrepresented in unskilled, low-paying factory work, with employers preferring young, single women as they are seen as easier to control and less likely to know their rights.

4. **Discrimination**: Migrants face discrimination from locals in receiving communities who may view them as a threat to their levels of pay, livelihood and local culture as well as competitors for jobs, housing and services. Extractives firms in particular acknowledge that a rapid influx of labour migrants to an area, the so-called “honey-pot” effect, can exacerbate social tensions. “Ghettoisation” means that migrants remain segregated.

5. **Health challenges**: Poor living and working conditions combined with a lack of access to health care can make migrants more prone to illness. Violence as a result of social tensions can threaten the well-being of migrant workers. Of particular concern is the increased incidence of HIV/AIDS among temporary male workers in mining and extractives communities, where prostitution brings with it problems associated with sexually transmitted diseases.

6. **Brain drain**: While some migrants do return home, repatriating newly acquired skills, there is a risk that sending states, particularly in developing areas, will be deprived of educated workers as they are attracted in urban areas.
THE ROLE OF BUSINESS IN PRACTICE

Business can leverage the opportunities and mitigate the risks of migration, both individually and collaboratively, through its three “spheres of influence”: core business, social investment and policy dialogue.

**Policy Dialogue**
- Advocating for change on public policy
- Engaging in dialogue with governments
- Supporting institution building

**Social Investment**
- Financial contributions including traditional philanthropy, investing in social venture funds and other financial mechanisms
- Employee volunteering
- Product donations and other in-kind contributions

**Core Business**
- Producing goods and services
- Buying ingredients and services
- Selling products
- Providing jobs and developing people

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**Impact through Core Business Activities**

1. **Recruitment practices**: Researchers have identified a more direct recruitment approach as a key way of reducing the exploitation of migrant workers. It is common for employers in receiving countries to outsource the recruitment of contract workers to third-party brokers, creating a complex chain in which transparency and accountability break down. Companies can reduce this complexity by cutting out middlemen and encouraging suppliers to do the same. In addition, companies can cover placement fees for migrant workers, reducing the risk that they depart already heavily indebted.

2. **Working conditions and exploitation**: Business can promote better labour standards internally and work with suppliers to ensure that these are consistently upheld. Contractual obligations for suppliers to meet minimum labour standards, training, independent monitoring and transparent reporting can all contribute to protecting workers’ rights. In addition, companies can educate migrant workers about their rights by offering training and supplying educational materials in their native languages. Finally, firms can put in place clear grievance procedures, such as hotlines, so that workers are able to report poor conditions without fear of retribution.

3. **Remittances and brain drain**: Companies can increase the development impact of migration and reduce the dependence of sending communities on remittances by adopting policies that encourage the eventual return of migrants. Global firms with interests in both sending and receiving communities can actively support returning migrants. Through “localisation” policies – whereby returning locals are appointed to senior management roles after having worked for the same company overseas - firms retain trained employees as well as extend the benefit of migration to sending economies. Alternatively, firms can promote the employment and training of nationals where possible, retaining the acquired skills in the local communities where the projects are based. Responsible long-term planning can ensure a phased withdrawal after project completion, supporting the redeployment of workers.

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**Impact through Social Investment**

1. **Living conditions**: Companies can make efforts to address the issues of poor living conditions and social exclusion through diversity training both internally and in the local community, and by providing adequate facilities for migrant workers, including affordable
housing. By investing in respectable living conditions and the social and cultural integration of migrants into local communities, companies can increase the well-being of their workforce while promoting a more sustainable operating environment.

2. **Health**: Social exclusion along with poor living and working conditions raise the risk of disease amongst migrant workers. These risks can spread as migrants travel across continents possibly carrying strains of communicable diseases. Companies, therefore, benefit from investment in adequate health provision for their migrant labour force, their dependents and local communities, whether by supporting state provision or providing health care directly. This above Measures highlights how companies can contribute to health efforts and education around health.

**Impact through Policy Dialogue**

1. **Collaboration with business**: There is mutual advantage for companies in being transparent, sharing best practice solutions and seeking to establish a set of common standards to work to, both within specific industries and across different sectors. Companies can have a more powerful impact by working collaboratively, delivering a united message and increasing their leverage with suppliers, trade bodies and policymakers. Companies can work together to strengthen their common policies and to engage with other key stakeholders.

2. **Working with governments**: Companies across different regions and sectors face migration issues on a day-to-day basis. Individually and collaboratively, business can share these experiences with governments in both sending and receiving states, contributing to the formulation of policy and raising the level of protection for migrant workers at a more systemic level.

3. **Cross-sectoral dialogue**: A strong business voice is crucial in cross-sectoral dialogues between the private sector, public sector and civil society to better understand the challenges of migration and how to address these challenges. The Hague Process on Refugees and Migration involves a range of individuals and organisations with expertise in migration from governments to NGOs, academia and business. This multi-stakeholder initiative provides a forum for the exchange of information as well as generating innovative ideas and contributing to the policy.

**CONCLUSION**

**Suggested Framework for the Business to response to Migration:**

Business has so far been reluctant to engage in the complex issue of migration. However, as the various examples have shown, companies are in a strong position to raise standards for migrant workers both in their own operations and supply chains as well as at a broader systemic level. The following steps framework offers business a way of approaching migration management. Based on the three “spheres of influence”, business can have a positive impact through its core business, social investment or policy dialogue, both at an individual company level and through collaboration with business peers, government and civil society. In order to do this effectively, business must firstly raise its own awareness and secondly, engage more actively in the key issues.

**Step 1: Build awareness**

Companies must start by fully understanding the opportunities and risks for engagement associated with migration at an individual company level as well as through collaboration. Key steps include: Collecting the facts to map the presence of migrant workers in the company and its supply chain, how they are recruited, their terms of employment and their level of protection under national laws and suppliers’ policies.
Assessing impacts, risks and consequences with regard to the employment of migrant workers to identify the areas of greatest risk and where current policies and procedures are inadequate. Involve migrant workers in the process to fully comprehend the impact of current practices on their lives. Consulting with key stakeholders including business, government and civil society to gain a broader understanding of the challenges being faced. Learn from best practice and find out about existing multi-stakeholder initiatives.

Step 2: Actively engage

From a well-informed position, companies can actively engage in raising standards within their workplaces and supply chains, investing in communities and contributing to the broader policy debate. Key steps include:

Defining policies and procedures to include explicit references to the protection migrant workers’ rights. Provide managers with the training needed to enable them to implement these effectively. Working with suppliers to ensure that internal policies and procedures are clearly communicated and applied consistently within the supply chain. Seek to establish long-term and constructive relationships.

Sharing experience by communicating openly, both internally and externally, about lessons learned in order to contribute to the broader understanding of migration opportunities and challenges. Collaborating with government and civil society to help improve national and domestic migration policies as well as to promote clearer and more consistent frameworks for migration management.

“Migrant workers are an asset to every country where they bring their labour. Let us give them the dignity they deserve as human beings and the respect they deserve as workers”

Juan Somavia, Director General of the ILO

Suggested Framework for the Government to response to Migration:

Further, It is suggested that the Indian government must also intervene and frame programmes to increase skill levels, access to information and knowledge of rights. This can be facilitated through setting up training and counselling initiatives, brokering partnerships with private sector companies to secure work placements, and the formation of people’s networks across the nation.

Migration does not necessarily cause an improvement in well-being levels. Possibly migration not only results in to somewhat improved income and social levels, but also improves economic level of the country. Addressing the imbalances in the incorporation of migrant workers into the labour force will require a three-pronged approach:

1. labour market reforms
2. greater investment in education and
3. skill-training

This will consequently boost participation rates, reduce unemployment rates and raise productive capacities.

Education and Training: The Indian Government must intervene and frame programmes to increase skill-levels, access to information and knowledge of rights. To ensure that people with migration backgrounds acquire skills for managing risks, exercising their creative talents, and becoming productive citizens, investments in their social development and physical wellbeing are essential. This can be facilitated through setting up training and counselling initiatives, brokering partnerships with private sector companies to secure work placements and the formation of youth networks across...
the nation. Such a comprehensive move will support and aid the aim of promoting the active participation of young people in the country’s development trajectory.

**Employment Opportunities:** Both state and national governments must actively pursue job creation initiatives that expand opportunities across all industries and sectors. Specific employment opportunities and policies must be framed for rural youth to address their particular needs and concerns.

**Policy re-framing:** To change this paradigm, there is a need for sensitising government actors to view and integrate formation of migration into national policy strategy. Greater institutional coherence is required in formulating and implementing migration policies.

**RESEARCH IMPLICATIONS/LIMITATIONS**

The paper reports the findings of the first state-wide investigation into migration of the workers. We cannot focus in details about the Governmental and Non-Governmental policy of policy of the migration of workers.

**REFERENCES**


SAFETY AND ENVIRONMENT: RELATED TO CLEARANCE AND LAWS

PROF. AABHA SINGHVI1
ASS. PROFESSOR
GRIMS, VAPI
aabha.singhvi@gmail.com

ABSTRACT

Health at work and healthy work environment are amongst the most valuable assets of individuals, communities and countries. In the light of rapid economic growth and industrial progress in our country, it becomes imperative that safety and health at the workplace be given its due importance. However, with stress being laid on quick profits, safety aspects are generally ignored. It is only with the increase in the number of people killed and injured at work that the significance of the problem has been realized.

The lackadaisical attitude of the Indian policy makers has made the situation even worse. The enforcement of legislative measures and their active implementation is also very poor. So the need arises to develop a proper infrastructural status in India for occupational health and safety.

It is only recently that there has been a shift in approach to the problems of occupational health and safety. Instead of investigating accidents after they have occurred, taking a high toll of human life, it is now felt that preventing the occurrence of industrial disasters and occupational diseases is a much better idea.

So to ensure a self-enforcing environment, where assurance of occupational health and safety is the norm rather than an afterthought, a positive, strong infrastructure has to be developed. This necessitates a reorientation not only in the minds of the employers and the government, but also in the attitudes of the employees and the general public. An integrated approach is to be adopted to have a healthy and hazard free industrial environment.

In the 12th five years plan (2012-17) attempt has been made to emphasis environmental regulatory reforms & market based instruments. Recommendations like strengthening of the clearance process by including public participation, transparency & disclosure.

With LPG need for environmental & safety needs increased. The Indian industries adopt the norms specified by the regulatory authorities of India.

Keyword: Safety, Environment, Laws, clearance procedure

1 Co-authors
Madhuri Khetiya, Student , GRIMS - VAPI, madhuri626@yahoo.com;
Anjali Patel, Student , GRIMS - VAPI, anjalipatel.da3@gmail.com;
Divya Parmar, Student , GRIMS - VAPI, divu1795@gmail.com;
Upesha Patel, Student , GRIMS - VAPI, upupatel36@gmail.com;
Harsh Bhanushali, Student , GRIMS - VAPI, harshbhanushali83@gmail.com;
Ashish Singh, Student , GRIMS - VAPI, singh05ashish@gmail.com;
Rutu Pandya, Student , GRIMS - VAPI, pandyarutu96@gmail.com;
Yash Patel, Student , GRIMS - VAPI, p.yashpatel@gmail.com;
Khushboo Joshi, Student , GRIMS - VAPI, joshikhushi50@gmail.com;
INTRODUCTION

Without safe, clean environment as well as healthy working conditions, social justice and economic growth cannot be achieved and that safe and healthy working environment is recognized as a fundamental human right. Education, training, consultation and exchange of information and good practices are essential for prevention and promotion of such measures.

Government is committed to regulate all economic activities for management of safety and health risks at workplaces and to provide measures so as to ensure safe and healthy working conditions for every working man and woman in the nation. Government recognizes that safety and health of workers has a positive impact on productivity and economic and social development. Prevention is an integral part of economic activities.

As high safety and health standard at work is as important as good business performance for new as well as existing industries.

The formulation of policy, priorities and strategies in occupational safety, health and environment at work places, is undertaken by national authorities in consultation with social partners for fulfilling such objectives. A critical role is played by the Government and the social partners, professional safety and health organizations in ensuring prevention and in also providing treatment, support and rehabilitation services.

New safety hazards and health risks will be appearing along with the transfer and adoption of new technologies. In addition, many of the well-known conventional hazards will continue to be present at the workplace till the risks arising from exposure to these hazards are brought under adequate control. While advancements in technology have minimized or eliminated some hazards at workplace, new risks can emerge in their place which needs to be addressed.

OBJECTIVES

1) To study the existing policies of Industrial Occupational Health and Safety Management in Daman, Silvassa, Vapi, Umergaon, Sarigam
2) To study the existing Safety and environmental clearance laws
3) The socio-techno-economic aspects related to the subject.

RESEARCH METHODOLOGY

Descriptive study:

The descriptive study is the one that aims at describing accurately the characteristics of the group, community or people. A researcher may be concerned with discriminating the proportion of people in a particular population who hold the certain views and attitude. In this study descriptive research designed is used.

The research study is descriptive in nature. Descriptive research studies which are concerned with specific predictions with narrations of facts and characteristics concerning individuals groups or situations are examples of descriptive research.

Data Collection: Primary data
Instrument: Questionnaire
Sample: Industries of Daman, Silvassa, Vapi, Umergaon, Sarigam
Statistical Tools: T-test, ANOVA
Software: SPSS
LITERATURE REVIEW

1. Edward Broughton (2005) the tragedy of Bhopal continues to be a warning sign at once ignored and heeded. Bhopal and its aftermath were a warning that the path to industrialization, for developing countries in general and India in particular, is fraught with human, environmental and economic perils. Some moves by the Indian government, including the formation of the MoEF, have served to offer some protection of the public's health from the harmful practices of local and multinational heavy industry and grassroots organizations that have also played a part in opposing rampant development. The Indian economy is growing at a tremendous rate but at significant cost in environmental health and public safety as large and small companies throughout the subcontinent continue to pollute. Far more remains to be done for public health in the context of industrialization to show that the lessons of the countless thousands dead in Bhopal have truly been heeded.

2. Geetanjoy Sahu (2010) this paper has argued and illustrated how the nature of judicial activism in the post-judgment period produced effective results through a democratic, transparent, and participatory process. From the positive judicial activism perspective emerges a diversity of methods which defy the standard judicial role in governance process. This innovative method of judiciary in appointing committee to implementing its directions, far from its traditional/conventional role in a democratic set up, becomes a common phenomenon in environmental governance in India, and this in turn necessarily introduces new method of environmental regulation through court appointed monitoring committee and also involving public in the monitoring process of judicial directions on environmental judgments. However, this process of judicial intervention doesn’t take place in isolation. It needs to be triggered by the active and consistent participation of people or NGOs who represent the affected people. No doubt, in both the case studies, it is observed that the State Government of Maharashtra and Tamil Nadu have made all attempts to accommodate political and market forces side lining environmental laws. But from the two environmental judgments’ implementation status at the grassroots level, it is found that the role of judiciary has become an integral part of the implementation process: implementation of Court orders in Vellore through Court-appointed committee and Green Bench produced hardly any significant result, whilst in Dahanu power plant case the Court-appointed committee played a predominant role in the successful enforcement of environmental judgment, notwithstanding the obstacles created by the MoEF and State Government of Maharashtra. Similarly, the role of public spirited groups is crucial to the implementation process as it is their active and consistent engagement with convincing capacity makes a difference in the successful enforcement of environmental judgments. What the two cases demonstrate is the way in which the Court appointed committee and the public spirited groups and other organisations representing public interest interact with each other. This unifying tendency of Court appointed committee to ensure the implementation of its directions seems to side-line the importance of environmental regulation authority, though it is not clear how far this trend will continue in the future.

3. Habibullah N SAIYED and Rajnarayan R TIWARI (2004) Measures to Improve Occupational Health Research In the tenth five year plan (2002–2007), it has been recommended by an expert working group appointed by the planning commission, Government of India that occupational and environmental health should be given priority. The measures to improve occupational and environmental health research include following suggestions: Creation of advanced research facilities, Development of database and information system in occupational health, Human resources development, Creation of environmental and occupational health cells, Database development and also suggested National Strategy for Prevention and Control of Occupational Diseases Identification of source of hazard and developing appropriate technology for control/elimination of hazard, Medical and Environmental surveillance, Management of occupational diseases, Creation of Awareness and Health Education

4. M.P.Manivannan, P. Raj Mohan, P.S.S.Srinivasan (2014) the results of this study demonstrate the assessing of the environment, health and safety practices of large and small scale Indian industries. Several objective were:
   - Getting the EHS staffs of various industries involved in the assessment.
   - The self-assessment of the EHS practices by getting evidence, strong points and areas for improvement in the implementation of practices.
- Categorization of the industries based on their implementation of EHS practices.
- The identification of the areas in which the industry can take corrective and preventive actions in order to strengthen its safety practices.

The result identifies and understands management deficiencies that contribute to EHS practice compliance, implementation level. The results can be used for developing and improving Safety Compliance Assurance Programs. Every industry can achieve zero illnesses and injuries, eliminate adverse environmental impacts, and contribute positively to the communities in which they operate by championing safe behaviours and environmentally sound practices. An effective and efficient implementation of the safety practices will translate into the overall effectiveness and efficiency of the organization.

5. Professor Andrew Hale, Dr David Borys and Professor Dennis Else (2012) the discussion of the papers reviewed has also emphasised that all situations, all rules and all users are not alike. Detailed rules written by head-office experts may be appropriate for a novice group with low levels of training working on complex, high-risk technology or coping with emergencies. On the other hand, experts with long experience and deep knowledge may only need advisory protocols for off-line browsing to refresh their minds about complex skills and procedures that may have become too automatic to be monitored and reviewed. This ‘horses for courses’ approach needs to be worked out in detail in future research.

Under Environmental Regulatory Reform, the following three recommendations have been proposed:
- Strengthening regulatory institutions together with bringing institutional reforms such as moving towards load based standards and implementing polluters-pay-principle
- Reforming the existing environmental clearance process for cumulative impact assessment and introducing technology assessment while appraising new projects
- Establishing integrated chemical management policy and regulatory regime

Reforming Environmental Clearance Process includes:
There is a need to reform and strengthen the current environment clearance process and its enforcement, including the process of public participation, transparency and disclosure. As part of the clearance process, the concept of cumulative impact assessment of the region should be institutionalised. In particular, capacity building of the institutions involved in the clearance and post clearance monitoring should be undertaken. The regional impact assessments for major industrial hubs should also be reviewed constantly. The public participation in the environment clearance process should be strengthened particularly with regard to transparency of decision making and disclosure of information and decisions.

7. Syed Ussain Saheb, Sepuri Seshaiyah and Buddolla Viswanath (2012) India - the land of spirituality and philosophy- is also the land of rivers as it harbours 14 large, 44 medium, and 55 minor rivers. From the Ganges in the north to the Cauvery in the south, most devout Hindu pilgrims consider the waterways sacred since the religious texts hold that Ganges purifies the bather of sins - merely catching the sight of Narmada is said to do the same. However, India’s rivers are increasingly becoming the dump sites for domestic, industrial, and agricultural wastes. Polluted environment endangers the human race by threatening its survival on planet earth. Boundaries of any nation cannot limit these environmental problems to a particular country and region, but its impact is global one. This large scale environmental degradation has caused a global concern about the conservation and protection of the earth’s environment. Hence, efforts are being made for inculcating environmental consciousness or awareness among the masses. It is education which can make the human being conscious and knowledgeable about environment and environmental problems. The existing principles, laws, case law, regulations, standards, resolutions and so on, already constitute a vast and complicated apparatus of paper and of powers conferred upon certain bodies or persons. When it is considered that the existing law is,
however, also seemingly quite inadequate to the problem and that much more may be needed, one is bound to ask questions about how much of the India’s resources, wealth, energy and intellect is to be spent on this task of regulation and control. Pollution resulting from an excess of the complication and sheer number of laws, regulations and officials is by no means the least of the threats to our living environment. Another matter of concern is the need to keep laws and regulations in this area reasonably flexible and open when necessary to changes of direction. Good laws on the environment are driven, or should be driven, by the lessons to be learned from the natural sciences and from technology. But scientists are not by any means always in agreement. It is reasonable to assume, moreover, that the enormous sums spent upon further scientific and technological research imply that the scene of scientific ‘fact’ is liable to change importantly and even suddenly; for, if not, it is difficult to see what this expensive endeavour is about. Awareness of environmental laws in society plays a vital role in prevention and control of pollution in industrial as well as at community levels. Moreover, awareness is essential for the action.

**SCENARIO**

With the growth of industries in India, the number of occupational injuries and deaths have also increased. Introduction of hazardous machinery, toxic chemicals, high rise construction, unprotected machinery, poisoning and burns form manufacture of chemicals, etc., are the main cause of injuries and deaths in the Indian industries – both organized and unorganized sectors. The condition of occupational health and safety in the unorganized sector is more dangerous as compared to that in the organized sector. The labour inspectors are ill equipped and do not have technical and professional competitive manpower for inspecting, reporting on prevailing work conditions in the industry and to monitor occupational health hazards.

Occupational accidents, traditional physical and ergonomic hazards and occupational diseases are important factors influencing the health of the industrial workers.

Diseases like cancer and pneumoconiosis are rampant among the industrial workers in India. Among other types of occupational diseases prevalent in India are diseases of the circulatory system, digestive system, urinary tracts, nervous system and sense organs (hearing loss, CNS effects), blood diseases, etc. However, the present health of the Indian workers are not adequate enough to cope with the ever-increasing occupational diseases and health problems. The only health facilities offered specifically to the workers are the health centres under the Employees’ State Insurance Scheme.

1. **The Legal Parameters**

The basic policy guidelines for occupational safety and health are stated in the Constitution of India. Accordingly, a number of Acts have been enacted to ensure that all the workers are provided with a working place which is safe and healthy. However, due to overlapping jurisdiction and lack of uniformity in approach, the Acts enacted at various points of time and enforced by different agencies have created serious problems of implementation of these Acts. Various industrial activities, especially in the unorganized sector do not have sufficient legislative coverage to protect safety and health of those employed therein.

The concept of occupational health and safety has not been accepted by the industrial workers and managements in India. Though there are various regulations present, most of these are, however, good on paper only, as neither workers, nor their representative unions, are fully aware to take advantage of these.

**1.1 Environmental Laws in India**

Indian Constitution – Article 48a:

In the Directive Principles of State Policy, Article 48-A was inserted which enjoins the State to make endeavour for protection and improvement of the environment and for safeguarding the forest and wildlife of the country (42nd amendment w.e.f. 3 January 1977).
Indian Constitution – Article 51-A (G)

It shall be the duty of every citizen of India to protect and improve the natural environment including forests, lakes, rivers and wildlife and to have compassion for living creatures (42nd amendment w.e.f. 3 January 1977).

Environmental Regulations in India

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<tr>
<th>Year</th>
<th>Environmental Regulations</th>
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<tr>
<td>1974</td>
<td>Water (Prevention &amp; Control of Pollution Act) Amendments, 1988</td>
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<td>1975</td>
<td>The Water (Prevention &amp; Control of Pollution) Rules</td>
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<td>1978</td>
<td>The Water (Prevention &amp; Control of Pollution) Cess Rules</td>
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<td>1981</td>
<td>The Air (Prevention &amp; Control of Pollution) Act, Amendments, 1987</td>
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<td>1982/1983</td>
<td>The Air (Prevention &amp; Control of Pollution) Rules</td>
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<tr>
<td>1986</td>
<td>The Environmental (Protection) Rules</td>
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<td>1997</td>
<td>Amendments in the Environment Clearance, Notification – “Public Hearing” made mandatory</td>
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<td>1995</td>
<td>The National Environment Tribunal Act</td>
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<td>1997</td>
<td>Prohibition on the Handling of Azo dyes</td>
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<td>1997</td>
<td>The National Environment Appellate Authority Act</td>
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<td>1998</td>
<td>The Bio-Medical Waste (M&amp;H), Rules</td>
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<tr>
<td>1999</td>
<td>Notification for making 100% Utilization of Fly-ash made mandatory</td>
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<tr>
<td>2000</td>
<td>Municipal Solid Waste (M&amp;H) Rules</td>
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<td>2000</td>
<td>Ozone Depleting Substance (R&amp;C) Rules</td>
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<tr>
<td>1999</td>
<td>Regulation on recycling of Waste Oil and Non-ferrous scrap</td>
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<tr>
<td>2000</td>
<td>Noise Pollution (Regulations and Control)</td>
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<td>2001</td>
<td>Batteries (M&amp;H) Rules</td>
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1.2 Environmental Clearance

Grant of Environmental Clearance (1994)

If the industrial unit comes under the specified project, then environmental clearance would be required from the Ministry of Environment and Forests for new projects as well as for Expansion / modernisation of Existing projects if pollution load is increasing.

Public Hearing (1997)

Who Requires Environmental Clearance?

The following project categories are required to obtain environmental clearance

- New Projects
- If investment is more than Rest. 100 crores
- Nuclear power plant and related projects, such as Heavy Water Plants, nuclear fuel complex, rare earths.
- River valley projects including hydro power, major irrigation projects and a combination, including flood control,
- Ports harbours, airports (except minor ports and harbours)
- Petroleum refineries including crude and product pipelines.
- Chemical fertilizers
- Exploration for oil and gas and their production transportation and storage
- Synthetic Rubber
- Primary metallurgical industries;
- Electric Arc Furnaces (Mini Steel Plants)
- Viscose staple fibre and filament yarn
- Storage batteries integrated with the manufacture of oxides of lead and lead antimony alloy,
Thermal power plants
Pulp paper and newsprint
Cement
Any project proposed to be located within twenty five Km of
- Reserved forests
- Ecologically sensitive areas which may include National Parks, Sanctuaries,
- Biosphere Reserves,
Critically polluted areas
Or within fifty mms of inter-state boundary shall require environmental clearance from the Central Government

The following project categories, irrespective of the investment:

Pesticides
Bulk drugs and pharmaceuticals
Asbestos and asbestos products,
All tourism projects between 200 – 500 meters of a High Tide Line and at locations with an elevation of more than 1,000 meters with investments of more than Rest. 5 crores.
Mining projects (with leases of more than 5 hectares)
Highway projects except projects relating to improvement work
Petrochemical Complexes
Tarred roads in the Himalayas and forest areas
Distilleries
Raw skins and hides
Dyes
Foundries
Chlor-alkali industry
Hydrocyanic Acid
Electroplating
Meta amine phenol
Small scale industrial units in project categories mentioned above.
With investments less than Rest. 1 crore and Which are on the reserved list
Are exempted from environmental clearance

For obtaining site clearance, application is to be submitted giving the location of the project along with requisite details, to the Ministry of Environment and Forests. The Ministry of Environment and Forests will convey its decision about the suitability of the proposed site within a maximum period of 30 days.

The National Environment Tribunal Act, 1995

- To provide for strict liability for damages arising out of any accident occurring while handling any hazardous substance
- To establish a National Environment Tribunal for granting relief and compensation

The Tribunal may if it thinks fit take up cases for claims for compensation suo moto (on its own) a claimant making an application may also make an application for immediate relief under the Public Liability Insurance Act.

Bio-medical Waste (Management & Handling) Rules, 1998

- Proper segregation of wastes & labelling as specified.
- Install Pollution Control Systems like Incinerators, autoclaves or microwaves or adopt the burial and meet the prescribed limits of emissions,
- Comply with the dead-line stipulated to install the pollution control systems.
- Transportation of waste as per the norms

Ease of Doing Business : Contemporary Issues, Challenges and Future Scope

- The waste materials targeted: waste oils, lead – acid batteries, non-ferrous wastes.
- The auction / sale of these materials to only authorised recyclers who are registered with the Ministry of Environment & Forests, Govt of India.
- No trader can take such type of waste

Noise Pollution (Regulation & Control) Rules, 2000

- Aiming to regulate and control noise from sources like, industrial activity, construction activity, generator sets, loud speakers, public address systems, music systems, vehicular horns and other mechanical devices.
- The prescribed Ambient Noise Levels are to be complied with

A loud speaker should not be used except after obtaining written permission from the authority.
If the noise level exceeds the ambient standards by 10d (B) a, a complaint can be lodged to the authority.

Batteries (M & H) Rules, 2001

- Responsibilities for Manufacturers, users auctioneers, dealers and importers of batteries.
- Manufactures are to take initiatives to collect the spent batteries back.
- Recyclers / re-processors of batteries need to register themselves with the MoEF

Procedural Requirements to Operate an Industry

- Seek from SPCB the Consent to Establish and Consent to Operate under Water and Air Acts and apply for their renewal
- Submit to the SPCB Water Cess Return as per the periodicity given
- Comply with the effluent / emission standards for source or General Standards as per the E (P) Act.
- Seek from SPCB an ‘authorisation’ under the HW under the HW (M & H) Rules and apply for its renewal.
- Maintain the records of the hazardous Waste produced
- Seek Environmental Clearance for the specified project
- Submit Environmental Statement every year

For the chemicals handled, check under which Schedule of MSIHC,

Rules it is covered

- Follow the requirements given in the MSIHC, Rules
- Provide the workers with information, training & equipment.
- Inform the major accidents to the prescribed authority
- Notification of Site & Submit Safety Report if applicable
- Prepare on-site emergency plan
- Undertake mock audits
- Submit ‘Safety Audit Report’ to the Prescribed Authority
- Levelling, packaging and transportation of hazardous chemicals according to
  Motor Vehicle Act / Rules
  The Indian Boilers Act 1923 & Rules 1961
  The Indian Electricity Act 1910 & Rules 1956
  The Explosives act, Gas Cylinder Rules 1981
  The Pressure Vessels Act, Rules, 1981
1.3 Make in India

PM Narendra Modi launched the Make In India campaign in September last year, the environment ministry steered by Prakash Javadekar had declared its intent to roll back this norm.

The ministry had initially proposed that such a prior environmental clearance would only be required for projects over 20,000 square meters that involve residential or commercial buildings, hotels, hospitals and information technology or software development units and parks.

The new norms also suggest that investors 'may use recycled materials such as fly ash bricks' for building new factories, according to the notification reviewed by ET.

The government is set to hack away a great deal of red tape with a new classification of industries that uses colour codes to denote environmental impact, a move that means 36 industries may need no green clearance at all.

“The new rules will bring uniformity in the period for which consent to operate is given to industries,” a senior official of the Central Pollution Control Board said. For the first time, the classification was based on “scientific parameters” decided by a committee of experts, he added.

The government has managed to pull Asia’s third-largest economy out of its worst slump in 25 years but data from Tuesday showed the country’s GDP growth rate has slowed down to 7% this quarter over worrying symptoms of weak investment and poor consumer spending.

The CENTRAL POLLUTION CONTROL BOARD measured the possible impact of each industrial sector on air, water, ground and the amount of hazardous waste generated. Each category was measured on a pollution potential index, with one symbolizing the least polluting and 100 the worst.

A group of 59 industries which scored between 60 and 100 points were classified “red”—down from 89 in the 2012 system.

Similarly, 93 industries with a score of 30-59 were listed as orange, up from 73. Green, with a score of 15-29, had 53 industries as compared to 86 earlier.
A new category, white, was introduced, applicable to industries with a score of less than 15 that would not have to seek the approval of state pollution control boards. This category has several small-scale industries, such as motor repair shops and hosiery units, which can run hassle-free. Moreover, the duration of the permissions was also increased. For a “red” industry, a green nod will now last for a minimum of five years – up from three years earlier. In orange, permissions will lapse after 10 years – up from 3-5 years – and for orange, approvals will last for a lifetime.

The new classification is aimed to improve the ease of doing business in India by removing a host of hurdles in obtaining environmental permissions – often a headache for small and medium businesses but some environmentalists worried it might lead to further contamination of water and air.

**ACTION PLAN (in context of Safety)**

To ensure improved standards of occupational health and safety and progress towards a self-enforcing environment, a multidimensional strategy needs to be adopted.

The first step is to assess the occupational health situation and develop a national manpower policy accordingly. This requires assessing the present demographic situation and health facilities and comparing it to the health needs of the working population. At the national level, recent data on occupational accidents and diseases and on recent successful experience is to be collected showing the feasibility of effective action.

Legislation on occupational safety and health has to be reviewed, in particular for defining the responsibilities of employers, the duties and rights of workers, and the role of inspectors for securing effective reporting of occupational accidents and diseases. Resources for action oriented training in risk assessment and control in priority industries and sectors have to be mobilized. Various promotional Activities also are to be organized to raise awareness about safety at the workplace.

At the enterprise level a company safety policy should be established. Clear responsibilities for overseeing and implementing safety and health action at all levels of management should be assigned. Organization of a safety and health committee in each enterprise and at each work site should be made compulsory.

Institutions are to be “critical catalyst” in a safety and health and serve as the backbone to create a self-regulating safety culture. Cooperation of government agencies and safety and health advisory and training institutions is essential. In particular, the different ministries should closely coordinate with each other in extending occupational health services to all workplaces, with the active involvement of employers’ and workers’ organizations.

Awareness of the needs and objectives of occupational health and safety among the public at large, decision-makers, politicians, employers and workers is of utmost importance for successful implementation of these strategies. Finally, occupational health ad safety has to be recognized as a basic element of the principle of sustainable development.

**What can be done? (In context of Clearance)**

First, the quality of the EIAs has to significantly improve. An Environment Clearance Service Cell (ECSC) should act as a single window, to provide project proponents assistance to obtain necessary approvals and seek project-related information. By coordinating with the Quality Council of India, the ECSC can develop a cadre of accredited EIA consultants, reviewed by an international agency such as the International Association of Impact Assessment. Accredited consultants would be randomly allotted to appraise projects, to reduce the conflict of interest in promoters choosing their own consultants. Streamlining the process is not a guarantee of clearance. But a more credible and time-bound process can increase confidence on all sides.
Secondly, public hearings have to be revamped. They are held too late in the decision-making process to be meaningful. The EIA consultant should be required to prepare a ToR for the EIA and should get the same vetted by the public at the start of the scoping phase. Once the report is prepared, a second public hearing should be organised once the community has had a chance to deliberate for a month. If more than 50 per cent of the affected community votes against the sanctity of the EIA report, then it would have to be redone. However, public consultations are not decision-making forums; that authority rests with the ministry of environment, forests and climate change.

Thirdly, better information management is needed to establish baselines. An Environmental Clearance Information System (ECIS), within the ECSC, could conduct a countrywide baseline mapping of environmental quality parameters (air, water, land use, meteorology, soil, biodiversity, social factors). Real-time information could flow from quality-monitoring stations (say, via the National Air Quality Monitoring Programme and National Water Quality Monitoring Programme). More granular data would eventually become available with monitoring agencies at regional levels. Finally, an "EIA follow-up" is a globally recognised practice and includes monitoring actual impacts, adaptive management and regular communication with communities. Over time, this should be integrated to strengthen the ECIS, provide updated data and adjust baselines.

The "Make in India" campaign aspires for "zero defect and zero effect". Raising the bar for quality products is imperative. Equally, lowering the resource footprint of India's growth recognises the benefits that the natural environment and calls for accounting for the impact of anthropogenic activities. Rather than viewing environmental clearances as a zero-sum game, they could be streamlined, made more credible, more informative, more inclusive and yet time-bound. It would reinforce the symbiotic relationship between the environment and human activities, which India's new manufacturing vision seeks to preserve.

To usher in a self-enforcing environment in industrial occupational health and safety, a high degree of planning, preparation and a strong will of the workers, managements and trade unions are needed.

Proper implementation of the relevant laws depends on the availability of information, organizational strength of the implementing body and the judiciary, knowledge of the cost of occupational health and safety measures. Coordination between the Ministries of Health, Environment and Industry and the enforcement agencies is necessary for effective utilization of the labour laws. Establishing safety standards, regulations, and emergency care procedures is also important.

Trade unions and workers’ associations should strive to develop workers education programmes on occupational health and safety. Workers have to be educated on the importance of safety and prevention measures.

It is here that the health sector can help by launching a public campaign on occupational health and safety. Workers’ associations should develop alliances with non-government voluntary agencies working on safety and health problems. In this way, facts regarding unsafe working conditions can be brought to their attention for education of the general public.

Research funding needs to be increased for studying accidents in the small-scale and unorganized industry sector. Both government and management should institute studies of options available to improve safety in the working environment. Occupational health services for people employed in small-scale industries need to be developed.

In view of the constraints on financial and human resources in our country, a self-enforcing environment on occupational safety and health should involve effective networking of the existing educational, research and information resources, programmes and institutions.
Empowerment of the community is an important aspect of a strategy for self-enforcing environment. For the unorganized sector, the community-based approach may be relevant by providing training, information and expert advisory support to the workers.

The awareness among politicians, the authorities, employers, workers and the general public of occupational health and safety issues need to be increased by using various ways to disseminate information. This would create a basis for strengthening political will to create the prerequisites for improvement in working conditions, and thereby workers’ health. A system of participation and positive incentives can also help in ensuring the development of health and safety at the work place.

FINDINGS

- A large number of labour legislations have been enacted for the promotion and protection of worker’s welfare. The factories Act, 1948 and the Workmen’s Compensation Act, 1923, are specifically directed towards occupational health and safety matters.
- The Factories Act aims at ensuring adequate safety measures and promoting the health and welfare of the workers employed in factories. The Workmen’s Compensation Act makes the employer liable for providing compensation to his employees in case of occupational diseases or personal injuries and prescribes the manner in which his liability can be ascertained. The Act provides for cheaper and quicker mode of disposal of disputes relating to compensation through special proceedings.
  - The Employees’ State Insurance Act provides for cash benefits and/or medical facilities to insured employees in case of sickness, maternity, disablement and death due to injury.
  - Despite all these statutes, the health and safety scenario in the Indian industry remains unsatisfactory. Workers in the unorganized sector are scarcely able to take advantage of the provisions under these acts.
- While many argue that projects are being delayed, there is no clear definition of "delays". In the environmental-clearance process, the grant of terms of reference (TORs) from the date of submission of the project proposal is meant to take 60 days. Next, the environmental impact assessment (EIA) and other scoping studies are to be undertaken, while the TOR remains valid for two years. This is followed by public consultations, for which 45 days are allocated. The recommendation from the expert appraisal committee (EAC) is meant to take up to 60 days with final clearance from the regulatory authority within another 45 days. If all stages took the maximum time allocated, securing an environment clearance could take 940 days.

In reality, however, clearances are often granted much sooner. The Council on Energy, Environment and Water analysed 11,174 proposals from 2003 until September 2014. Of these, 72 per cent had received environmental clearance. Of the remaining 3,119 pending applications, 89 per cent had been granted TORs. Further, among those granted environmental clearance, 90 per cent of projects in construction, hydropower and industry received clearance within a year of application.

If most projects get cleared and soon enough, why are there delays in other cases? The collection of baseline data, conduct of the EIAs and public hearings, and submission of relevant documents requires the most time and are the reasons for most delays across sectors. A review of the minutes of the EAC meetings during 2013-14 shows that a quarter of the projects applied for an extension of TOR validity, as they were unable to comply with the TOR conditions, or were found to have submitted incomplete or incorrect information. We estimate that 40 to 60 per cent of projects in the thermal power, hydropower, coal mining and nuclear power sectors are likely to face delays during the post-TOR stage of the clearance process. Land acquisitions were found to cause delays particularly in river valley, hydropower and infrastructure projects. Also, during 2003-14, while 53 per cent of applications (out of
10,403) had received forest clearances, within industry (which includes, among others, steel, cement, chemicals, paper and pulp), 90 per cent of projects were pending forest clearance.

- Overall, three problems afflict the process of environmental clearances: (a) post-TOR delays in collecting data, conducting the EIAs and public hearings and submission of required documents; (b) poorly designed public hearings; and (c) poor information management.

- Compensation to an injured worker in the form of cash benefits under the Workmen’s Compensation Act. Under the Employees’ State Insurance Act also compensation is in the form of cash benefits. The benefits covered by these Acts are: Sickness Benefit, Maternity Benefit, Disablement Benefit, Dependents’ Benefit, Funeral Expenses, Rehabilitation Allowance and Standard benefit. Compared to WCA, the ESI Act is the latest and has a wider coverage and is more exhaustive. It also provides for more compensation than what a workman would get under Workmen’s Compensation Act.

CONCLUSION

Occupational safety and environments is not limited in scope only to prevent and control specific occupational diseases. Worker’s health safety and environments programme should deal with the complete relationship between work and total health of man. However, the present occupational health and safety infrastructure in India has not been able to achieve these objectives.

The Indian legislations fail to consider the numerous problems existing in India industry. The legislations fail to reflect the importance of attitudes, efficiency of the organizational system and the capacities or performance of working people. The present state of Indian industry does not provide any incentive to the employers/entrepreneurs to invest in safety measures. There is little awareness about safety aspects among the Indian trade unions. The small unorganized industrial units spread over the length and breadth of the country are not covered by any occupational health services.

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Websites:
IMPACT OF CORRUPTION ON ENTREPRENEURSHIP DEVELOPMENT

Rajesh S. Ramani
Asst. Professor, Centre for Business Ethics & CSR,
Gujarat Technological University, Ahmedabad
Email: ap3_cbe@gtu.edu.in

ABSTRACT

Entrepreneurship is essential for the economic development of the country. Corruption has become a common phenomenon in the developing countries. Psychological, social, cultural, economic, political factors contribute to entrepreneurship. Some of these factors are vulnerable to corruption. Corruption is influenced by the lower efficiency of the financial and legal institutions. Bureaucratic economic friction is one of the biggest challenges for entrepreneurship. Corruption changes the incentive to engage in entrepreneurship. Corruption fosters the entrepreneurs to divert some of their resources in non-productive activities. Corruption increases the cost of doing business. In India, many projects started but never got completed due to corruption. The objective of the paper is to study the impact of corruption on entrepreneurship development. The paper also focuses on types of corruption prevalent in business transactions. The paper explores there is a negative impact of corruption on entrepreneurship development. The paper gives idea about the corruption perception index. It also suggests the ways to curb the corruption and individual and organizational levels.

Key Words: Corruption, Entrepreneurship, Corruption Perception Index, etc.

1. INTRODUCTION

The research on public sector corruption has been getting importance in public life. Corruption is generally accepted as misuse of power and position to obtain personal gain or benefit. Entrepreneurship is an entrance for start-ups, new initiatives, creation and innovation. Entrepreneurship contributes to the economic growth of the nation. Entrepreneurship is the process of starting a business, typically a start-up company which offer an innovative product, process or service. Corruption creates the hurdle in the entrepreneurship development. It diverts the productive resources of the entrepreneurs in unproductive activities. The president of India Mr. Pranav Mukherjee asked the young technocrats to promote entrepreneurship. But these young entrepreneurs face the problem of corruption in getting the regulatory approvals.

The scope of the research paper is confined to the relation of corruption and entrepreneurship development. The government officials have the authority and power to redistribute the resources and sanction regulatory concessions. This authority or power can be exploited for personal gain or benefit. According to Rose-Ackerman (1999) the motivation for corruption exists whenever an official has discretion over the distribution of a “good” or the avoidance of a “bad” to the private sector. In theory, the greater the amount of discretion which is given to government officials, the more opportunities there will be for rent seekers to allocate there time from productive entrepreneurship to unproductive lobbying (Baumol, 1990). According to Rose-Ackerman (1999) the motivation for corruption exists whenever an official has discretion over the distribution of a “good” or the avoidance of a “bad” to the private sector. In theory, the greater the amount of discretion which is given to government officials, the more opportunities there will be for rent seekers to allocate there time from productive entrepreneurship to unproductive lobbying (Baumol, 1990).

Various international organizations such as World Bank, International Monitory Fund, Organization for Economic Co-Operation and Development (OECD) are promoting campaign against corruption. There are institutions including Transparency International and the World Bank generates data on perception...
on corruption. In this paper the data on Corruption Perception Index by Transparency International have been used.

2. OBJECTIVES

The main objectives of the research paper are as following:
- Role of Entrepreneurship for the economic growth
- Study the factors contributing to entrepreneurship
- Types of corruption in business transactions
- Assess the role of corruption in entrepreneurship
- Examine necessary steps to curb corruption

3. LITERATURE REVIEW

Numerous studies of corruption have been concerned with the causes of corruption. Three studies, all by Ades and Di Tella, focus on the causes of corruption. In the first one, Ades and Di Tella (1997a) conclude that corruption is higher in countries with an active industrial policy. In the second study, Ades and Di Tella (1997b) find that increases in market competition and judicial autonomy reduce corruption. In the third study Ades and Di Tella (1999) find that countries where firms enjoy higher rents tend to have higher corruption levels. In addition, they find that corruption is higher in countries where domestic firms are sheltered from foreign competition by natural or policy induced barriers to trade, with economies dominated by a few number of firms, or where antitrust regulations are not effective in preventing anticompetitive practices.

Lambsdorff (1999) provides a review of empirical research on the causes of corruption that was carried out during the mid-1990s. He states that the freedom of press and the independence of the judiciary are important factors that may reduce corruption.

An empirical study by Gurgur and Shah (2005) identifies various causes of corruption and concludes that the major causes of corruption are a lack of service orientation in the public sector, weak democratic institutions, economic isolation (closed economy), colonial past, internal bureaucratic controls, inequality and centralized decision-making. In essence, the higher the quality of the bureaucracy, the lower corruption will be.

This theoretical reasoning regarding the negative impact of corruption on business sector activity has been tested by several empirical studies, although not for entrepreneurship. Mauro (1995) uses cross-country measures of corruption to show that corruption is negatively associated with private investment and growth. Similarly, Habib and Zurawicki (2002) provide evidence that corruption deters FDI. They find the impact of corruption on FDI to be larger than that on local investment. Cuervo-Cazurra’s (2006) analysis of FDI inflows into 106 host economies found that corruption has a negative influence on FDI, and that investors from countries that have signed the OECD Convention on Combating Bribery of Foreign Public Officials in International Transactions are more deterred by corruption than investors from countries with high levels of corruption (see also: Gyimah-Brempong, 2002; Keefer and Knack, 1997; Li et al., 2000). I suggest that similar to the higher impact corruption has on FDI (compared to local investments) it has higher impact on entrepreneurship compared to other business activities.

There are studies on the effect of corruption. The tangible and intangible cost of corruption is very high. Tangible cost include administrative inefficiency, biased investment and intangible cost include loss of trust in democracy, in leaders, in government bodies. Murphy, Shleifer, and Vishny (1991) argue that corrupted societies create incentives that stimulate the most talented people to earn their income through bribing rather than in more productive activities.
4. ENTREPRENEURSHIP AND ECONOMIC GROWTH

Schumpeter (1934) argued that the entrepreneur is the prime mover in economic development and his function was to innovate and to introduce new activities into the market. Acs and Audrestch (1990) and Acs (1992) argued that entrepreneurs play an important role in the economy, serving as agents of change, being a considerable source of innovation activity, stimulating industry evolution and cluster emergence and becoming the main source of job creation. Acs (2006) stress that entrepreneurs create new businesses, and new businesses in turn create new jobs, intensify competition, and may even increase productivity through technological change.

Empirically, innovations and competition were found to be the most relevant factors linking entrepreneurship to economic growth (Wennekers and Thurik, 1999). Lee et al. (2004) found that at the regional level, high level of new firm creation significantly contributes to regional economic vitality and is a major signal of a dynamic economy. Eakin and Kao (2003) found that entrepreneurship at the regional level has a positive impact on productivity growth. Audretsch and Fritsch (2002) found that regions with higher start-ups rate exhibit higher growth rates.

Zacharakis et al. (2000) study sixteen developed economies and find that entrepreneurial activity explains approximately one-half of the differences in GDP growth between countries. Henderson (2002) shows that entrepreneurs significantly impact economic activity at the local level through fostering localized job creation, increasing wealth and local incomes, and connecting local economies to the larger, global economy.

More specifically, Audretsch and Fritsch (2002) suggest that since the 1990s the engine of economic growth shifted from general knowledge generation towards entrepreneurship based knowledge. Thus, high measured levels of entrepreneurship have the propensity to translate into high levels of economic growth (Acs, 2006).

5. FACTORS CONTRIBUTING ENTREPRENEURSHIP

There are various factors that contribute to growth of entrepreneurship such as economical, socio-cultural, technological and institutional.

5.1 Economic Factors

The nature of economy is the major factor for entrepreneurship. The purchasing power of the people, income levels and prosperity of the region plays the major role in creating entrepreneurial ventures. During the time of recession, people are reluctant to invest in new ventures. Other economic factors such as unemployment rate, population density, industrial clustering, urbanization level, and the availability of venture capital and other risk capital are important.

5.2 Socio-Cultural Factors

The role of cultural factors has been the topic of interest of many studies. Culture is the system of shared values, beliefs, perception and preferences. Culture and entrepreneurship intervene in many ways.
People engaged in business have pro-business attitude and disdain working as employees. Many people do not enter into the job market because of the culture of independence. The culture of consumerism where people desire material goods encourages entrepreneurship within the area as returns from a business become more than returns from a job.

5.3 Political Factors

Political factors can encourage or suppress the entrepreneurship. Government support to economic development through providing infrastructure and utilities such as good roads, power, communication facilities, facility of industrial parks and lack of corruption and bureaucratic delays in obtaining such utilities encourage entrepreneurship. Unstable political conditions where government policies change frequently discourage business, as investors fear for the safety of their investments.

5.4 Technological Factors

Technology has changed the human life. Technology and entrepreneurship are tightly related. Technology has created many opportunities for entrepreneurship development from electronics to computer hardware, software, web applications, etc. The use of technology has saved the cost and time of entrepreneurs.

5.5 Personal Factors

The success of an entrepreneurial venture depends on the entrepreneur. The entrepreneur is the leader and driver of the venture, and requires the following skill-set and orientation for success:

- Hard work and persistence
- Ability to manage and minimize risk
- Ability to draw up a comprehensive business plan, and having a contingency plan
- A strong need-orientation that provides the inclination to achieve things

6. CORRUPTION PERCEPTION INDEX

The corruption Perception Index is prepared by Transparency International. It is an international civil society organisation based at Berlin, Germany that has turned the fight against corruption into a worldwide. It has more than 100 chapters across the world. The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean).

6.1 Corruption Perception Index-2014 Results

More than two-thirds of the 175 countries ranked by Transparency Internationals’ Corruption Perception Index 2014 (CPI 2014), score below 50, on a scale from 0 (perceived to be highly corrupt) to 100 (perceived to be highly Clean). It shows that public institutions need to be more transparent, and politicians and government officials more accountable. Denmark comes out on top in 2014 with score of 92 while North Korea and Somalia share last place, scoring just 8. India’s rank has improved at 85 position out of 175 countries, last year it was 94 out of 177 countries. There has been improvement in CPI score as well, for the year 2014 the score is 38, which was 36 in the year 2013. The CPI score for India has increased by 2 points in 2014 from its 2013 score.
7. CORRUPTION IN INDIA

Most of the largest sources of corruption in India are entitlement programmes and social spending schemes enacted by the Indian government. Examples include Mahatma Gandhi National Rural Employment Guarantee Act (MGNAREA), National Rural Health Mission (NRHM), and Public Distribution System (PDS). Other daily sources of corruption include India's trucking industry which is forced to pay billions in bribes annually to numerous regulatory and police stops on its interstate highways.

Indian media has widely published allegations of corrupt Indian citizens stashing trillions of dollars in Swiss banks. Swiss authorities, however, deny these allegations. The Indian media is mainly owned by corrupt politicians and industrialists who also play a major role in most of these scams, thus misleading public with wrong information and using media for mudslinging against their political and business opponents.

The causes of corruption in India include excessive regulations, complicated taxes and licensing systems, numerous government departments each with opaque bureaucracy and discretionary powers, monopoly by government controlled institutions on certain goods and services delivery, and the lack of transparent laws and processes. There are significant variations in level of corruption as well as in state government efforts to reduce corruption across India.

8. ENTREPRENEURSHIP AND CORRUPTION

Corruption distorts the spirit of entrepreneurship development. Everhart and Sumlinski (2001) find that public investment “crowds out” private investment and that in more corrupt countries, the crowding out effect is stronger. They argue that when government projects are tainted by corruption, the quality of infrastructure suffers and this discourages private investment. Selected indices of corruption in entrepreneurial development are explained as following

8.1 Legislature/Politics

Laws or Acts are made by the representative of people. Large Corporation and business houses support politicians in exchange for legislation that favours their business interests and sometimes to gain government contracts or tenders. Corruption in this area creates barriers for entrepreneurs to enter into new ventures.

8.2 Procurement/Purchase

Despite the strict laws regarding government procurement or purchase there have been indications that bribery and nepotism are frequent in government procurement (Abramo, 2004). Tenders are passed by giving bribes. Strict enforcement of anti-corruption laws may prevent it.

8.3 Taxes

When taxes are high, firm will spend resources to avoid them. The favours include relaxing audits and inspections, desisting from reporting identified tax fraud, advising on legal forms of reducing the tax burden, cancelling fines already assessed, letting slide undeclared values, and turning a blind eye to tax deductions that should not be granted. This corruption introduces uncertainty and limits the entrepreneur activity to those who are willing to engage in corruption.

9. LEGAL FRAMEWORK AGAINST CORRUPTION

The Indian government’s track record in combating bribery and corruption has not been very effective. The main reason for is political interference and delayed justice that impairs the effectiveness of the verdict, opined corporate India. Respondents also stated that corruption levels are expected to remain at the current level irrespective of the current and impending legislations.
The Prevention of Corruption Act came into force in 1988. However, the number of convictions under this Act is considered abysmally low.

The Right to Information Act (2005), a landmark legislation, under which one can seek specific information under the control of public authorities with the objective of promoting transparency and accountability of those holding public positions. This act in recent times has helped unearth certain prevalent malpractices in the country.

Other anti-bribery and corruption initiatives in India include the presence of the State Lokayuktas; Central Vigilance Commission; proposed National Anti-Corruption Strategy; Guidelines on Corporate Governance.

10. WAYS TO CURB THE CORRUPTION

There is consensus in the literature that a commitment to integrity among the political leadership is the basis for effective anticorruption policies (Recanatini 2011). Entrepreneurs combat with the corruption in three ways:

i. By initiating attempts to reduce corrupt practices through legislation or judicial decisions. Entrepreneurs can create public consciousness about corrupt practices.

ii. By being an honest entrepreneur and setting an examples to others

iii. By providing reliable information to the agencies work against corruption

11. CONCLUSION

The paper focuses on impact of corruption of entrepreneurship development. In a corrupt environment the entrepreneurs have to allocate their time, efforts and resources into non-productive activities such as lobbying and bribing government officers. Based on the literature and review and studies it is found that corruption has a significant negative impact on sustainable entrepreneurship development. The study has policy implications as many governments are trying to improve the level of corruption. The study clearly suggests that tight regulations that might reduce corruption may actually increase entrepreneurship development. Corruption distorts incentives and destroys the productive capacity of local talents and entrepreneurs. Corruption inflicts a substantial cost on the economy. It is a double edged sword; it reduces both the volume and efficiency of investment and cripples economic development.

12. REFERENCES


ABSTRACT

Today, the conservation, protection and improvement of human environment are major issues all over the world. Human environment consists of both physical environment and biological environment. Physical environment covers land, water and air. Biological environment includes plants, animals and other organisms. Both physical and biological environment are inter-dependent. Industrialization, urbanization, explosion of population, over-exploitation of resources, disruption of natural ecological balances, destruction of a multitude of animal and plant species for economic reasons are the factors which have contributed to environmental deterioration. One country's degradation of environment degrades the global environment for all the countries. The problem of environmental pollution has acquired international dimension and India is no exception to it.

In the present paper, an attempt has been made to study in detail, Environment Protection Act (1986), Central Pollution Control Board and the issues involved in enforcement of Environmental Legislation in India.

Keywords: Environment, Environment Protection Act, CPCB, enforcement.

INTRODUCTION

The environmental issues is a fundamental change in human perceptions of life on earth, caused or influenced by human activity, creating ill-effects, such problems commonly regarded as local, regional or national and may have international or global issues which need political action. The concepts of Globalization have brought the world in close proximity and transform the whole world into a global village. Though earth is geographically demarcated, Man with his scientific and technical might could not demarcate natural environment and is common to entire universe.

The principles of International law are intended to regulate the conduct of state towards safeguarding the environment, peace and freedom of international communities. The function of international law is to promote creative peaceful and harmonious world order. The environment and its protection are common to international communities the sufferance is not confined to pollution originated country but spreads to neighbouring countries. The biosphere is same to everyone. Similarly the existence of man in the biosphere is global one. Thus global environmental regulation has assumed much significance.

Mahatma Gandhi has aptly said that nature has given everything for man’s need but not for his greed. The unstained use of natural resources has created a chaos like situation before human survival on this earth. Global warming, acid rain, climate change, ozone layer depletion, floods, cyclones, drought, radiation, contamination of groundwater, air pollution, coastal water pollution etc. are a long list of natural disasters which all life on the earth is facing.
OBJECTIVES OF THE RESEARCH STUDY

The main purpose of this research is to add new knowledge to the existing one, it cleanses our minds of clichés and removes the rubbish of inapplicable theory and gains new knowledge and insights. The research of this kind attempts to provide new insights and thoughts into the existing source material by suggesting new explanations and tests with the hypothesis. Keeping in view of the above, the present research work has been carried out with the following objectives:

1) To study definition of Environment & Pollution
2) To study implications of Environment Pollution
3) To review United Nations Conference on the Human Environment
4) To study Environment Protection Act, 1986
5) To understand working of Central Pollution Control Board
6) To study the issues involved in enforcement of Environmental Legislation in India

RESEARCH METHODOLOGY

Secondary data analysis can be literally defined as “second-hand” analysis. It is the analysis of data or information that was either gathered by someone else (e.g., researchers, institutions, other NGOs, etc.) or for some other purpose than the one currently being considered, or often a combination of the two. If secondary research and data analysis is undertaken with care and diligence, it can provide a cost-effective way of gaining a broad understanding of research questions.

Secondary data are also helpful in designing subsequent primary research and, as well, can provide a baseline with which to compare your primary data collection results. Therefore, it is always wise to begin any research activity with a review of the secondary data.

In our case, secondary data was collected from the library archives, government offices, non-government agencies and supporting institutions.

DEFINITION OF ENVIRONMENT

In common parlance by environment we mean the surroundings of an object. The rapid growing population and economic development are leading to the environmental degradation in India because of the uncontrolled growth of urbanization and industrialization, expansion and massive intensification of agriculture, and the destruction of forests. In simple terms, ‘Our Environment’ is our surrounding. This includes living and non-living things around us. The non-living components of environment are land, water and air. The living components are germs, plants, animals and people.

All plants and animals adjust to the environment in which they are born and live. A change in any component of the environment may cause discomfort and affect normal life. Any unfavourable change or degeneration in the environment is known as ‘Environmental Pollution. We need to protect our environment to live happily. Obviously, the “Environment” comprises all entities, living and non-living, natural or manmade, external to oneself, and their interrelationships, which provide value, now or perhaps in the future, to humankind. Environmental concerns relate to their degradation through actions of humans.

DEFINITION OF POLLUTION

Advances in science and technology have, no doubt conferred many benefits on society in the form of better and improved quality of goods at comparatively reasonable advent of technology has also brought in its trail the problem of pollution. The Royal Commission on Environmental Pollution in U.K. in its third report gave the following definition to the term “Pollution”, namely “The introduction by man into the environment of substances or energy liable to cause hazards to human health, harm to living resources and ecological systems, damage to structure or amenity or interference with legitimate uses of the environment”.

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According to Section 1 (3) of the U.K. Environment Protection Act 1990, the term “Pollution” means “The release (into any environmental medium) from any process which is capable of causing harm to man or any other living organisms supported by the environment...” Pollution occurs when there is a potential harm. Harm for man is not confined to physical injury but encompasses offence caused to any of his senses or harm to his property, therefore smells and noise which may not cause injury can constitute pollution. Harm to living organisms can include harm to their health or interference with the ecological systems of which they form a part.

IMPLICATIONS OF ENVIRONMENT POLLUTION

Pollution has been found to be present widely in the environment. There are a number of effects of this:
1) Bio magnifications describe situations where toxins (such as heavy metals) may pass through trophic levels, becoming exponentially more concentrated in the process.
2) Carbon dioxide emissions cause ocean acidification, the on-going decrease in the pH of the Earth’s oceans as CO2 becomes dissolved.
3) The emission of greenhouse gases leads to global warming which affects ecosystems in many ways.
4) Invasive species can out compete native species and reduce biodiversity. Invasive plants can contribute debris and bimolecular (allelopathy) that can alter soil and chemical compositions of an environment, often reducing native species competitiveness.
5) Nitrogen oxides are removed from the air by rain and fertilize land which can change the species composition of ecosystems.
6) Smog and haze can reduce the amount of sunlight received by plants to carry out photosynthesis and leads to the production of tropospheric ozone which damages plants.
7) Soil can become infertile and unsuitable for plants. This will affect other organisms in the food web.
8) Sulphur dioxide and nitrogen oxides can cause acid rain which lowers the pH value of soil.

It is estimated that the country’s population will increase to about 1.26 billion by the year 2016. The projected population indicates that India will be the first most populous country in the world and China will be ranking second in the year 2050. India having 18% of the world’s population on 2.4% of world’s total area has greatly increased the pressure on its natural resources. Water shortages, soil exhaustion and erosion, deforestation, air and water pollution afflicts many areas. India’s water supply and sanitation issues are related to many environmental issues. Environmental degradation seriously threatens economic and social progress even at the global level. Increasing craze for mega cities and high tower buildings without considering the width of the roads and parking areas have been causing further congestion and damages to the environment thereby degrading the environment much faster than economic growth.

Environment and economic growth are complimentary for developing countries and competitive for developed countries. Hence environmental protection has become a continuous crisis of the nation. The complex growth of environmental pressures due to the rapid population growth, mush rooming growth of industrialization and the unprecedented rate of urbanization insists upon the urgent need to pursue economic development at any cost. As sustainable development is the need of the hour, which is possible only by promoting awareness about the need to protect environment the Government has taken several initiatives.

UNITED NATIONS CONFERENCE ON THE HUMAN ENVIRONMENT

The United Nations Conference on the Human Environment was held in Stockholm, Sweden from June 5 – 16, 1972. The meeting agreed upon a Declaration containing 26 principles concerning the environment and development; an Action Plan with 109 recommendations, and a Resolution. Principles of the Stockholm Declaration:

1) Human rights must be asserted, apartheid and colonialism condemned
2) Natural resources must be safeguarded
3) The Earth’s capacity to produce renewable resources must be maintained
4) Wildlife must be safeguarded
5) Non-renewable resources must be shared and not exhausted
6) Pollution must not exceed the environment’s capacity to clean itself
7) Damaging oceanic pollution must be prevented
8) Development is needed to improve the environment
9) Developing countries therefore need assistance
10) Developing countries need reasonable prices for exports to carry out environmental management
11) Environment policy must not hamper development
12) Developing countries need money to develop environmental safeguards
13) Integrated development planning is needed
14) Rational planning should resolve conflicts between environment and development
15) Human settlements must be planned to eliminate environmental problems
16) Governments should plan their own appropriate population policies
17) National institutions must plan development of states’ natural resources
18) Science and technology must be used to improve the environment
19) Environmental education is essential
20) Environmental research must be promoted, particularly in developing countries
21) States may exploit their resources as they wish but must not endanger others
22) Compensation is due to states thus endangered
23) Each nation must establish its own standards
24) There must be cooperation on international issues
25) International organizations should help to improve the environment
26) Weapons of mass destruction must be eliminated

One of the seminal issues that emerged from the conference is the recognition for poverty alleviation for protecting the environment. The Indian Prime Minister Indira Gandhi in her seminal speech in the conference brought forward the connection between ecological management and poverty alleviation. Some argue that this conference, and more importantly the scientific conferences preceding it, had a real impact on the environmental policies of the European Community (that later became the European Union). For example, in 1973, the EU created the Environmental and Consumer Protection Directorate, and composed the first Environmental Action Program. Such increased interest and research collaboration arguably paved the way for further understanding of global warming, which has led to such agreements as the Kyoto Protocol and also this has given a foundation of modern environmentalism.

**THE ENVIRONMENT PROTECTION ACT 1986**

The concern over the state of environment has grown the world over since the sixties. The decline in environmental quality has been evidenced by increasing pollution, loss of vegetal power and biological diversity, excessive concentration of harmful chemicals in the ambient atmosphere and in food chains, growing risks of environmental accidents and threat to life support systems. From time to time various legislations relating to protection of environment from specific types of pollution have been passed by the Indian legislature. However, the Environment (Protection) Act [EPA], 1986 is the most comprehensive act on the Indian statute book relating to environment protection. It is a general legislation for the protection of environment. It was enacted under Article 253 of the Constitution. Passed in March 1986, it came into force on 19th November, 1986.

The world community’s resolve to protect and enhance the environment quality found expression in the decisions taken at the United Nations Conference on the Human Environment held in Stockholm in June 1972. The Government of India participated in the conference and strongly voiced the environmental concerns. While several measures had been taken for environmental protection, both before and after the conference, the need for general legislation further to implement the decision of
the Conference had become increasingly evident. Therefore the Environment (Protection) Act, 1986 was passed. The Constitution of India clearly states that it is the duty of the state to “protect and improve the environment and to safeguard the forests and wildlife of the country”.

The Department of Environment was established in India in 1980. This later became the Ministry of Environment and Forests in 1985. The EPA is an “umbrella” legislation designed to provide a framework for central government coordination of the activities of various central and state authorities established under previous laws, such as the Water Act and the Air Act. It was introduced after the Bhopal Gas Tragedy when Mr. Rajiv Gandhi was the Prime Minister of our country.

**Objectives of EPA:**
- Providing for the protection and improvement of the environment.
- Preventing environmental pollution in all its forms.
- To tackle specific environmental problems that are peculiar to different parts of the country.
- To co-ordinate the activities of the various regulatory agencies already in existence.
- To appoint environment officers to check environmental pollution.
- Establishing environmental laboratories.
- To protect the forests and wildlife in the country.

The EPA has 26 sections and it has been divided into four chapters relating to:

I. Preliminary
II. General Powers of the Central Government
III. Prevention, Control and Abatement of Environmental Pollution
IV. Miscellaneous

**Important Definitions:**
- **Environment:** It includes water, air and land and the inter-relationship which exists among and between water, air and land, and human beings, other living creatures, plants, micro-organism and property.
- **Environmental Pollutant:** It means any solid, liquid or gaseous substance present in such concentration as may be, or tend to be, injurious to environment.
- **Environmental Pollution:** It means the presence in the environment of any environmental pollutant.
- **Handling:** In relation to any substance, it means the manufacture, processing, treatment, package, storage, transportation, use, collection, destruction, conversion, offering for sale, transfer or the like of such substance.
- **Hazardous Substance:** It means any substance of preparation which, by reason of its chemical or physic-chemical properties or handling, is liable to cause harm to human beings, other living creatures, plant, micro-organism, property or the environment.
- **Occupier:** In relation to any factory or premises, it means a person who has, control over the affairs of the factory or the premises and includes in relation to any substance, the person in possession of the substance.
- **Prescribed:** It means prescribed by rules made under this act.

**General Powers of the Central Government:**

(1) Subject to the previous of this Act, the Central Government shall have power to take all such measures as it deems necessary or expedient for the purpose of protecting and improving the quality of the environment and preventing, controlling and abating environmental pollution.

(2) In particular and without prejudice to the generality of provision of subsection (1) such measures may include measures with respect to all or any of the following, matters namely:-

(i) Co-ordination of actions by the State Government, officer and other authorities-
(a) Under this Act, or rules made thereunder: or
(b) Under any other law for the time being in force which is reliable to the objects of this Act:

(ii) Planning and extension of nation-wide programme for the prevention, control and abatement of environmental pollution.

(iii) Laying down standards for the quality of environment in its various aspects.

(iv) Laying down standards for emission or discharge of environmental pollutants from various sources whatsoever: Provide that different standards for emission or discharge may be laid down under this clause from different sources having regard to quantity or composition of the emission or discharge of environmental pollutants from such sources.

(v) Restrictions of areas in which any industries, operations or process, or class of industries, operations or process shall not be carried out or shall be carried out subject to certain safeguards.

(vi) Laying down procedures safeguards for the prevention of accidents which may cause environmental pollution and remedial measures for such accidents.

(vii) Laying down procedures and safeguards for the handling of hazardous substances.

(viii) Examination of such manufacturing processes, material and substance as you likely to cause environmental pollution.

(ix) Carrying out and sponsoring investigations and research relating to problems of environmental pollution.

(x) Inspection of any premises, plants, equipment, machinery, manufacturing or other processes, materials or substances and giving by order, of such direction to such authorities’ officers and persons as it may consider necessary to take steps, for prevention, control and abatement of environmental pollution.

(xi) Establishment or recognition of environmental laboratories and institute to carry out functions entrusted to such environmental laboratories and institute under this Act.

(xii) Collection and dissemination of information in respect of matters relating to environmental pollution.

(xiii) Preparation of manual, codes or guide relating to the prevention control and abatement of environmental pollution.

(xiv) Such other matters as the Central Government deems necessary or expedient for the purpose of securing the effective implementation of the provisions of this Act.

(3) The Central Government may, if it consider it necessary or expedient so to do for the purposes of this Act, by the order, published in the official Gazette, constitute or authorities or authorities by such name as may be specified in the order for the purpose of exercising and performing such of the powers and functions (including the power to issue directions under the section 5 of The Central Government under this Act and for taking measure with respect to such of the matter referred to sub section (2) as may be mentioned in the order and subject to the supervision and control of the Central Government and the provisions of such order such authority or authorities may exercise the powers or perform the functions or take the measures so mentioned in order as if such authority or authorities had been expedient by this Act to exercise those powers perform those functions of take such measures.

Penalties:

- One of the objectives of EPA is to provide for deterrent punishment to those who endanger human environment, safety and health.
- Section 15 of the EPA provides that any person who fails to comply or contravenes any of the provisions of the Act, or the rules make or orders or directions issued under the act or rules, then for such failure or contravention, he shall be punishable:-
  a) With imprisonment for a term which may extend to 5 years,
  b) With fine which may extend to one lakh rupees,
  c) With both.
In case the failure or contravention continues after the conviction for first failure or contravention, an additional fine which may extend to Rs. Five thousand for every day can be imposed for a period during which failure or contravention continues.

If the failure or contravention continues beyond a period of one year after conviction, the offender shall be punishable with imprisonment for a term which may extend to seven years.

**Offences:**

- Section 16 of EPA incorporates the principle of “vicarious liability” of the person in charge, Director, Manager, Secretary or other officer, for the offence if committed by the company.
- When any offence is committed by the company then the company as well as the person directly in charge of and responsible for the conduct of the business of the company shall be deemed to be liable to punishment.
- However, the person in charge of responsible for the conduct of business of the company is no held liable if he proves:
  a) That the offence was committed without his knowledge,
  b) That he exercised all due diligence / care to prevent the commission of such offence.
- In Suo Motu vs Vatva Industries Association, it was held that the Pollution Control Board (PCB) and its officers are free and competent to take action against any person on violating any provisions of the environmental laws. They need not wait for any direction of the court for taking action under the law.

**Who can make the Complaint:**

A complaint under this act can be made by:

a) The Central Government or any other authority by that government or,

b) Any person who has given notice of not less than 60 days of the alleged offence and of his intention to make complaint to the Central Government or the authorized officer.

**CENTRAL POLLUTION CONTROL BOARD**

Central Pollution Control Board (CPCB) of India is a statutory organization under the Ministry of Environment and Forests (MoEF). It was established in 1974 under Water (Prevention and Control of Pollution) Act, 1974. CPCB is also entrusted with the powers and functions under the Air (Prevention and Control of Pollution) Act, 1981. It serves as a field formation and also provides technical services to the Ministry of Environment and Forests of the provisions of the Environment (Protection) Act, 1986. It co-ordinate the activities of the State Boards by providing technical assistance and guidance and resolve disputes among them. It is an apex organization in country in the field of pollution control, as technical wing of MoEF. The board is led by its Chairman, who is nominated by the Central Government. The current acting chairman is Shri Arun Kumar Mehta, IAS.

CPCB has its head office in New Delhi, with seven zonal offices and 5 laboratories. The board conducts environmental assessment and research. It is responsible for maintain national standards under a variety of environmental laws, in consultation with zonal offices, tribal, and local governments. It has monitoring the water and air quality and maintains respective quality data. The agency also works with industries and all levels of government in a wide variety of voluntary pollution prevention programs and energy conservation efforts. It advise the central government to prevent and control water and air pollution. It also advises the Governments of Union Territories about an industry or the pollution source causing water and air pollution. CPCB along with its counterparts State Pollution Control Boards (SPCBs) are responsible for implementation of legislations relating to prevention and control of environmental pollution. The board has approximately 500 full-time employees including engineers, scientists, and environmental protection specialists.
ISSUES INVOLVED IN ENFORCEMENT OF ENVIRONMENTAL LEGISLATION IN INDIA

The environmental issue in India looks gloomy despite so many Legislations and Acts. The rivers and lakes continue to be choked with industrial waste and sewage. The air in many cities of India is heavily polluted. Deforestation takes place quite normally. The protection of wildlife is not carried out in its true spirit, despite the enforcement of Acts. The people must be guided and helped to establish the trend of acceptance of preventing the environment as a whole, our health and Earth’s resources. The presence of legislation to protect the air, water, soil etc., doesn’t necessarily mean the problem is addressed. Once the legislation is made at the global, national or state level, it has to be implemented. For environmental legislation to be successfully implemented there has to be an effective agency to collect relevant data, process it and pass it on to a law enforcement agency. If the law or rule is broken by an individual or institution, this has to be punished through the legal process.

The Government of India constituted a Central Board for prevention and control of water pollution after the Water Act, 1974 was passed. Subsequently Air (Prevention and Control of Pollution) Act 1986 was passed. The Central Board for prevention and control of water pollution was entrusted to manage the affairs enumerated in Air Act, 1986 and Environment Act, 1986. Several other acts and rules were enacted. All the state governments also constituted pollution central boards in their respective states and accepted the central legislation in their respective legislative assemblies. Some of the pollution monitoring is carried out by other agencies, e.g., vehicular pollution is monitored by transport department. This is a real drawback because several agencies cannot control pollution. Environmental litigation is more expensive than other types of disputes, as it involves expert testimony and technical evidence central and state boards must be able to afford the expertise and the administrative backing.

So, efforts are made to share the costs of anti-pollution measures taken by the industry to avoid state sponsored expensive and lengthy legal battles. The laws enacted by the government should be made very stringent and harsh so that every citizen may not dare to play with the environment and instead he/she should protect it.

Three issues that are especially important for environmental legislation are:

1) **The precautionary principle:**
   This principle has evolved to deal with risks and uncertainties faced by environmental management. The principle implies that an ounce of prevention is worth a pound of cure it does not prevent problems but may reduce their occurrence and helps ensure contingency plans are made.

   The application of this principle requires either cautious progress until a development can be judged 'innocent', or avoiding development until research indicates exactly what the risks are, and then proceeding to minimize them. Once a threat is identified, action should be taken to prevent or control damage even if there is uncertainly, about whether the threat is real. Some environmental problems become impossible or costly to solve if there is delay, therefore waiting for research and legal proof is not costless.

2) **The polluter-pays principle:**
   In addition to, the obvious the polluter pays for the damaged caused by a development this principle also implies that a polluter pays for monitoring and policing. A problem with this approach is that fines may bankrupt small businesses, yet be low enough for a large company to write them off as an occasional overhead, which does little for pollution control.

   There is, thus, debate as to whether the principle should be retrospective. Developing nations are seeking to have developed countries pay more for carbon dioxide and other emissions controls, arguing that they polluted the global environment during the Industrial Revolution, yet enjoy the fruits of invention from the era. This principle, in fact, is more a way of allocating costs to the
polluter than a legal principle. This principle was adopted by OECD member countries in 1972, at least in theory.

3) **Freedom of information:**
Environmental planning and management is hindered if the public, NGOs or even official bodies are unable to get information. Many countries have now begun to release more information, the USA has a Freedom of Information Act, and the European Union is moving in this direction. But still many governors and multinational corporations fear that industrial secrets will leak to competitors if there is too much disclosure, and there are situations where authorities declare strategic needs and suspend disclosure.

**CONCLUSION**

The principle of sustainable development must be recognized and emphasis on Environmental Impact Assessment is needed. India being developing country it concentrates on the socio-economic development but it must be in co-ordination with environmental upgradation. Though, the Environmental (Protection) Act is very ambitious and maintained different ingredients of the environment in India, environment protection has been dominated more by socio-economic constraints and the priority of development. Therefore, sometimes with several compromises, the objective lost which has resulted in the failure of legislative mission.

The rapid growing population and economic development is leading to a number of environmental issues in India because of the uncontrolled growth of urbanization and industrialization, expansion and massive intensification of agriculture, and the destruction of forests. Major environmental issues are 384 Forest and Agricultural land degradation, Resource depletion (water, mineral, forest, sand, rocks etc.) Environmental degradation, Public Health, Loss of Biodiversity, Loss of resilience in ecosystems, Livelihood Security for the Poor.

The powers vested to the Pollution Control Boards are not enough to prevent pollution. The Boards do not have power to punish the violators but can launch prosecution against them in the Courts which ultimately defeat the purpose and object of the Environmental Laws due to long delays in deciding the cases. Thus, it is imperatively necessary to give more powers to the Boards.

There is a multiplicity of environment pollution control standards for the same type of industries. However, under the Environment (Protection) Act, 1986 now the power has been conferred upon the Central Government for laying down the standards for the quality of air, water and soil. It is hoped that this will ensure uniformity of standards throughout the country.

What we need is social awareness from below, not laws from the above. No law works out smoothly unless the interaction is voluntary. In order to educate people about the environmental issues, there should be exhibition of slides in the regional languages at cinema houses and television free of cost. Further, as directed by the Supreme Court of India, Environment studies shall be made a compulsory subject at school and college levels in graded system so that there should be general growth of awareness.

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ABSTRACT

Financial Service market is to be considered as one of the growth engine of the economy. There are variety of the products and services offered by the financial market which can ease the business activity and help them to enhance the business process as it provides liquidity and variety of investment tools that can be used for the establishment of new business unit and also reengineering the existing business activity by the various financial instruments and services.

Background of the Research:-

Concept of Financial Inclusion picked a tremendous pace now a days after several initiatives by the government. It’s the opportunity for the financial market to enhance the reach and growth of the current market structure as financial inclusion concept adopted rapidly.

Purpose & Research Design:-

This paper aims to check the reach of the financial service market by the concept of financial inclusion. This study analysed various aspects of financial services and financial inclusion. It checks the financial inclusion impact on the financial service market. Study targeted 100 samples from the different Rural region of the Gujarat to analyse the impact of the financial inclusion and mainly it follows the descriptive design because it analyse the various parameters like adoption rate before and after financial inclusion adoption and awareness & variety of the factor that can affect the financial Service Market Growth and Development

Social implications

Study depicts several factors which can be useful to be considered to enhance the reach of the various financial products to the Semi Urban and Rural Areas of the Gujarat. Ultimately it will be dominated to the Growth and development of the Financial Service market

Scope of the Research:-

As we know that maximum population of India stays in the rural and semi urban areas this study analyses the financial service adoption on the bases of financial inclusion concepts and check the impact of financial inclusion on the financial service market in the rural areas.

Keywords: Financial Inclusion, Financial Service Market, Market Growth and Development, Rural Region
INTRODUCTION

Financial inclusion (or inclusive financing) is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion, where those services are not available or affordable. Today, the proportion of rural residents who lack access to bank accounts remains at around 40% only. The rest 60% are still deprived of bare minimum banking services for which they are totally dependent on informal banking sources like private money lenders. The United Nations defines the goals of financial Access for all households to a full range of financial services, including savings or deposit services, payment and transfer services, and credit and insurance, at a reasonable cost. “Financial inclusion is no longer a fringe subject. It is now recognized as an important part of the mainstream thinking on economic development based on country leadership.” The Global Findex indicators are drained from investigation data collected over the 2011 calendar year, which is having the coverage more than 150,000 adults in 148 countries that represent around 97 percent of the world’s population. The investigation was carried by Gallup, Inc., in association with its annual Gallup World Poll. The Gallup World Poll has already been used in previous academic studies, mostly to study social well-being and social capital. For example, Angus Deaton (2008) used Gallup World Poll questions on life and health satisfaction and looks at the relationships with age, national income, and life expectancy. Gallup World Poll questions have also been used by Betsey Stevenson and Justin Wolfers (2008) and Daniel Sacks, Stevenson, and Wolfers (2010) as part of their research to analyse relationships between subjective well-being and income; by Bianca Clausen, Aart Kraay, and Zsolt Nyiri (2011) to analyse the relationship between confidence in public institutions and corruption; by Demirgüç-Kunt and others (2013) to study changes in trust in banks in the wake of the global financial crisis; and by Stevenson and Wolfers (2011) to examine trust in institutions over the business cycle.

Theoretical Framework of Financial Inclusion:-

The creditable move by the new government of India in the direction of every citizen of the nation being a part of the banking system has grab the tremendous pace and made financial inclusion a significant objective for the nation. In the budget speech for 2014-15, The Finance Minister placed specific set of targets to provide for financial accounts to every household by August 2015. This motivated target set the tone as well as highlighted the significance of attaining it within an indicated timeframe. Taking the drive further, the Prime Minister announced the Pradhan Mantri Jan-Dhan Yojana (PMJDY) in his maiden Independence Day speech, with an aim of opening no-frills bank accounts. The PMJDY was launched instantaneously after this announcement on August 28. On the inauguration day itself, 1.5 crore bank accounts were opened. Within three months, the figure grown to 7.5 crore across India. This must be recognized as a remarkable achievement of the Indian history. It shows the strong pillars of the financial inclusion adoption by the people of the nation. The major steps towards achieving of financial inclusion in India comprises of three phases, namely: Phase I (1960-1980): Social control of Banks (1960), Nationalization of Banks (1969), Lead Bank Scheme (1969), setting up of Regional Rural Banks (RRBs) (1975) and Priority Sector lending stipulation by RBI (1972); Phase II (1980-2005): Integrated Rural Development programme promoted by Government of India, Microfinance programme and Bank linkage facilitated by NABARD; Phase III (2005 onwards): Development of Micro Finance Institutions (MFIs) and including Financial Inclusion in a “MISSION” mode. Today, there is a national as well as global focus on inclusive growth. Financial inclusion has been one of the top priorities of the reserve bank during the recent years. The banking industry has shown tremendous growth in volume and complexity Strong and robust financial institutions are the pillars of economic growth, development and prosperity of modern economies. Financial Inclusion includes; NFA -No frills bank account; OFIs-Other financial Institutions; MFI -Micro financial Institutions; IT–Information Technology. Therefore, financial inclusion desirable for equal opportunities to all section of people in country, inclusive growth, economic development, social development and business opportunity.
Financial Service Market – The Indian Story

Financial Service Sector is an integral part of the Indian economy. It comprehend financial intermediation offered by financial services firms including: investment firms, credit institutions, insurance and pension funding firms, leasing enterprises, and other ancillary services such as security broking, the financial markets administration, and fund management. The financial service sector generally refers to the retail, wholesale, formal and informal institutions in an economy offering financial services to consumers, businesses and other financial institutions (DFID, 2004). The forces of deregulation, advancing technology and general trend towards Globalization have vastly increased the competitive pressures within the financial Services market that has in turn affected both the structure and operation of financial service providing firms like banks. The Growth of financial services that can be accessed by the public can increase income growth; thereby, reducing the direct impact of poverty (Jalilian and Kirkpatrick, 2001; DFID, 2004). Financial Service Sector has witnessed substantial changes over the last few spans. The changes due to the interplay of some factors including: technological development, financial sector reform, consolidation, changing roles of financial services providers, internationalization of financial services, and competition and outsourcing (WTO, 2012). Financial services market firms operate in complex, dynamic, competitive and global markets. Subsequently, the risks accompanying with Financial Service Sector operations should be effectually managed. Risks associated with financial services operations can be effectively managed through derivatives. Moreover, derivatives are the vital part of the corporate risk management system among the world’s leading companies (Yılmaz and Kurun, 2011). A recent development in developing nations specifically is banking through networks of agents, where say retail chains with large network of stores serve as correspondent agents for banks (examples include Bolivia, Brazil, Colombia, India, Mexico, Pakistan, Peru, and South Africa: see further Mas and Siedek, 2008). This links competition in the retail sector with that in the financial sector. Also, two-sided networks effects exist in payment cards markets, since larger point-of-sale (POS) networks are more valuable to both cardholders and merchants. This leads to complex measurement issues, for which the credit card industries provide an interesting example (See Pindyck 2007). In India since 1992, technological updation, deregulation, and cutthroat competition fostered more variations in the banking industry than it has experienced in its entire history. Precisely because of competition, providing financial services requires an excellent marketing orientation.

REVIEW OF LITERATURE

Singh et al. (November 2014), studied the resources such as Mobile phones, Banking Technologies, India Post Office, Fair Price Shops and Business Correspondents (BCs) found that preference should be given to physical branch and change in methods of financial literacy from distributing printed literature to audio and visual media. They have also suggested that there is a need of complete revamping of Business Correspondent Model and for extending banking network more tie – up with post offices network and fair price shops etc. (Naveen Kolloju, January 2014) outlined Promoting financial Inclusion through Business Correspondent Model, it also points out the various operational challenges and suggested that the BCs need to create awareness on easy accessing and optimum utilization of various financial services, providing appropriate training of BCs. Strong need to become customer centric delivers high quality demand-driven. (Dr. M.M. Gandhi, 2013) stressed upon the need of matured, positive attitude and approach and sound strategy to achieve complete financial inclusion, highlights the issues and challenges in financial inclusion, (Dr. Atul Bansal, 2012) also outlines various business models and the essential elements of profitable models for financial inclusion. The novel features of Profitable models include: Offering a clear customer proposition and customized bouquet of products; Transaction-driven pay-per-use features; Scalable business model with simple, user-friendly low-cost technologies; Collaborate with local agents and for-profit companies; Need to penetrate in informal sector; Subsidiary model to drive down costs, boosting financial literacy in rural poor and Ride on government payments etc. it also suggested that bank should deploy new technologies and create financially viable models to take forward the process of financial inclusion in an effective manner thus can avail benefits like low transaction cost banks and stable source of funds,
helping them improve their asset liability management (ALM). (Gupta and Singh, 2013) tries to assess the correlation between the Usage Dimension of Financial Inclusion Index (Banking Penetration, Availability of Banking Services & Usage of Banking Services) and literacy level in India. They highlights Information Communication Technology as a financial inclusion model viz. Biometric ATM, Mobile Based Payment System, Smart Card (Business Correspondent), Tele centres, to be used in rural areas. They also concluded that financial inclusion is not mainly due to lower literacy rate for instance, the state of Kerala has a very low value of the usage dimension of Financial Inclusion despite highest literacy rate, while Karnataka comparatively has a higher value of usage dimension in relation to the literacy level but because of socio-cultural diversity. Further the government should emphasis on the behavioural factors rather than considering an improvement in literacy rate as a major determinant. (Kumar and Balasubramanian, 2014) studies the Economics of the Business Correspondent Model. The study involved extensive surveys using the questionnaire method in Tamil Nadu. It also points out the Business correspondent model, standalone model and customer pay model. The authors find that among the two predominant models prevailing in Tamil Nadu—the corporate agent model (where the banks appoint a corporate agent who in turn appoints a BC) and the standalone model (where the banks directly appoint a BC)—the standalone model seems to be economically more viable prima facie. They find that a number of factors contribute to the success of a BC such as the selection of a BC by a bank, proximity of the BC to the bank branch; a village with significant population that can be potentially tapped; reliable working of technology instruments; and transparency regarding remuneration of BCs. (Singh & Tandon), show the overview of India financial, it refers the disparity between people by ways of financial inclusion through financial inclusion models and highlights the measures taken by the government of India and RBI for promoting financial Inclusion and Micro finance as tool to increase financial inclusion. The researcher have used data from the primary and secondary sources, factors affecting financial services i.e. Gender Issues, Age Factor, Legal Identity, Limited Literacy, place of living, psychological & cultural barriers, bank charges, terms & conditions, level of income, type of occupation, attractiveness of product. They suggest that banks needs to redesign their business strategies to incorporate the specific plans to promote financial Inclusion of low income groups treating it both a business opportunity as well as a corporate social responsibility. (K. Hema Divya, June 2013) studied the A Study on Impact of Financial Inclusion with Reference To Daily Wage Earners at Tenali Town, Andhra Pradesh with an objective to find out whether the financial services were reaching the low income groups or not. A survey of 210 daily wage earners was carried out and it was found that 70% of them have knowledge of financial inclusion. Daily wage earners who earns rupees 300-399 was more interested in utilizing financial inclusion services, then rupees 200-299, <199 and >400 earners. The researcher suggested that Local bank should provide services at door step, Smart card facility in any ATM, Separate counter at bank for providing financial inclusion services, and Conducting awareness programmes in various industrial areas to increase the utilization of financial inclusion services.(Ravi & Gakhar, 2015), Studied Advancing Financial Inclusion in India beyond the Jan-Dhan Yojana and list out that there is a need to include more financial services in the portfolio of national financial inclusion strategies to account for the needs of Poor segment. They emphasized that Innovation in savings instruments should be designed for specific needs of the poor; Indigenous institutions of financial inclusion viz post office and registered chit funds; Extend effort to pilot innovative insurance products and scale up successful insurance instruments & Technology to bring down operating cost. (Lokho & Saurav, 2013) Studied the Factors Affecting Access to Financial Services in North East India and classify the factors into geographical factors, economics factors, policy issues, law and order and the socio - cultural factors. They suggested that in order to achieve the financial inclusion there is a need of providing more 'brick mortar branches' in the remote areas; opening more accounts and installing of ATM are the primary initiatives; development of MSME sector mainly based on agro based product; Networking is required wherein the industrialist, the NRI , the government and the civil society come on the common platform and go for massive investment and there is need is to synchronize efforts in dealing with demand side and supply side constraint with due consideration to the distinct features of the region. (Dr. Anirban Ghatak, 2013) studied the “Demand Side Factors Affecting Financial Inclusion”, with an main aim to identify the various demand side factors of financial inclusion and to build a model for the same by choosing a sample size of 500, found that several factors the most important factors influencing the demand for financial inclusion are Accessibility, Culture, Assets, Literacy and Income. The researcher suggested that for Accessibility - opening more banks,
ATMs in rural areas and expanding mobile banking and Business correspondent model. As the Culture factors are deep rooted and cannot be changed instantly, so the change must be made gradually through awareness programs conducted in the rural areas. To increase the literacy levels awareness among the younger generation about the several benefits of being financially included and hence will motivate them to be financially included. Higher income levels will increase the savings which will motivate them to invest their savings in a safe and productive asset. This will automatically improve financial inclusion and lastly the assets possessed by the individual are more there are more chances for being financially included. Hence the formation of assets should be encouraged among the individuals.

From the above literature it has been clearly revealed that quicker adoption of the financial inclusion cause to the adoption of the variety of financial services and leads to growth and development of the financial service market. The following objectives have been carried for the study

**Objectives of the Study:**
- Main aim of the study is to analyse the growth of financial service market as an effect of financial inclusion
  Apart from the main objective study also concludes the several other aspects which represent the scope of business opportunity for the financial service market like
- Adoption level of financial services in the Rural and Semi urban region of the Gujarat
- Various factor that leads to change the behaviour towards financial services offered in the market
- Identifying important attributes of financial services market which develops customer’s attitude towards it.

**Research Methodology:**
This study carried on the financial service adoption and growth opportunity as the adoption of the financial inclusion concept in Gujarat to know the factors that a typical rural person have in mind when making an investment decision towards any financial service. Also it reveals the several aspects on which an investor put the greater emphasis while availing such financial services.

**Research Design:** Study Identifying important attributes of financial services market which construct customer’s attitude towards financial service market. Moreover, it will also define several key factors on the basis of the behaviour of the factors, so it’s an exploratory descriptive in nature

**Data Collection:**
- **Primary Data** – Primary data have been collected through the close ended structured questionnaire from different rural and semi urban areas of Gujarat
- **Secondary Data** – Secondary data have been collected through the different sources like Websites, newspapers, magazines, articles and other published researches.

**Research Approach:** For the purpose of the primary data respondents approached personally and collected information through the questionnaire. So Survey approach followed for this study.

**Population:** People from the rural areas who have recently opened bank accounts under financial inclusion concept implementation from the government of Gujarat

**Sampling:**
- Sampling Unit :- People from the Rural and Semi urban area
- Sample Size: 105 Respondents
- Sampling area: Rural & Semi Urban areas of Gujarat
Sampling Technique: Convenience sampling: As sampling elements chosen on the basis of reference and conveniences.

DATA ANALYSIS

<table>
<thead>
<tr>
<th>Table 1: Key analysis of respondent’s personal and demographic profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Profession</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Age Group (In Years)</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Class of Family</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Annual Income</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>No. of Family Members</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Saving Rate</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Where do you Save before a Year</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Account Holding Before Two Year</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>No.of Saving Bank A/c. Holding</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>No Frill Account</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
<tr>
<td>Awareness of financial Services through</td>
</tr>
<tr>
<td>Respondents</td>
</tr>
</tbody>
</table>

Above primary data analysis shows the Reponses which reflect that majority participant having association with the Farming as a profession which is approx. (54%) of the total respondents. majority financial service market participant falling in the age group of 26-35 years which is around (49%). study further analysed that lower middle income group of people highly dominating to the financial service market which comes to (42%). And the people majorities utilizing the financial services are in the income group of 3 Lac-5 Lac which is around (37%). Before a year the scenario in the financial market was different as in the survey the status of the bank account holding asked before 2 year it has come to notice that (53%) of the respondents didn’t have the bank account in those days and they people majority use to do self-saving (32%) of money by possessing the money with themselves. And rest of the respondents saves with the local funding agencies (30%) which can help them in the need time. But the scenario drastically change during the period of two years where all the people of the Rural areas having their bank accounts as a part of the financial inclusion concept and they have started creating awareness about various financial services whereas study shows (35%) people got the help of financial advisory services and (27%) people created awareness through the broking firms. (44%) respondents having the
Saving rate between 15-20% which is remarkable for the point of view of financial service market and out of total respondents (62%) presently holding no frills accounts.

**Factor Analysis of Key Attribute which creates an attitude towards Financial Service**

Before going for the factor analysis it is vital to know the strength of the relationship among variables. **Kaiser-Meyer-Olkin (KMO) and Bartlett's Test** measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed.

**Table 2**: KMO and Barrett's test result

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</th>
<th>0.792</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td>60.62</td>
</tr>
<tr>
<td>Df</td>
<td>55</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.028</td>
</tr>
</tbody>
</table>

The stated Kaiser-Meyer-Olkin (KMO) test statistics represent the strength of the association among variables and sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Value of the test arrives at 0.792 which is greater than the 0.5 which is adequate for the further processing. And represent that there is an association amongst the variables and can proceed further for the factor analysis

**Bartlett's Test:**

Bartlett's test is another indication of the strength of the relationship among variables. This tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is a square matrix in which all of the diagonal elements are 1 and all off diagonal elements are 0. From the same table, Bartlett's test of sphericity is significant. That is, its associated probability is less than 0.05. In fact, calculated value shows 0.028 which is less than 0.05, i.e. the significance level is small enough to reject the null hypothesis. This means that correlation matrix is not an identity matrix.

The stated table represents the **Communalities**, which explains the relation between the variables, from the communalities it can be represent that is a significant relation between the factors

**Table 4**: Total Variance explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>2</td>
<td>1.388</td>
<td>12.615</td>
<td>27.06</td>
</tr>
<tr>
<td>4</td>
<td>1.164</td>
<td>10.581</td>
<td>49.735</td>
</tr>
<tr>
<td>6</td>
<td>0.941</td>
<td>8.559</td>
<td>68.283</td>
</tr>
<tr>
<td>7</td>
<td>0.846</td>
<td>7.693</td>
<td>75.976</td>
</tr>
<tr>
<td>8</td>
<td>0.78</td>
<td>7.092</td>
<td>83.068</td>
</tr>
<tr>
<td>9</td>
<td>0.714</td>
<td>6.49</td>
<td>89.558</td>
</tr>
<tr>
<td>10</td>
<td>0.631</td>
<td>5.732</td>
<td>95.29</td>
</tr>
<tr>
<td>11</td>
<td>0.518</td>
<td>4.71</td>
<td>100</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

---

**Table 3**: Communalities

<table>
<thead>
<tr>
<th></th>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability &amp; Credibility</td>
<td>1</td>
<td>0.537</td>
</tr>
<tr>
<td>Security of deposits</td>
<td>1</td>
<td>0.678</td>
</tr>
<tr>
<td>Information and financial advisory</td>
<td>1</td>
<td>0.691</td>
</tr>
<tr>
<td>Smooth services</td>
<td>1</td>
<td>0.582</td>
</tr>
<tr>
<td>Complaints handling</td>
<td>1</td>
<td>0.471</td>
</tr>
<tr>
<td>Minimum degree of complexity</td>
<td>1</td>
<td>0.523</td>
</tr>
<tr>
<td>Minimal service charge</td>
<td>1</td>
<td>0.808</td>
</tr>
<tr>
<td>Trustworthyness</td>
<td>1</td>
<td>0.671</td>
</tr>
<tr>
<td>Helping Attitudes of Employees</td>
<td>1</td>
<td>0.449</td>
</tr>
<tr>
<td>Individual attention</td>
<td>1</td>
<td>0.596</td>
</tr>
<tr>
<td>Convinent to Reach</td>
<td>1</td>
<td>0.562</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
The above table shows the total variance explained by the factors here from the above table. It can be clearly interpreted that there are 5 factors which can explain the variation and extracted further, so it has been clear that an attitude towards Financial Service has been majority explained by these 5 factors. 

**Graph 1 Factor plotting in Rotated space**

Plot for the rotated space shows the association between the factors which can represent the closeness of the factor which explains the variation so here it has been observed that there are 5 factors which are having the highest loading in explaining the attitude towards financial services.

**Table 5: Component score coefficient matrix**

<table>
<thead>
<tr>
<th>Component Score Coefficient Matrix</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Reliability &amp; Credibility</td>
<td>.474</td>
</tr>
<tr>
<td>Security of deposits</td>
<td>.142</td>
</tr>
<tr>
<td>Information and financial advisory</td>
<td>.136</td>
</tr>
<tr>
<td>Smooth services</td>
<td>.513</td>
</tr>
<tr>
<td>Complaints handling</td>
<td>.010</td>
</tr>
<tr>
<td>Minimum degree of complexity</td>
<td>-.134</td>
</tr>
<tr>
<td>minimal service charge</td>
<td>-.142</td>
</tr>
<tr>
<td>Trustworthyness</td>
<td>-.028</td>
</tr>
<tr>
<td>Helping Attitudes of Employees</td>
<td>-.305</td>
</tr>
<tr>
<td>Individual attention</td>
<td>.136</td>
</tr>
<tr>
<td>Convienent to Reach</td>
<td>.132</td>
</tr>
</tbody>
</table>

**Component 1**: Reliability & Credibility, Security of deposits, Information and financial advisory, Smooth services, Complaints handling, Minimum degree of complexity

**Component 2**: Reliability & Credibility, Security of deposits, Information and financial advisory, Smooth services, Complaints handling, Minimal degree of complexity

**Component 3**: Reliability & Credibility, Security of deposits, Information and financial advisory, Smooth services, Complaints handling, Minimal degree of complexity

**Component 4**: Reliability & Credibility, Security of deposits, Information and financial advisory, Smooth services, Complaints handling, Minimal degree of complexity

**Component 5**: Reliability & Credibility, Security of deposits, Information and financial advisory, Smooth services, Complaints handling, Minimal degree of complexity

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Component Scores.

The Table 5 of Component Score Coefficient Matrix shows the factor loading on the 5 components. It means that out of 11 attributes there are 5 key attributes having a greater contribution in the construction of the attitude towards the financial services. Which are highlighted in the above table e.g. Looking at the table above, It can be observed that **Minimal Service Charges** are substantially loaded on **Factor (Component) 3** having highest loading 0.708 while **Trustworthyness** are substantially loaded on **Factor (Component) 4**. And Sources of Information and Financial Advisory loaded on **Factor (Component) 2** and so on. These 5 factors explain the variation in the attitude towards the financial services. These factors can be used as variables for further analysis.
Chi Square Test

To know the Effect of Financial Inclusion on the Attitude towards Financial Services:

\[ H_0: \text{Attitude towards Financial Services independent to the Financial Inclusion Effect} \]
\[ H_1: \text{Attitude towards Financial Services dependent to the Financial Inclusion Effect} \]

Table 6: cross tabulation of financial inclusion effect and attitude towards fin services

<table>
<thead>
<tr>
<th>Attitude Towards Financial services</th>
<th>Financial Inclusion Effect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Positive</td>
<td>45</td>
<td>21</td>
</tr>
<tr>
<td>Positive</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Nutral</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>31</td>
</tr>
</tbody>
</table>

From the above table it has been observed the calculated chi Square value which is 0.032 which is lesser than the 0.05 so can be concluded that the Attitude towards the financial services can be explained by the financial inclusion effect in this case. So alternate hypotheses accepted that attitude towards financial services dependent to the financial inclusion effect.

Reliability Stat:

Table 8: Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.738</td>
<td>20</td>
</tr>
</tbody>
</table>

As the calculated statistics of Reliability shows the Cronbach's Alpha value 0.738, which is greater than 0.6. Which means that scale used to collect the data is reliable and data accuracy have been maintained during the collection of data from the Respondents. And this also indicates that data is reliable for the further study as the calculated reliability value apprx.73.8% which is good for the further analysis of the data.

CONCLUSION

As there are so many parameters that can justify the growth and development of the financial service market. So on the bases of several variables this study tested in the rural region of the Gujarat to check the influence of the financial inclusion concept. Here on the bases of the study some fact have been observed which can opens the door for the expanding reach of the financial service market like it has come to notice that (53%) of the respondents didn’t have the bank account in those days and they people majority use to do self-saving (32%) of money by possessing the money with themselves. and present scenario represent that every respondents having at least one bank account. Majority respondents having the saving rate between 15-20% which is remarkable for the view point of financial service market opportunity and can target those untouched population with the help of the financial literacy programmes and promotion by the various sources.

Factor analysis of the several key attributes comes to notice with several key factors like Information and financial advisory, smooth services by the Financial Institution, Satisfactory Complaint handling, minimal service charges, and Trustworthyness which can enhance the reach of the financial service market. And if the financial institution put greater emphasis on these key attributes then there should be a growth in the market participants of financial services.
As this research aims to highlight the majority population of Gujarat which resides in the rural areas, which needs to be penetrated by creating awareness programmes and financial education to enhance the reach of the various financial services and removes the negative perception towards the financial market.

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Segment – II
Chapters on
Contemporary Issues
FINANCIAL INCLUSION AND BUSINESS DEVELOPMENT IN INDIA

DR. SHAILESH N. RANSARIYA
Head, Department of Commerce & Accountancy
S.S.P. Jain Arts and Commerce College
Dhrangadhra – 363310, Gujarat (India)
Email: snransariya@yahoo.com

DR. SANJAY J. BHAYANI
Prof. & Head, Department of Business Management
Saurashtra University
Rajkot – 360005, Gujarat (India)
Email: snjaybhayani@yahoo.com

ABSTRACT

The financial inclusion emphasizes on conversion of unbanked area into banked one. Having a bank account does not mean financial inclusion. Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all section of society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost and in a fair and transparent manner by regulated mainstream institutional players. Financial inclusion plays a major role in driving away the poverty from the country. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. The main focus of financial inclusion in India is to promote sustainable development and generating employment in rural areas for the rural population. Financial inclusion is a critical for achieving inclusive growth in the country. Ease for business shall enable innovation in indigenous technologies, and out of the way solutions to problems. Banking sector is the live example of use of technologies in Business. The core objective of the present study is to analyse the role of public sector banks towards financial inclusion in India. The other objectives of this study are to discuss about the conceptual aspects of financial inclusion; highlight the measures taken by Reserve Bank of India for promoting financial inclusion. The relevant data for this study has been collected with the help of from various Research journals, Articles, reports of RBI, reports of NABARD and web sites of top five public sector banks. We have used trend analysis tool to find the rate of growth of per year in financial inclusion.

Key Words: Financial Inclusion, Public Sector Banks, Trend Analysis, Business Development

INTRODUCTION

The relative importance of 'Ease of doing business' is based on the importance of business. We can think of a thousand general reasons why business/entrepreneurship is good for the economy. They provide jobs, currently a challenge for our populous country, they generate revenue for government, and they also trigger a virtuous cycle of skilled population and financial inclusion. Ease for business shall enable innovation in indigenous technologies, and out of the way solutions to problems. Also, such entrepreneurial interventions are necessary to bridge institutional gaps. So not only they will reduce the burden of the government, but also complement its services.

Financial Inclusion is considered to be the core objective of many developing nations since from last decade as many research findings correlate the direct link between the financial exclusion and the poverty prevailing in developing nations. According to World Bank report “Financial inclusion, or broad access to financial services, is defined as an absence of price or non-price barriers in the use of financial services.” The term Financial Inclusion needs to be interpreted in a relative dimension. Depending on the stage of development, the degree of Financial Inclusion differs among countries. It has been surprising fact that India ranks second in the world in terms of financially excluded households after China. For the inclusive growth process of economy the central bank has also provided high importance to the financial inclusion.

Normally the weaker sections of the society are completely ignored by the formal financial institutions in the race of making chunks of profits or the complexities involved in providing finance to the weaker section. Financial inclusion or inclusive financing is the delivery of financial services, at affordable
costs, to sections of disadvantaged and low income segments of society. There have been many formidable challenges in financial inclusion area such as bringing the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to improvised the financial economic growth. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination is the prime objective of this public policy. Thus the term Financial Inclusion can be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

WHAT DOING BUSINESS COVERS

Doing Business captures several important dimensions of the regulatory environment as they apply to local firms. It provides quantitative measures of regulations for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also looks at regulations on employing workers.

The foundation of Doing Business is the notion that economic activity, particularly private sector development, benefits from clear and coherent rules: Rules that set out and clarify property rights and facilitate the resolution of disputes. And rules that enhance the predictability of economic interactions and provide contractual partners with essential protections against arbitrariness and abuse. Where such rules are reasonably efficient in design, are transparent and accessible to those for whom they are intended and can be implemented at a reasonable cost, they are much more effective in shaping the incentives of economic agents in ways that promote growth and development. The quality of the rules also has a crucial bearing on how societies distribute the benefits and bear the costs of development strategies and policies.

OBJECTIVES OF THE STUDY

The main objectives of the study are:
- To discuss about the conceptual aspects of ease of doing business and financial inclusion
- To analyse the Indian banking system in present competitive era
- To explain the global experience of financial inclusion
- To highlight the measures taken by RBI for promoting financial inclusion
- To evaluate the role of Indian Public Sector Banks in Financial Inclusion

LITERATURE REVIEW

- The World Bank’s Good Practices in Doing Business, for starting a business, the World Bank recommends the following: reducing or eliminating the capital requirement; creating a single interface; using technology to make registering more efficient; and easing access to forms and fee schedules. The minimum capital requirement was originally implemented to protect creditors and investors, but the common practice today is the required capital is immediately withdrawn upon registration, so it practically has little use; while creating a single interface would speed up the registration process. The countries in the World Bank Doing Business survey with one-stop shop are twice faster in registering a business compared to those without one. Meanwhile, the need to use technology is more pronounced in developing countries – about 80 percent of developed economies allow electronic registration versus only 30 percent for low-income nations.

- Aghion et al (2007) analysed firm data from 16 developed and developing countries and concluded that access to credit is the most important determinant of entry for small firms and for firms in credit-dependent sectors for the study of Ease of Doing Business. It also contributes to firm expansion if they survive, although the authors found no association between access to finance and entry of large firms.
Mandira Sarma, Jesim Pais, (September 2008) Financial inclusion and Development: Across country Analysis” they find out that level of human development and that of financial inclusion are strongly positively correlated, income as measured by per capita GDP is an important factor in explaining the level of financial inclusion in a country. They find that income inequality, adult literacy and urbanization are also important factors.

Massey, 2010 said that, role of financial institutions in a developing country is crucial in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further improved by the pro-activeness on the part of capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in development of financial inclusion.

Prof. N.S Rao, Mrs. Harshita Bhatnagar, (September, 2012), Financial Inclusion: Issues and Prospects” they found out that that financial inclusion shows positive and beneficial changes because of intensity change and technology changes.

Josiah Aduda and Elizabbath Kalunda (November, 2012), “Financial Inclusion and Financial Sector Stability With Reference To Kenya: A Review of Literature” This paper studied that enhanced measures of financial inclusion which include both access and usage should be applied, since access and usage are not the same but supplementary. Informal financial services should also be included as they play a big role in developing countries.

Roy, 2012 studied the overview of financial inclusion in India. The study concluded that banks have set up their branches in the remote corner of the country. Rules and regulations have been simplified. The study also said that banking industry has shown tremendous growth in volume during last few decades.

V.Ganeshkumar (2013) noted that branch density in a state measures the opportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness, and hence intuitively it seems to be a key tool for financial inclusion. But the above observations imply that literacy alone cannot guarantee high level financial inclusion in a state. Branch density has significant impact on financial inclusion. It is not possible to achieve financial inclusion only by creating investment awareness, without significantly improving the investment opportunities in an India.

OBJECTIVES OF FINANCIAL INCLUSION

1. Financial Inclusion can help the society and the economy. Financial Inclusion has the ability to generate positive externalities: it leads to increase in savings, investment and thereby, spur the processes of economic growth.

2. It also provides a platform for inculcating the habit of saving money, especially amongst the lower income category that has been living under the constant shadow of financial duress, mainly because of absence of savings, which makes them a vulnerable lot.

3. Presence of banking services and products aims to provide a critical tool to inculcate the savings habit. It also creates avenues of formal credit to the unbanked population who are otherwise dependent on informal channels of credit like family, friends and moneylenders.

4. Availability of timely, adequate and transparent credit from formal banking channels will allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside. It will open the doors of formal remittance facilities to the low income and unbanked populace who, presently, are forced to use all kinds of informal and costly ways of sending money from one place to another.

5. Financial Inclusion has now been viewed as a remedy to plug gaps and leaks in distribution of government benefits and subsidies through direct benefit transfers to beneficiaries’ bank accounts rather than through subsidizing products and making cash payments.

6. Thus, on the whole, Financial Inclusion has the potential to bring in the unbanked masses into the formal banking system, channelize their savings, stoke their entrepreneurial ambitions by making available credit and thus give a fillip to the economy.
INDIAN BANKING SYSTEM

Indian banking system has emerged as a vibrant sector in the Indian economy. Strong regulatory mechanism, inherent strength in the economy, and progressive policy framework which supports, nurtures, and helps in growing the financial institutions. There has been amazing growth in profits in our banking industry over the last two decades. The banking sector index has grown at a compounded annual rate of 51% since the year 2001. Many of the private sector banks had significant exposure to global financial world. Due to the global exposure private banks were adversely affected during recession. Timely interventions by RBI made it easier for banks to overcome the adverse impacts of recession. Indian banking system remained resilient during the recession. It was due to conservative approach of banks, cost cutting measures, and following the guidelines of RBI. RBI reduced statutory liquidity ratio (SLR), cash reserve ratio (CRR), Repo rate, and Reverse repo rate to increase the money supply to ease the tight liquidity position. No single bank needed government bailout during recession. Private sector banks pioneered the use of technology to provide enhanced customer services. Anywhere and anytime banking became a reality. The widespread application of internet banking had made it possible to market financial products and services on a global basis. Despite the sound and robust banking system, there are certain challenges. Indian banking is too fragmented as compared to global standards. To compete globally Indian banks need to scale up the size of their operations. Initiatives for financial inclusion in India The broad strategy for financial inclusion in India in recent years comprises the following elements: (i) encouraging penetration into unbanked and backward areas and encouraging agents and intermediaries such as NGOs, MFIs, CSOs and business correspondents (BCs); (ii) focusing on a decentralized strategy by using existing arrangements such as State Level Bankers’ Committee (SLBC) and district consultative committee (DCC) and strengthening local institutions such as cooperatives and RRBs; (iii) using technology for furthering financial inclusion; (iv) advising banks to open a basic banking „no frills” account; (vi) emphasis on financial literacy and credit counselling; and (vii) creating synergies between the formal and informal segments.

GLOBAL EXPERIENCES

While in developed countries, the formal financial sector comprising mainly the banking system serves most of the population, in developing countries, a large segment of the society, mainly the low-income group, has little access to financial services, either formal or semi-formal. As a result, many people have to necessarily depend either on their own sources or informal sources of finance, which are generally at high cost. Most of the population in developed countries (99 per cent in Denmark, 96 per cent in Germany, 91 per cent in the USA and 96 per cent in France) has bank accounts (Peachy and Roe, 2004). However, formal financial sectors in most developing countries serve relatively a small segment, often no more than 20-30 per cent of the population, the vast majority of who are low income households in rural areas (ADB, 2007). Recent data (Table-1 in Annexure-1) shows that countries with large proportion of population excluded from the formal financial system also show higher poverty ratios and higher inequality. Typically, countries with low levels of income inequality tend to have lower levels of financial exclusion, while high levels of exclusion are associated with the least equal ones. In Sweden, for example, lower than two per cent of adults did not have an account in 2000 and in Germany, the figure was around three per cent (Kempson, 2006). In comparison, less than four per cent of adults in Canada and five per cent in Belgium lacked a bank account (Buckland et al, 2005). Countries with high levels of inequality record higher levels of banking exclusion. To illustrate, in Portugal, about 17 per cent of the adult population had no account of any kind in 2000 (Kempson, 2006).

EXPECTATIONS OF POOR PEOPLE FROM FINANCIAL SYSTEM

Inclusion report (2012) gave the insights that the bankers can only provide the financial services for their customers such as finances, products, money transition, and other business services. Therefore, to recognize that efforts can never be one sided, but also need to converge of these items which can ultimately result in a real increase in production and that bank has not only given credit but whether banks are going to have any increase in agriculture productivity?” (Inclusion, 2012)145 While questions previously have focused on the broad spectrum of operations ranging from issues regarding banks to those regarding productivity, it is important to look back at the question focused an essential element
of the system, “How many families or how many people are we able to connect with the bank on the one hand and what banking solutions are we able to extend to people?” Other than this, there is also the issue of safety and security. People carrying large amounts of cash in states such as UP, Bihar and Jharkhand face such breaches of security. However, based on the discussion and then results given evidences that taking into account their seasonal Inflow of Income from agricultural operations, migration from one place to another, seasonal and irregular work availability and income; the existing financial system needs to be designed.

RESEARCH METHODOLOGY:

The topic taken for research is descriptive in nature as it includes the gathering of information and data from secondary source. The data is collected from the RBI Reports, www.capitaline.com, and websites of the selected banks. The main aim of this research work is to study the role of the public sector banks in the financial inclusion. Top five public sector banks (State Bank of India, Bank of Baroda, Bank of India, Punjab National Bank and Canara Bank) are selected for the study. We have used trend analysis tool to find the rate of growth of per year in financial inclusion.

ANALYSIS AND INTERPRETATION OF THE DATA:

(1) INDIAN BANKING SECTOR AT A GLANCE:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Items</th>
<th>Amount Outstanding (As at End-March) (Amount in ` Billion)</th>
<th>Percentage Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Balance Sheet Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Total Liabilities/assets</td>
<td>95,900</td>
<td>109,635</td>
</tr>
<tr>
<td>1.2</td>
<td>Deposits</td>
<td>74,297</td>
<td>85,331</td>
</tr>
<tr>
<td>1.3</td>
<td>Borrowings</td>
<td>10,104</td>
<td>11,008</td>
</tr>
<tr>
<td>1.4</td>
<td>Loans and advances</td>
<td>58,798</td>
<td>67,352</td>
</tr>
<tr>
<td>1.5</td>
<td>Investments</td>
<td>26,131</td>
<td>28,829</td>
</tr>
<tr>
<td>1.6</td>
<td>Off-balance sheet exposure (as percentage of on-balance sheet liabilities)</td>
<td>138.3</td>
<td>122.0</td>
</tr>
<tr>
<td>1.7</td>
<td>Total consolidated international claims</td>
<td>3,312</td>
<td>3,777</td>
</tr>
<tr>
<td>2</td>
<td>Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Net profit</td>
<td>912</td>
<td>809</td>
</tr>
<tr>
<td>2.2</td>
<td>Return on Asset (RoA) (Per cent)</td>
<td>1.04</td>
<td>0.81</td>
</tr>
<tr>
<td>2.3</td>
<td>Return on Equity (RoE) (Per cent)</td>
<td>13.84</td>
<td>10.68</td>
</tr>
<tr>
<td>2.4</td>
<td>Net Interest Margin (NIM) (Per cent)</td>
<td>2.6</td>
<td>2.5</td>
</tr>
<tr>
<td>3</td>
<td>Capital Adequacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Capital to risk weighted assets ratio (CRAR) (Per cent)</td>
<td>13.88</td>
<td>13.02</td>
</tr>
<tr>
<td>3.2</td>
<td>Tier I capital (as percentage of total capital) (Per cent)</td>
<td>74.1</td>
<td>77.5</td>
</tr>
<tr>
<td>3.3</td>
<td>CRAR (tier I) (Per cent) (Per cent)</td>
<td>10.29</td>
<td>10.09</td>
</tr>
<tr>
<td>4</td>
<td>Asset Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Gross NPAs</td>
<td>1,941</td>
<td>2,642</td>
</tr>
<tr>
<td>4.2</td>
<td>Net NPAs</td>
<td>987</td>
<td>1,427</td>
</tr>
<tr>
<td>4.3</td>
<td>Gross NPA ratio (Gross NPAs as percentage of gross advances)</td>
<td>3.2</td>
<td>3.8</td>
</tr>
<tr>
<td>4.4</td>
<td>Net NPA ratio (Net NPAs as percentage of net advances)</td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td>4.5</td>
<td>Provision Coverage Ratio (Per cent)**</td>
<td>47.6</td>
<td>44.3</td>
</tr>
<tr>
<td>4.6</td>
<td>Slippage ratio (Per cent)</td>
<td>2.8</td>
<td>3.8</td>
</tr>
<tr>
<td>5</td>
<td>Sectorial Deployment of Bank Credit #</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Gross bank credit</td>
<td>49642</td>
<td>56572</td>
</tr>
<tr>
<td>5.2</td>
<td>Agriculture</td>
<td>5899</td>
<td>6604</td>
</tr>
<tr>
<td>5.3</td>
<td>Industry</td>
<td>22302</td>
<td>25229</td>
</tr>
<tr>
<td>5.4</td>
<td>Services</td>
<td>11519</td>
<td>13370</td>
</tr>
<tr>
<td>5.5</td>
<td>Personal loans</td>
<td>8976</td>
<td>10367</td>
</tr>
<tr>
<td>6</td>
<td>Technological Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Total number of credit cards (in million)</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>6.2</td>
<td>Total number of debit cards (in million)</td>
<td>331</td>
<td>394</td>
</tr>
<tr>
<td>6.3</td>
<td>Number of ATMs</td>
<td>114,014</td>
<td>160,055</td>
</tr>
<tr>
<td>7</td>
<td>Customer Services*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>Total number of complaints received during the year</td>
<td>70,541</td>
<td>76,573</td>
</tr>
<tr>
<td>7.2</td>
<td>Total number of complaints addressed</td>
<td>69,704</td>
<td>78,745</td>
</tr>
<tr>
<td>7.3</td>
<td>Percentage of complaints addressed</td>
<td>92.7</td>
<td>95.9</td>
</tr>
<tr>
<td>8</td>
<td>Financial Inclusion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Credit-deposit ratio (Per cent)</td>
<td>79.1</td>
<td>78.9</td>
</tr>
<tr>
<td>8.2</td>
<td>Number of new bank branches opened</td>
<td>7,757</td>
<td>10,738</td>
</tr>
</tbody>
</table>
8.3 Number of banking outlets in villages (Total) 268,454 383,804 47.7 43.0

Notes:
1. *: The number of complaints received and addressed are inclusive of RRBs and co-operatives. Total number of complaints addressed during the year are from the complaints received during the year as well as those pending at the beginning of the year.
2. **: Based on off-site returns. Figures for 2014 are as per the Basel III framework.
3. : Percentage variation could be slightly different as figures have been rounded off to million/billion.
4. #: Data are provisional and relate to select banks which cover about 95 per cent of total non-food credit extended by all scheduled commercial banks.

Source: Financial Progressive and Stability Report of the RBI

(2) NUMBER OF COMMERCIAL BANKS:
The total numbers of commercial banks in India are mentioned in the following table:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of commercial bank</td>
<td>170</td>
<td>167</td>
<td>161</td>
<td>173</td>
<td>155</td>
</tr>
<tr>
<td>Scheduled commercial bank</td>
<td>166</td>
<td>163</td>
<td>163</td>
<td>169</td>
<td>151</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>86</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>64</td>
</tr>
<tr>
<td>Non-scheduled commercial bank</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Financial Progressive and Stability Report of the RBI

The above table and chart shows the total numbers of commercial banks in India during the study period of 2009 to 2013. Total no. of commercial bank shows the mixed trend during the study period. It is the highest in the year 2012 with 173 banks. Non-scheduled commercial banks are constant with 4 banks during the study period.

(3) No. of ATM's in India

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ATM's</td>
<td>24,645</td>
<td>32,679</td>
<td>40,729</td>
<td>47,545</td>
<td>55,760</td>
</tr>
<tr>
<td>Change in No. of ATM's</td>
<td>8,034</td>
<td>8,050</td>
<td>6,816</td>
<td>8,215</td>
<td></td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100</td>
<td>132.598</td>
<td>165.26</td>
<td>192.92</td>
<td>226.25</td>
</tr>
<tr>
<td>Change (%)</td>
<td>Base Year 32.598</td>
<td>65.26</td>
<td>92.92</td>
<td>126.25</td>
<td></td>
</tr>
</tbody>
</table>

Source: Financial Progressive and Stability Report of the RBI

The above table and chart shows the total numbers of ATM’s in Indian Banks during the study period of 2009 to 2013. It shows the continuously increasing trend during the study period. The trend analysis shows that it is increased by 32.598% in 2010 as compared to 2009, by 65.26% in 2011 as compared to 2009, by 92.92% in 2012 as compared to 2009 and 126.25% in 2013 as compared to 2009.

(4) ANALYSIS OF NO. OF ATM’S IN SELECTED BANKS:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>5,229</td>
<td>7,913</td>
<td>10,326</td>
<td>12,198</td>
<td>15,037</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>1,218</td>
<td>1,270</td>
<td>1,415</td>
<td>1,530</td>
<td>1,771</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>691</td>
<td>494</td>
<td>998</td>
<td>1,372</td>
<td>1,790</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>1,541</td>
<td>2,404</td>
<td>3,044</td>
<td>3,059</td>
<td>3,086</td>
</tr>
<tr>
<td>Bank of India</td>
<td>300</td>
<td>500</td>
<td>755</td>
<td>860</td>
<td>1,103</td>
</tr>
</tbody>
</table>

Source: Financial Progressive and Stability Report of the RBI
The above table and chart shows the total numbers of ATM’s of selected banks during the study period. It shows increasing trend in all the selected banks except the Bank of Baroda during the study period. No. of ATM’s are the highest in the SBI during the study period. No. of ATM’s are the lowest in the Bank of India during the study period.

(5) NO. OF BRANCHES OF SELECTED BANKS:

(A) State Bank of India:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>4,366</td>
<td>4,678</td>
<td>4,972</td>
<td>5,250</td>
<td>5,589</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>3,311</td>
<td>3,636</td>
<td>3,865</td>
<td>3,956</td>
<td>4,153</td>
</tr>
<tr>
<td>Urban</td>
<td>2,022</td>
<td>2,236</td>
<td>2,382</td>
<td>2,442</td>
<td>2,401</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>1,773</td>
<td>1,887</td>
<td>2,065</td>
<td>2,214</td>
<td>2,356</td>
</tr>
<tr>
<td>Total</td>
<td>11,472</td>
<td>12,437</td>
<td>13,284</td>
<td>13,862</td>
<td>14,699</td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100</td>
<td>108.41</td>
<td>115.79</td>
<td>120.83</td>
<td>128.13</td>
</tr>
<tr>
<td>Change (%)</td>
<td>Base Year</td>
<td>8.41</td>
<td>15.79</td>
<td>20.83</td>
<td>28.13</td>
</tr>
</tbody>
</table>

The trend analysis shows that it is increased by 8.41% in 2010 as compared to 2009, by 15.79% in 2011 as compared to 2009, by 20.83% in 2012 as compared to 2009 and 28.13% in 2013 as compared to 2009.

(B) Canara Bank:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>694</td>
<td>786</td>
<td>912</td>
<td>1,014</td>
<td>1,040</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>678</td>
<td>747</td>
<td>765</td>
<td>787</td>
<td>815</td>
</tr>
<tr>
<td>Urban</td>
<td>642</td>
<td>754</td>
<td>772</td>
<td>815</td>
<td>824</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>2,740</td>
<td>3,045</td>
<td>3,252</td>
<td>3,617</td>
<td>3,743</td>
</tr>
<tr>
<td>Total</td>
<td>2,740</td>
<td>3,045</td>
<td>3,252</td>
<td>3,617</td>
<td>3,743</td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100.00</td>
<td>111.13</td>
<td>118.69</td>
<td>132.01</td>
<td>136.61</td>
</tr>
<tr>
<td>Change (%)</td>
<td>Base Year</td>
<td>11.13</td>
<td>18.69</td>
<td>32.01</td>
<td>36.61</td>
</tr>
</tbody>
</table>

The trend analysis shows that it is increased by 11.13% in 2010 as compared to 2009, by 18.69% in 2011 as compared to 2009, by 32.01% in 2012 as compared to 2009 and 36.61% in 2013 as compared to 2009.

(C) Bank of Baroda:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>1,099</td>
<td>1,126</td>
<td>1,171</td>
<td>1,267</td>
<td>1,434</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>651</td>
<td>724</td>
<td>833</td>
<td>1,042</td>
<td>1,157</td>
</tr>
<tr>
<td>Urban</td>
<td>536</td>
<td>574</td>
<td>625</td>
<td>714</td>
<td>765</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>629</td>
<td>664</td>
<td>723</td>
<td>868</td>
<td>907</td>
</tr>
<tr>
<td>Total</td>
<td>2,915</td>
<td>3,088</td>
<td>3,352</td>
<td>3,891</td>
<td>4,263</td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100.00</td>
<td>105.93</td>
<td>114.99</td>
<td>133.48</td>
<td>146.24</td>
</tr>
<tr>
<td>Change (%)</td>
<td>Base Year</td>
<td>5.93</td>
<td>14.99</td>
<td>33.48</td>
<td>46.24</td>
</tr>
</tbody>
</table>

The trend analysis shows that it is increased by 5.93% in 2010 as compared to 2009, by 14.99% in 2011 as compared to 2009, by 33.48% in 2012 as compared to 2009 and 46.24% in 2013 as compared to 2009.

(D) Punjab National Bank:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>1,881</td>
<td>1,947</td>
<td>1,972</td>
<td>2,176</td>
<td>2,255</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>895</td>
<td>1,005</td>
<td>1,091</td>
<td>1,281</td>
<td>1,343</td>
</tr>
<tr>
<td>Urban</td>
<td>849</td>
<td>968</td>
<td>993</td>
<td>1,039</td>
<td>1,055</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>702</td>
<td>793</td>
<td>799</td>
<td>844</td>
<td>862</td>
</tr>
<tr>
<td>Total</td>
<td>4,327</td>
<td>4,713</td>
<td>4,855</td>
<td>5,340</td>
<td>5,515</td>
</tr>
<tr>
<td>Trend percentage</td>
<td>100.00</td>
<td>108.92</td>
<td>112.20</td>
<td>123.41</td>
<td>127.46</td>
</tr>
<tr>
<td>Change (%)</td>
<td>Base Year</td>
<td>8.92</td>
<td>12.20</td>
<td>23.41</td>
<td>27.46</td>
</tr>
</tbody>
</table>

The above table shows the no of branches or offices of Punjab National Bank during the study period. In Rural area it shows the increasing trend and the highest in the year 2013 with 2,255 offices. In semi-Urban area it also shows the increasing trend during the period and the highest in the year 2013 with 1,157 offices. The trend analysis shows that it is increased by 5.93% in 2010 as compared to 2009, by 14.99% in 2011 as compared to 2009, by 33.48% in 2012 as compared to 2009 and 46.24% in 2013 as compared to 2009.
1,343 offices. The trend analysis shows that it is increased by 8.92% in 2010 as compared to 2009, by
12.20% in 2011 as compared to 2009, by 23.41% in 2012 as compared to 2009 and 27.46% in 2013 as
compared to 2009.

**E) Bank of India:**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>4366</td>
<td>4678</td>
<td>4972</td>
<td>5250</td>
<td>5589</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>3311</td>
<td>3636</td>
<td>3865</td>
<td>3956</td>
<td>4153</td>
</tr>
<tr>
<td>Urban</td>
<td>2,022</td>
<td>2236</td>
<td>2382</td>
<td>2442</td>
<td>2561</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>1,773</td>
<td>1887</td>
<td>2065</td>
<td>2214</td>
<td>2356</td>
</tr>
<tr>
<td>Total</td>
<td>11,472</td>
<td>12,437</td>
<td>13,284</td>
<td>13,862</td>
<td>14,699</td>
</tr>
</tbody>
</table>

The above table shows the no of branches or offices of Bank of India during the study period. In Rural area it shows the increasing trend and the highest in the year 2013 with 5,589 offices. In semi-Urban area it also shows the increasing trend during the period and the highest in the year 2013 with 4,153 offices. The trend analysis shows that it is increased by 8.41% in 2010 as compared to 2009, by 15.79% in 2011 as compared to 2009, by 20.83% in 2012 as compared to 2009 and 28.13% in 2013 as compared to 2009.

**RBI CONSTITUTES A COMMITTEE ON MEDIUM-TERM PATH ON FINANCIAL INCLUSION:**

The Reserve Bank of India announced the constitution of a Committee with the objective of working out a medium-term (five year) measurable action plan for financial inclusion on 15th June, 2015. It may be recalled that on the occasion of the Reserve Bank’s 80th anniversary, Honourable Prime Minister in his address urged the Bank to take the lead in encouraging financial institutions and to set a medium-to-long term target for sustainable financial inclusion.

**The terms of reference of the committee are as under:**

1. To review the existing policy of financial inclusion including supportive payment system and customer protection framework taking into account the recommendations made by various committees set up earlier.
2. To study cross country experiences in financial inclusion to identify key learnings, particularly in the area of technology-based delivery models, that could inform our policies and practices.
3. To articulate the underlying policy and institutional framework, also covering consumer protection and financial literacy, as well as delivery mechanism of financial inclusion encompassing both households and small businesses, with particular emphasis on rural inclusion including group-based credit delivery mechanisms.
4. To suggest a monitorable medium-term action plan for financial inclusion in terms of its various components like payments, deposit, credit, social security transfers, pension and insurance.
5. To examine any other related issues.

**CONCLUSION:**

Financial inclusion has been high on government's agenda for a long time, and it has mainly performed regulatory and prescriptive role. The last decade saw a renewed thrust on financial inclusion in India. Government is also taking steps to increase financial inclusion it started “Pradhan Mantri Jan-Dhan Yojana” which not only helped people to get bank accounts but gives other benefits also. Financial inclusion is a fundamental cornerstone of economic and social development. Given the size of the challenge and the diverse nature of the financially excluded segment in India, the onus of promoting financial inclusion lies equally on each stakeholder of the financial inclusion ecosystem – government, banks, private and social sector. For achieving complete financial inclusion and for inclusive growth, the RBI, Government, NABARD and the implementing agencies will have to put their minds and hearts together so that the financial inclusion can be taken forward. With the arrival of banking technology and realization that poor are bankable with good business prospects, financial inclusion initiatives will strengthen financial deepening further and provide resources to the banks to expand credit delivery. The banking technology initiatives meant for financial inclusion should be collaborative and innovative with
an objective to reduce the transaction costs. Thus, financial inclusion along with the Governmental
developmental programmes will lead to an overall financial and economic development in our country
and as in the case for most developing countries, extending the banking services to everyone in the
country will be the key driver towards an inclusive growth. *Miles to go before we reach the set goals
but the ball is set in motion!*

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[17] www.nabard.org

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CAN MICROFINANCE PLAY VITAL ROLE IN BHAVNAGAR, GUJARAT, INDIA...!!!

Shabnam Chauhan
Student
Nandkunvarba Mahila College
shabnamchauhan.cs@gmail.com

Kajal Katudiya
Student
Nandkunvarba Mahila College
kajalkatudiya.mkbu@gmail.com

ABSTRACT

Microfinance is a financial service including loans, saving and insurance available to poor entrepreneurs, women and small business owners who do not have any access to typical banking services.

The research paper makes use of primary data and it emphasizes on the analysis which is made from the study by way of questionnaires and personal interviews of 10 ABC Microfinance institutions (including Bank), Bhavnagar Branch, Gujarat state.

The paper examines the impact of Microfinance institutions on small enterprises in Bhavnagar, Gujarat and the result shows that Microfinance bank has an essential (significant) role on growth of small enterprises in Bhavnagar, Gujarat. Microfinance policy plays important role on employment opportunities. At present, Micro loans are given at a very high rate to those living in still developing areas who are working in a variety of different trades. The paper concludes that the government should focus more on small scale industries in Bhavnagar, Gujarat. At last, the paper recommends that Government should provide more fund to Microfinance institutions for the purpose of development of small scale industries in different areas as well as it also focus on the interest rate of loan should be reduced compare to the present interest rate so that poor people can get easily micro loans at lower rate.

Keywords: Microfinance, Financial services loans, ABC Microfinance Institutions, Small Scale Industries, Low interest rate, Employment Opportunities, Economic Development

1. INTRODUCTION

Effectively functioning financial market have fundamental roles to play in economic development financial markets can perform very crucial role. The most important finding in the last two or three decades in the world of finance did not come from the world of rich or the relatively well off. More important than the hedge fund or liquid yield option note was the finding that poor can save, borrow (can indeed decide on loans to follow poor) and can certainly repay loans. This is the world of microfinance.

The concept of microfinance is flow in need of meeting special target to empower under liberty class of society, women and poor by natural reason or otherwise. Microfinance developed in order to provide financial service to people having low income and to those who do not have any access to typical banking services. Microfinance is an option to undertaking problems of poor people. It is offered financial service such as saving, insurance, loans, deposits, payment service and money transfer to poor and low income households and the micro enterprises that lack access to banking related services.

Microfinance Institutions is a local organization which furnished small loan and other financial service to poor and low income household on the basis of their traditional skill and entrepreneurial talent.
Microfinance services are provided from three types of sources.

**Formal Institutions** such as Rural Banks and Co-operatives

**Semiformal Institutions** such as Non Government Organization and last

**Informal Sources** such as money lenders and shopkeepers.

Microfinance is also known as Unorganized Sector, Microfinance Institutions, Informal Sector, Underground Activities, Self Help Group, Microcredit etc.

Considering recent development in the field, data from micro credit summit held in Washington in November -2009, suggest that the number of client those who have reached with microfinance products have increased considerably over the last year. Considering the facts that the industry has matured and that more funds have been made available also through commercial channels this should not come as surprise. The interesting thing mention in the report is the increase in the number of poor reached through microfinance activities. [2]

Hence, microfinance not only works in order to give microcredit to poor people but also works as sustainable growth and development of economy.

2. LITERATURE REVIEW

2.1. Literature Review

The growing keenness of the potential of microfinance in poverty alleviation, economic growth and economic span with the development of several highly successful and fast growth microfinance institutions has effectively put the issue of microfinance on the political agenda of most developing countries. The philosophy of co-operation and its central values of equality, equity and mutual self-help is a principal of microfinance. It is a power instrument against poverty.

Today there are more than 700 micro lending organization providing loans to more than 25 million poor individuals across the world in which the vast majorities are women. The united nation capital development fund declared 2005 as the year of “microcredit” [7] while David Roodam called 2009 as “millstone year for microfinance.” [2]

Recently many government, businessmen and academicians alike have been shown great interest in microfinance as they play potential role in poverty reduction activities. According to World Bank (2000), microfinance has been expected to reduce poverty, which is considered as most important for developing countries. [8]

According to state microcredit summit campaign report 2005, 7.6 million families had been served by microcredit worldwide in 1997 which are increase up to 92 million clients in 2004. [2]

Such, microfinance is a poverty alleviation tool. It's provision of financial service to poor help to increase household income and economic security and creates demand for other goods and services. Therefore, there are many reviews which conclude that microfinance is less service oriented, but it is constantly become more profit oriented in present Indian scenario.

2.2. What Is Micro Finance?

2.2.1. Definition

Microfinance as the “ provision of thrift, credit and other financial services and products of very small amounts to poor in rural, semi-urban or urban areas enabling them to raise their income level and living standards.”
“Provision of financial service to low income, poor and very poor self employed people.”

– Octero (1999) [7]

The above definition concludes that “Microfinance is a financial service to poor people, small scale industries and entrepreneurs for the purpose of improve standard of living, increase income as well as economic development.”

2.2.2. Root of Micro Finance

Microfinance has existed in various forms for countries but microfinance sector has grown rapidly in the last two or three decades. However, 1976, modern microfinance was given by Mohammad Younus who has Professor of Economics at University of Chitangong. He founded of the Modern Microfinance Institutions with establishment of Grameen Bank, Bangladesh. [4]

The first client of microfinance was a poor woman who wanted to start independent activities in rural areas. Thus, this concept was arousing for the purpose little loan, good rate of repayment, increase income, gain in autonomy and savings.

2.2.3. Why there is need of microfinance?

We conclude that from our study following are the needs of microfinance.

- To empowered women especially poor women in rural areas.
- To provide short term loan with low interest rate.
- Help the customers and staff to bring good things in their life
- Improve standard of living of poor people.
- The public library create opportunity for standard business
- Improve income in agriculture, commercial and manufacturing firms in the rural areas.
- Development of self-reliant, participatory financial institutions.
- To provide service at the time of natural calamities.
- A bad credit history (High interest rate).
- Doubt of bank of repaying the loan.
- Lack of access to financial infrastructure and service in remote area.

2.2.4. Figure 1: How it works?

(Source: derived from our study)
3. THEORETICAL FRAMEWORK

3.1. Grameen Bank Model
The Grameen Bank Project was founded by Dr. Mohamaad Younus, which translates literally as “Village Bank” was born and today works in over eighty-thousand villages with more than six million borrowers. In 2006, both Younus and Grameen bank were awarded by the nobel peace prize for their work with the poor. [2]

3.2. SHG Bank Linkage Programme (SBLP)
The aim of SBLP is to deliver financial products and services to the group of Indian population which lack access to formal banking. Under SBLP 10-20 individuals are organized in groups is known as Self Help Group. Generally SHGs are provided with bank loan for income generation purpose. This model has been very much successful in the past and today it is becoming more popular.

4. MICROFINANCE IN INDIA

Microfinance sector has grown rapidly over the past few decades. Microfinance as a development and economic tool has caught the imagination of banks and other financial institutions and NGOs in India. At present, non banking financial companies (NBFC) – MFIs capture 85% market in India. India’s related microfinance market today is over 28 million clients that are served by around 50 regulated institutions. [12]

As per the report “Status of Microfinance in India” by National Bank for Agricultural and Rural Development (NABARD), the overall microfinance sector in terms of loan portfolio stood at Rs.53, 801 crore are including SHG bank linkage model (Rs.39, 375 crore) and MFI model (Rs.14, 425 crore) as on March 2013. As per the report overall growth in the microfinance sector including the SHG bank linkage program and MFI model has been growing at good pace till the AP crisis in October 2010 and post that has witnessed moderation in growth. [10]

Graph 1 : Market Size and Growth

(Market Size and Growth

(Source: NABARD Report “Status of Microfinance in India” from FY 2009 to FY 2013)

MFIs consider rural market as business opportunities offering professionalism and innovation in credit lending. In India, Reserve Bank of India (RBI) manages microfinance development fund which could be used for loans, refinancing and investment in MFIs. Thus, the role of MFIs in India is to generate employment and reduce the rate of poverty.
5. MICROFINANCE IN GUJARAT

Gujarat has been considered as a huge potential market in terms of microfinance. The maximum numbers of potential SHG are found in Punchamahal, Banaskantha and Sabarkantha.

In Gujarat there are four main institutions working in the field of microfinance. i.e. NABARD, SIDBI, SEWA and Tribhuvandas Foundation out of that four NABARD and SIDBI is working all state of India while SEWA is working with 9 states of India. But its main focus is on Gujarat and the Tribhuvandas Foundation is working inside the Gujarat. [6]

During 2010-11, 16 states had a positive growth rate and 11 states had negative growth rate in client outreach. The client outreach recorded highest (1.6 million) in Uttar Pradesh followed by Gujarat (1.53 million). However, Gujarat has the highest growth rate in portfolio at 10.8 billion followed by Uttar Pradesh at 6.3. [6]

6. RESEARCH METHODOLOGY

The research paper makes use of primary data and emphasis on the study by way of questionnaire and personal interview.

6.1. Objective of Research Paper

➢ To access framework and structure of microfinance activities.
➢ To analysis microfinance on the basis of some literature.
➢ To study the characteristics, working method, different scheme, major activities, rate of interest, functions, services and performance of selected Microfinance Institutions.

6.2. Data Sources

➢ Primary Data
  - Data from Microfinance Institutions.
➢ Secondary Data
  - Data from Journals, Newspapers, Published Reports, Magazines, Electronic Data (Internet) and Annual Publications from Microfinance Institutions.

6.3. Discussion and Analysis of Questionnaire

➢ This study emphasis on role of Microfinance Institution in Bhavnagar city, Gujarat. For our study work we have taken 10 Microfinance Institutions (including Bank) which are actively working in Bhavnagar City. We have tried to study of its product, services, rate of interest and performance.
➢ From our study we analysed that four MFIs and three Banks provide microfinance to poor people and other Bank provide fund to MFIs with decided interest rate.
➢ In Bhavnagar, there are all MFIs provide microloan with insurance so that they have no probability to loss for recovering of loan.
➢ The main object of these Institutions is that provide loan to women for only business purpose and the interest rate of loan is between 21 to 30% which is depend on fund of institutions.
➢ The main provision of all institutions is that the loans furnish individual under SBLP (Self Help Group- Bank Linkage Programme). For the first loan, the minimum amount of loan is Rs. 15,000 per head.
➢ As per RBI rule, all MFIs can provide loan with a maximum limit of Rs. 1, 00,000 per head while other Financial Institutions provide loan as per their provisions.
➢ Generally the period of repayment of loan are 1 to 3 year, But as per some MFIs If loanee want to repay the loan earlier period then she have to repay after three month of getting loan. it’s all charge interest on the basis of reducing rate. For example, A lends the money of Rs.1,
00,000 from ex-microfinance at 21% annual interest rate. After six month she paid Rs. 30,000, now interest rate will be charge on remaining amount of Rs.70,000.

- If loanees are repaying the loan earlier period then she will get a second loan with exceed amount and the sanctioning period of this loan will short than the sanctioning period of first loan.
- Generally the sanctioning period of loan are 10 to 15 days and for sanctioning loan, every MFIs take charge 1 to 2% as processing fees (in which service tax are included) by loanee.
- In addition to it do many activities like to provide guideline to loanee about loan as well as provide business guideline.

Figure 2: the following chart describe that the working channel of MFIs in Bhavnagar.

(MFIs borrow the money from Bank, Donors at 10 to 12% Interest Rate and they add 10% margin and then they give microloan to SHGs at 20 to 30% interest rate. As per RBI rule, the purpose of 10% margin is that to pay their expenses (like Staff salary, Office Expenses, Improvement Expenses etc.) and for profit.

7. FINDINGS

From our discussion and analysis of questionnaire we conclude the following findings.

- In Bhavnagar, all MFIs works only for women, they could not provide any financial service to men.
- Also furnish loan only in SHGs. They are not furnished loan to any individual.
- MFIs play an important role to empower women especially poor in Bhavnagar.
- It also plays a vital role to increase self employment in Bhavnagar.
- The main purpose of MFIs is to provide financial service to low income household and poor people but in present, it is not work as service oriented, it is a works as profit oriented.
- There are many people who are not aware about what are the difference between Microfinance Institutions and Financial Institutions.
- There is a huge gap between the interest rate of two MFIs because of funding the more fund the less interest rate, the less fund the more interest rate.

8. RECOMMENDATION

On our finding we recommended that MFIs is a play vital role in our city but the following changes are necessary for increasing efficiency of MFIs.

- It is necessary to improve market structure of MFIs because there are many people are not aware about service of microfinance especially illiterate people.
- To provide loan not only women but also provide men in Bhavnagar for the purpose of development of employment opportunities
- In addition to provide other product like home loan and education loan in Bhavnagar.
➢ It is necessary to maintain interest rate of all MFIs. For this purpose Government should provide equal fund to all MFIs. And also RBI should make provision for interest rate.

9. CONCLUSION

“Poverty alleviation is peace”

– Dr. Mohammad Younus, Nobel peace prize winner [2]

Microfinance is not a new concept. Microcredit has existed since the mid 1700s. However, most of modern MFIs operate in developing countries. It is a fruitful in combating of poverty. It is a play a fundamental role to access financial services. Such microfinance is a powerful and demanding tool.

According to, the article of “Microfinance in India coming of Age” by V. Vipin Sharma, microfinance still reach only about 10 to 12% of the poor in the country. 67% of the population in the country has no bank accounts and 80% have never taken a loan from a formal source. While 40% continue to borrow from informal sources. The demand and supply gap is still huge.

In conclusion, Government should more focus on promoting MFIs in Bhavnagar. So poor people can get easily the financial services.

10. REFERENCES

[12] Role of Microfinance in India published by microfinance gateway.com

11. APPENDIX

The following sample of Questionnaire is distributed to MFIs in Bhavnagar for the purpose of collection of primary data.

<table>
<thead>
<tr>
<th>No.</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Which type of financial service provided by you?</td>
</tr>
<tr>
<td></td>
<td>1. saving ( )</td>
</tr>
<tr>
<td></td>
<td>2. insurance ( )</td>
</tr>
<tr>
<td></td>
<td>3. service :</td>
</tr>
<tr>
<td></td>
<td>- money transfer ( )</td>
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<tr>
<td></td>
<td>- current account ( )</td>
</tr>
<tr>
<td></td>
<td>- demand draft ( )</td>
</tr>
<tr>
<td></td>
<td>- loan ( )</td>
</tr>
<tr>
<td></td>
<td>4. other : ( )</td>
</tr>
<tr>
<td>2.</td>
<td>Which type of loan provided by you? (types of loan)</td>
</tr>
</tbody>
</table>
1. Educational Loan ( )
2. Home loan ( )
3. Business loan ( )
4. Other: ____________________________

3. What is the organisation’s interest rate? ________

4. What is period for repayment of the loan? ________
   1. up to 5 years ( )
   2. up to 10 years ( )
   3. up to 15 years ( )

5. Interest rate for whole period
   1. Fixed ( )
   2. Floating ( )
   - If floating then how much:

6. Are you giving unsecured loan? Yes( ) No ( )

7. The interest rate of secured loan ________

8. The interest rate of unsecured loan ________

9. Which type of security prefer by you for giving secured loan?

10. What is limit for secured loan? ________ [in Rs.]

11. What is limit for unsecured loan? ________ [in Rs.]

12. Are you taken penalty on interest for late installment of loan?
   Yes( ) No ( )
   - If Yes then how much?

13. Do you provide any motivation when loanee repays the loan in time?
   1. Yes ( )
      - If yes then which ________
   2. No ( )

14. Do you permit if loanee wants to repay loan earlier period?
   1. Yes ( )
      - If yes then how much charge ________
   2. No ( )

15. What is ratio of NPA (Non performing account)
   1. ________
   2. nil ( )

16. Who are the customers of your organisation?
   1. rural people ( )
   2. urban people ( )
   3. small scale industries ( )
   4. medium scale industries ( )
   5. other: ___________________________

17. Are client able to access their fund when they need them?
   1. Yes ( )
      - Partially ( )
      - Fully ( )
   2. No ( )

18. Do Your institute control by governor body?
   1. Yes ( )
      - If yes then which ________
   2. No ( )

19. How do collect your fund?
   1. by donors ( )
   2. by saving ( )
   3. other: __________________________


21. Do you collect any loan processing fee?
   1. Yes ( )
      - If yes then how much ________
   2. No ( )

22. Do you provide any additional advantage?
   1. women ( )
   2. student ( )
   3. other: __________________________

23. Do you use technology for reminder?
   1. SMS ( )
   2. letter ( )
   3. Email ( )
   4. other: __________________________

24. If loanee are expired then what provision for repayment of loan?
   1. Yes ( )
      - If yes then which ________
   2. No ( )

25. Are financial service being provided relatively effective?
   ________ out of 10

NOTE:
All questions are not compulsory
We assure that the information which you provide to us will be treated as fully confidential. . . .
Thanking you . . .

Yours truly,
Shabnam Chauhan & Kajal Katudiya
Students of Nandkunvarba Mahila College
REGULATORY FRAMEWORK OF INDIA AND TEXTILE COMPETITIVENESS

Kriti Agrawal*
Research Scholar
Central University of Karnataka
kagrwl86@gmail.com

ABSTRACT

This study analyses the competitiveness of Indian textile industry if compared to other countries of the world. It is one of the largest employer also one of the most varied ranging from hand-spun and hand woven sector at one end of the spectrum and the capital intensive sophisticated mill at the other. Textile industry of India is very much traditional and so this factor makes it unique by itself. The purpose of this study is to focus on the supply chain factor of Indian Textile Industry which consists of many issues as inventory management, lead time, technology and logistics. The infrastructure of logistics is highly fragmented and includes both organized and unorganized companies, which is highly dominated by unorganized sector. This high fragmentation and underdevelopment also results in lack of economies of scale. This is a diagnostic research regarding the complexities occurring in supply chain and the obsolete laws which are preventing Indian textile trade to become competitive.

Keywords: Supply Chain Management, Competitiveness, Trade Agreements

1. INTRODUCTION

Pandit Jawahar Lal Nehru once wrote in his book “Glimpses of World History”: Four thousand year old mummies of Egypt were wrapped in fine Indian muslin. The skill of Indian artisan was famous in the east as well as in the west. Though very famous in its very nature, every famous thing catches every eye and thus Indian cloth caught the evil eye of certain foreign traders who on the pretext of trading in Indian cloth ruled over us for 200 years. The European traders were attracted by both manufactured raw materials as well as Indian made linens, woollens, silks and embroidered goods. The British textile grew at the cost of Indian textile industry in a planned way. Even after the Industrial Revolution of England, the modern industries of England could not compete with the fine Indian muslin and thus started the process of restraining it with imposing constraints upon it which can forever rein the Indian textile exports. Eventually, Indian textiles became the prime symbol for our struggle in independence as Khadi emerged as a potent force to compete with British cloth and shattering Manchester mills to pieces. In the post-independence period, Indian Government realized the importance of Khadi in our national economy.

About the late 1980s, the Government of India put numerous policies and regulations to ensure that mechanization did not occur and that labour-intensive textiles were produced, large-scale production was discouraged by restrictions on total capacity and mechanization of mills. Till 1985, the main concerns of government policies were centred on import substitution, protection of existing employment in the organized sector and support for decentralized sector. These concerns were reflected in Government policies such as imposition of quotas, on yarn export, strong exit barriers even for unviable operations, general discouragement of automation, stringent licensing for organized sector, and price regulations to handle the shortages resulting from licensing restrictions. Restrictions resulted only in increasing costs, declining productivity and loss of competitive edge. An analysis has also been done of how the prices of textile commodities get raised when they pass from source to the actual consumer through a series of wholesalers and retailers. The textile industry has to be set free from all these regulatory burdens so that it could evolve, grow and remain competitive in the global market.
2. OBJECTIVES

The objective of this paper is to find out:

a. The impact of fragmented and long textile supply chain on the textile competitiveness of India in the world market.

b. The comparison with textile supply chains of other Asian nations with Indian supply chain and their textile competitiveness.

3. RESEARCH METHODOLOGY

The methodology which I adopted in writing this paper was a descriptive one. I analysed the papers related with phasing out of MFA (Multi-Fibre Agreement) of 1974 and Indian textile trade being released from the bondages of international constraints. Also, an analysis has been done of how prices of textile commodities get raised when they pass from source to the actual consumer through a series of wholesalers and retailers.

4. LITERATURE REVIEW

Textile industry has played a vital role in India's economy in terms of employment generation, strengthening the rural base and earning foreign exchange through exports. Exports of textile yarn, fabrics and ready-made garments (excluding hand-made carpets) valued at $8.1 billion, accounted for about 23.8% of India's total goods exports earnings during 1997-98. Relying on the great potential impact of trade and domestic policy reforms in India taken during the 1990s, the potential for growth and development in textile and apparel sectors, relative comparative advantage compared to other sectors as well as other countries can prepare India well for competitive advantage in textile industry.

The growth potential of textile industry was severely restricted through domestic regulations as well as international factors including Multi- Fibre Agreement. The textile and apparel industries have traditionally been subjected to a series of government regulations through reserving parts of each sector for small scale industry and maintaining employment even at the expense of sharp decline in productivity. MFA which was imposed on India and other developing countries was an export quota which regulated the quantities of yarn, textiles and apparel. It was a forced consensus which designed to manage textile and apparel trade to the advantage of countries which were fast losing their international competitiveness in these lines of production. One of the major accomplishments of Uruguay Round Agreement was the Agreement on Textiles and Clothing (ATC) which stipulates that the MFA to be gradually to be phased out over a 10-year period commencing 1995. The World Trade Organization stipulates that MFA shall be phased out by 2004 thus integrating trade in textile and clothing into the General Agreement on Tariff and Trade (GATT) rules.

Dismantling of quota regime provides a great opportunity for India to exploit the vast unutilised potential of its textile and clothing sectors (Chadha, Pohit, Stern & Deardorff, 1999). MFA runs counter to the spirit of multi-lateral trading system which promotes ban on quantitative restrictions and prohibition to the discrimination between suppliers. The quotas are usually negotiated bilaterally under the threat of unilateral restraints by the importer. These quotas are specific to particular product category and are defined by fibre and function. Thus arises discrimination not only against specific fibres and products but also amongst exporting countries. The governments of exporting countries adopt voluntary export restraints (VER) and allocate export quotas to individual exporting firms on the basis of certain criteria like past performances and/or current exports of restricted products. Countries allow quota rights to be traded among exporters. An exporting firm has either to buy a quota or forego the sale of quota right that it might hold. The MFA imposes heavy costs of protection on textiles and apparel importing developed countries as the quotas induce increase in cost of suppliers and hence in prices at which they are willing to supply textiles and clothing. Though exporting countries benefit from higher prices in the restricted prices, they lose from lower prices in the unrestricted markets. Both importing and exporting countries suffer from a loss of efficiency as the former do not benefit from the flexibility of efficient sourcing of imports across supplying
countries while exporting countries have to scale back production in sectors in which they have comparative advantage.

The phasing out of quota regime which marks the phasing out of multi-fibre agreement from January 1, 2005 has ushered a new phase of global opportunity for the textile and clothing sector. Now trade in textiles and garments was no longer subjected to quotas. Though much relief was being provided to Indian exports with the phasing out of MFA agreement which had been imposed since 1974 (Hashim, 2005), the dismantling of MFA gave a tougher competition to India as now textiles have to compete with USA and most Western-European countries. The need of the hour was to improve the technology, productivity, efficiency and quality of the output while minimizing bureaucratic bottlenecks government regulations. India is a late integrator in global market for clothing and has followed a path that is quite varied from the route and experiences which its competitors have followed or witnessed.

Full entrepreneurial abilities of the Indian manufacturers of textiles and garments should be given constant support to flourish in an environment of healthy competition supported by good infrastructure, credit facilities for research and development (Agrawal, 2001). Indian garment industry has a significant presence in the low-value added items but is yet to make a mark in the high-value added segments. The industry being concentrated in the small-scale sector, they are not equipped to produce on a mass-scale and meet the changing fashion trends the world over.

It has been buffeted by a variety of problems in recent years as technological backwardness, excess capacity built with high cost funds. The major technological backwardness of Indian Textile Industry can be witnessed in its supply chain management which is still obsolete and requires quality upgradation in order to meet out the competition of the times. Today's business environment has grown quite complex. The interplay of three C's – customer, competition and convergence has thrown open new challenges for the organization all over the world. Convergence has shifted the balance in favour of consumers thereby giving way to globalization of business and integration of business. This has opened a plethora of choices for all but at the same time it has also added the highest degree of uncertainty, and unpredictability to business process (Sahay & Mohan, March 2002). These risks and challenges need to be combated for which the requirement is to re-organize and streamline the supply chain.

Time is the primary competitive motive of business in the 1990s. Other motives as cost, quality and service cannot be ignored. These are also the essential factors to sustain any business in good health. Winning factor is provided by time-based competition which becomes the highest priority to gain responsiveness and flexibility. Product life-cycles are shorter than ever before, hence industrial customers and consumers require just-in time delivery, and end users are very mush willing to accept a substitute product if their initial choice is not made available. Worldwide interest in supply chain technology has increased considerably since the 1980s when the organization began to see the benefits of collaborative relationship (Sahay & Mohan, March, 2002). Though, the concept in India is in its nascent stage, still there is a likelihood that the nation can gain good command over this technology and achieve timely meeting of customer and consumer demands. In the wake of consumers growing more discerning and demanding there is a need that retail supply chain becomes more adaptive and anticipative. Adaptive supply chains or supply networks are those that are able to meet the demand of changing customer markets flexibly. An adaptive supply chain requires greater collaboration and visibility between all points within the supply chain and all its extensions.

Supply chain is a two or more chain members working together to create a competitive advantage through sharing information, making joint decisions and sharing benefits which results greater profitability of satisfying end customer needs, than acting alone (Anbanandam, Banwet & Shankar, 2009). The significant variables which should be considered while constructing an efficient supply chain are enumerated as follows:
4.1 TOP MANAGEMENT COMMITMENT:

Strong managerial commitment to supply chain practices should be there as any long term relationship require commitment from the parties involved. Top management commitment is the most common dependent variable used in buyer-seller relationship studies (Anbanandam et.al. 2009).

4.2 INFORMATION SHARING:

For collaborative inter-organizational relationship, information sharing should be a regular feature. Studies done by Cannon and Perreault (1999) suggest that a successful buyer-supplier relationship is connected with high levels of information sharing. Information sharing enables a strong coordination among the group members in a supply chain. It is also a pre-requisite for building trust among the members of a group.

As we know that any business is full of risks, hence in order to mitigate risks (Faisal & Shanker, 2006), it is essential that information is to be shared among all. The Indian textile and clothing business has one of the longest and complex supply chains of the world with existence of many intermediaries between the farmers and final consumer. Whereas several other Asian countries of the world have tried by leaps and bounds to shrink their textile and garments supply chain, India can also do this with the help of sharing and exchange of information.

4.3 TRUST AMONG SUPPLY CHAIN PARTNERS

Supply chain management is built on a foundation of trust, which is the binding force of any buyer and supplier relationship. Trust can foster greater cooperation as well as reduce functional conflict and enhances integration as well as decision making under conditions of uncertainty and ambiguity.

4.4 LONG-TERM RELATIONSHIPS

Sharing of every information as well as the trust that ensues later helps in building long-term relationships among the team members. Supply chain members actively work towards attaining common objectives. The length of any relationship enhances and strengthens the level of cooperation in terms of coordination, participation and joint problem-solving. The long-term perspective between the buyer and supplier increases the intensity of buyer and supplier coordination such as provision of technical and managerial assistance and exchange of information during product development and production stages. Through a long-term relationship, the supplier will become a part of a well-managed chain and it will have a lasting effect on the competitiveness of entire supply chain.

4.5 RISK AND REWARD SHARING

Risk and reward sharing is important for a long term focus and collaboration among supply-chain partners. Risk and reward sharing has been discussed to be very key component among the team members in order to build long term relationships. Collaborating firms must share benefits with their upstream and downstream partners in order to create a competitive advantage.

4.6 OPERATIONAL LINKAGES

Operational linkages should be there in textile industry so that the industry can be run smoothly and undisturbed.

Competitive advantage flows from the ability of a company to perform activities on the industry's value chain designing, or manufacturing, or servicing which offer greater value to customers rather than to competitors. In any value chain, major value addition is done not by the manufacturer or marketer but by those who supply who supply components and raw material (Rahman, 2004). The
focus in such situation should shift from building differentiation into the company's activities to ensuring that players in their supply chain are building differentiation into theirs.

4.5 DEVELOPMENT OF SUPPLY CHAIN

The supply chain has developed over at a slow pace, over the years. The individual parts of the supply chain were developed first. Initially, the supply chain for transportation component was developed and later on this development process encompassed warehousing, finished goods inventory, materials handling, packaging, customer service purchasing, and finally, raw materials inventory. The goals of supply chain development process were different e.g. cost minimization, increased levels of service, increased flexibility in terms of delivery and response times and improved communication among supply chain companies. The ability of the companies to achieve these goals has remained limited in the last four decades because the communication and knowledge links among the existing supply chains. There was a risk of losing customers to competitors, the perceived threat of giving competitive advantage to other firms and the sharing of sensitive information such as inventory levels and production schedules with other channel members (Rahman, 2004).

Many changes have ushered after that in the process of supply chain management which are:

**Just-in-Time Management Technique**
The greatest barrier in adoption of just-in-time technique was the sharing up of production information with vendors would reveal the company's production planning schedule. But, by reducing the inventories and reducing the resulting administrative costs of carrying inventory at manufacturing, plant and dealer location reduced the overall cost.

**Electronic Data Interchange**
In this, the firms actually linked up their companies with computer-to-computer ordering and data exchange. The fear was greatest among small companies.

**Point-of-Sale Data Sharing programs**
The availability and robustness of these valuable data streams evolved very gradually. Mass merchants have been more responsive and more forthcoming with the data compared to grocers or department stores, while privately-held retailers tend to guard their data more closely than publicly-held competitors. Retailers have now changed from data non-sharing ones to sharing not only store level POS but also inventory on a daily or weekly frequency at a store/SKU level (http://consumergoods.edgl.com/column/Direct-POS-Data-). Point of Sale information programs altered logistic managers thinking that data exchange in the supply chain can be beneficial to all parties involved. The vendors would be informed immediately by the help of point-of-sale system, which are directly linked from the cash register scanners at the respective store outlets. If any item fell to its minimum level of stock, an order of replenishment might be issued. The order could then be electronically transmitted to the vendor, it was filled by the vendor and is directly sent to the store or control warehouse (Rahman, 2004).

4.6 HOW TO USE INVENTORY FOR COMPETITIVE ADVANTAGE THROUGH SUPPLY CHAIN MANAGEMENT

Three elements must come together for integrating the supply chain to operate effectively:

- Recognising end-customer service level requirements.
- Defining where to position inventories along the supply chain, and how to much to stock at each point.
- Developing the appropriate policies and procedures for managing the supply chain as a single entity.
In today's world, customers place value on their service needs and frequently these needs vary substantially from segment to segment and even customer to customer. (Jones & Riley, 1984). Further, a supply chain should utilise maximum resources to achieve customer satisfaction and higher service levels. For creating a competitive supply chain, following measures can be fruitful:

4.6.1 RECOGNISING CUSTOMER SERVICE REQUIREMENTS

Jones & Riley in 1984 conducted a case study of certain companies in which distribution operations were well-disciplined and provided 95% off-the-shelf service and delivery within three or four days of the receipt.

4.6.2 DEFINING WHERE TO POSITION INVENTORIES ALONG THE SUPPLY CHAIN AND HOW MUCH TO STOCK AT EACH POINT

Focused efforts should be made in order to gain a sound understanding of the supply chain, including:

1. Lead times through manufacturing process, transportation times between facilities and required customer delivery times.

2. Manufacturing process characteristics: set-up and changeover times, costs and cycle times.

3. Inventory Management Policies and Procedures, Forecasting techniques and horizons.

4.6.3 USING JUST-IN-TIME TECHNIQUES TO MAINTAIN SUPPLY CHAIN

Just-in-time manufacturing techniques will work well, if successfully implemented and an excellent approach for reducing supply chain inventory. A high level of manufacturing flexibility is required in this approach. This understanding was well developed through thorough educational programmes involving all levels of personnel management — top management down through the shop floor.

4.6.4 MANAGING IN THE SUPPLY CHAIN AS A SINGLE ENTITY IN A SEASONAL BUSINESS

Jones and Riley examined in the company chosen for their survey that the key element in the operating strategy for this business was the policy of planning operating levels and inventories to meet the seasonal business characteristics. This substantially reduced the cost penalties associated with adjusting manufacturing capacity utilization during peak periods.

4.6.5 DEALING WITH INDEPENDENT DISTRIBUTORS

In the surveyed firm, an independent distributor network was responsible for providing after-market services parts to the OEM products installation in the field. Many of these distributors were maintaining insufficient supply of after-market parts to guarantee availability in the event of field emergency breakdown. Hence, a decision was made to develop basic inventory guidelines for the distributors.

INDIAN SCENARIO

If we talk about Indian Textile Industry, then it is a vertically integrated industry which encompasses a large gamut of activities ranging from production of its raw material, namely cotton, jute, silk and wool to providing to the consumers high value-added products such as fabric and garments. A wide range of fibres are also produced in the textile industry of India as large varieties of synthetic and man-made fibres such as filament and spun-yarns from polyester, viscose, nylon and acrylic which are
used to manufacture fabric and garments. To assess Indian status in world textiles, we can say that it is globally the:

- Third largest producer of cotton and cellulose fibre/yarn.
- Second largest producer of cotton yarn.
- Largest producer of jute, second largest producer of silk.
- Fifth largest producer of synthetic fibre/yarn.

(Zala, 2011)

The distribution channel structure of India is largely traditional and quite unique. The major channel components are the retail network, wholesale network, and the logistics infrastructure. Though some efforts have been made in order to modernize the distribution chain and there is a co-existence of both kinds of distribution networks, traditional as well as modern. Both provide some or the other advantages. Traditional retailers in India offer convenience, home delivery, credit and personalized services. Modern retail offers periodic promotional offers, lower prices, wider assortment, a better ambience and high quality brands. The Indian textile industry was pegged at US$55 billion in 2010, 64 per cent serves domestic demand, rest of it is for the export market. The textiles industry also known as textiles and clothing (T&C), textiles and garments (T&G), and textiles and apparel accounts for 14% of industrial production, 4% of Gross Domestic Product, and 12.5 % of country's export earnings in 2009-10 (Foreign Trade of Indian Cotton Textile Industry: shodhganga.inflibnet.ac.in.in.06 chapter).

The picture of textile exports is very bright as can be seen from the data, though in recent years the number of exports is stable cost of Indian cloth has also increased in world market. One of the reasons for this is that there are as many as 15 intermediaries between the farmer and the final consumer. Each contributes not only to the lengthening of the lead times but also adding to the costs. By the time cotton worth Rs. 100 reaches the spinning unit, its worth gets inflated to Rs. 148. By the time, it reaches the final consumers, its worth again gets inflated to Rs. 365. In order to become competitive, this increment in cost is unacceptable (Verma, 2009). The industries need to develop this supply chain perspective and rationalize costs at every stage in the entire supply chain, and not only within their firms or between themselves and their vendors and suppliers. The supply chain in India is extremely fragmented due to government policies and lack of coordination between industry and relevant trade bodies (Verma, 2009).

Other Asian countries as China, Hong Kong, Vietnam, Indonesia, Sri Lanka, Pakistan and Bangladesh are doing better than India in textile business only because of shrunken supply chain due to which less cost is incurred and the end consumer also has not to feel the burden on their pockets. The phasing out of MFA agreement has helped India gain relaxation in its textile exports though it has thrown open a new competition from other Asian giants who are already well managed in their supply chain activities. A complex supply chain like India requires efficient coordination through excellent managerial practices, technology and facilitating policies.

<table>
<thead>
<tr>
<th>TABLE 1: Distribution Of Traders Surveyed For Fabric / Garments Units</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Directly from Factory</th>
<th>Directly from Power loom</th>
<th>Directly from Ready made Garment Household units</th>
<th>Agent</th>
<th>Through any other wholesaler</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesalers</td>
<td>21.43</td>
<td>7.14</td>
<td>7.14</td>
<td>50.00</td>
<td>14.29</td>
<td>100.00</td>
</tr>
<tr>
<td>Retailers</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>20.00</td>
<td>44.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

This table gathered from NCAER Report provides the statistics based on primary survey data with regard to fabric purchase. On an average a wholesaler deals with 23 products and has 20-40 varieties in each product. Some wholesalers purchase from 2-3 sources, others purchase from a single source. Twenty two percent of wholesale traders surveyed for making purchase directly from factory, 7 per cent directly from power loom units, 7 per cent directly from ready-made garments household units, 50 per cent through the agent and the remaining 14% wholesalers purchase from other wholesalers.

A retailer deals with 4-5 products each with 6-7 varieties. Some retailers purchase from single source and some others purchase from 3-4 sources. 12 per cent of the retailers surveyed purchased from
directly from factory, 12 per cent directly from power loom, 12 per cent from ready-made garment household units, 20 per cent through agent, and the remaining 44 per cent through wholesalers. Whereas a large retailer in a mall has 6-7 more products and 10-15 varieties in each product line. Sometimes some value addition work is also done by wholesalers after purchase of fabric/garments, which increases the value of that fabric/garment by 34%.

SA survey of 2008-09 conducted by NCAER brings to light the percentage of average percentage margin charged by intermediaries in the existing supply chain:

<table>
<thead>
<tr>
<th>Intermediaries</th>
<th>Percentage Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent</td>
<td>2</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>15</td>
</tr>
<tr>
<td>Small Wholesaler</td>
<td>20</td>
</tr>
<tr>
<td>Retailer</td>
<td>30</td>
</tr>
<tr>
<td>Large Retailer</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 1.1 provides the information with regard to margin taken by traders. In case of four intermediaries, the price to consumer is 183 per cent of the ex-factory price (NCAER Report, 2009). On an average agent takes 2% margin, wholesaler takes 15% margin, small wholesaler takes 20% margin and retailer takes 30 per cent margin. Large retailers who have own outlet in malls take average 50% margin. On an average a trader takes 8% of the total sale value on storage cost in terms of rent/imputed rent, transportation/loading/unloading/labour cost and cost of hiring on employees. The large supply chain compels the consumer to pay more for fabric/garments. A retailer sells a shirt at 399/- and a large retailer sells the same type of fabric in 1599/-, a retailer sells a pant at 599/- and a large retailer sells the same pant in 1799/-, a retailer sells a T-shirt in 299/- and a large retailer sells the same T-shirt in 699/-. A retailer sells a blazer at 1999/- and a large retailer sells the same blazer at 4999/-. A retailer sells a handkerchief at 40/- and a large retailer sells the same fabric product at 125/- i.e. a large retailer (mall) takes 3-4 times high margin than the retailer in the market (NCAER Report, 2009).

From here, we can conclude that the supply chain that exists in garment/fabric is as follows:-

- Factory to first intermediate agent to 2nd intermediate wholesaler to 3rd intermediate retailer to final consumer. It is noted that 31% of the supply chain lie in this category.
- Factory to first intermediate agent to 2nd intermediate wholesaler to 3rd intermediate small wholesaler to 4th intermediate retailer to final consumer. Thirty one per cent of the trades lie under this category.
- Factory to first intermediate agent to 2nd intermediate wholesaler to 3rd intermediate small wholesaler 5th intermediate retailer to 6th intermediate small-retailer to final consumer. No any even case noted in this chain.
- Factory to first intermediate agent to 2nd intermediate retailer to final consumer. Eight per cent of traders exist in this type of chain.
- Factory to first intermediate wholesaler to 2nd intermediate retailer and to final consumer. 15% of the traders exist in this type of chain.
- Factory to 1st intermediate retailer and to final consumer. Seven per cent of traders exist in this type of chain.
- Factory to own retailer (factory outlets) and to final consumer, no any intermediate exist between them and they supply their to the final consumer. All the large retailers (malls) adopt this kind of chain (NCAER Report, 2009).

This study shows that maximum number of intermediaries exist between factory and final consumer is 5 in metro cities, average number of intermediaries in the supply chain are 4. This chain may vary in small towns or interior areas. Managing such a complex chain requires coordination through excellent managerial practices, technology and facilitating policies. Such a long and arduous supply chain of garments is bound to increase the price of fabric when it reaches to final consumer, as a consequence of which Indian fabric is ineffective in competing with the cloth of other Asian countries which does not cover such a long journey of supply chain and hence they are sustained in the market. There can
There has been a shift of emphasis in the garment industry from production to marketing during the latter half of the 1980s and this reflects the growing significance of competitive factors other than price.

### TABLE 1.2 IMPACT OF HIGHLY PRICED GARMENTS ON INDIAN EXPORTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
<th>VARIATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs (crore)</td>
<td>US$ Million</td>
<td>Rs (crore)</td>
<td>US$ Million</td>
<td>Rs (crore)</td>
</tr>
<tr>
<td>Ready made Garments</td>
<td>50180.69</td>
<td>11026.48</td>
<td>62686.67</td>
<td>13094.62</td>
<td>67452.48</td>
</tr>
<tr>
<td>Cotton Textiles</td>
<td>39521.31</td>
<td>8701.83</td>
<td>54236.17</td>
<td>11139.28</td>
<td>61223.10</td>
</tr>
<tr>
<td>Man-made Textiles</td>
<td>21410.56</td>
<td>4706.67</td>
<td>27047.12</td>
<td>5658.01</td>
<td>27451.16</td>
</tr>
<tr>
<td>Wool and Woollen Textiles</td>
<td>2012.13</td>
<td>441.8</td>
<td>2379.89</td>
<td>501.23</td>
<td>2266.10</td>
</tr>
<tr>
<td>Silk</td>
<td>2874.13</td>
<td>631.04</td>
<td>2270.12</td>
<td>475.67</td>
<td>2197.72</td>
</tr>
<tr>
<td>Handloom</td>
<td>1574.95</td>
<td>345.55</td>
<td>2693.66</td>
<td>551.94</td>
<td>2812.04</td>
</tr>
<tr>
<td>Carpets</td>
<td>4718.34</td>
<td>1037.93</td>
<td>4071.29</td>
<td>847.54</td>
<td>3374.22</td>
</tr>
<tr>
<td>Jute</td>
<td>2092.97</td>
<td>458.73</td>
<td>2226.07</td>
<td>464.95</td>
<td>2124.24</td>
</tr>
<tr>
<td>Cor and Cor Manufacture</td>
<td>726.49</td>
<td>149.49</td>
<td>1058.45</td>
<td>211.92</td>
<td>1069.47</td>
</tr>
<tr>
<td>Total Textile and Clothing</td>
<td>125110.67</td>
<td>27508.90</td>
<td>158559.74</td>
<td>32945.16</td>
<td>171970.53</td>
</tr>
<tr>
<td>Handicrafts (EPCH Data)</td>
<td>17970.12</td>
<td>3304.90</td>
<td>32945.16</td>
<td>31625.15</td>
<td>214918.45</td>
</tr>
<tr>
<td>Total T&amp;C including Handicrafts</td>
<td>125110.67</td>
<td>27508.90</td>
<td>158559.74</td>
<td>32945.16</td>
<td>171970.53</td>
</tr>
<tr>
<td>%Textile Exports</td>
<td>10.95%</td>
<td>10.95%</td>
<td>10.82%</td>
<td>10.77%</td>
<td>11.63%</td>
</tr>
<tr>
<td>India’s Overall Exports</td>
<td>165291.22</td>
<td>35135.09</td>
<td>165291.22</td>
<td>35135.09</td>
<td>165291.22</td>
</tr>
</tbody>
</table>

Source: Foreign Trade Statistics of India (Principal Commodities and Countries), DGCI &S for export figures in Rupees and Department of Commerce (Intranet) – Exchange Rate (teximin.nic.in)

### USE OF INTERNET AS A SOLUTION TO HIGHER PRICES IN SUPPLY CHAIN

Multiple benefits follow from the use of information and electronic business concepts in the supply chain. Functional areas such as marketing, purchasing and logistics benefit a lot from the use of internet in supply chain. How can the use of internet helps in the ease of doing business can be enumerated in following points:

1. Makes the flow of goods more transparent.
2. Allow for the integrated management of a physically disintegrated unit.
3. Decentralization and Centralization within one operating unit.
4. Relevance of information exchange in avoiding one of the best known problems in the supply chain that of Forrester’s Bull Whip Effect.
5. Reduces the irregularities and unpredictabilities arising in the supply chain with the increase in the number of layers in it.

In a traditional supply chain arrangement, where the manufacturer or the Original Equipment Manufacturer is often the focal company, supply chain optimization may be driven by the considerations of that company rather than from a supply chain optimization perspective so creating Forrester effects up and down stream throughout the chain. Information and Management can provide an important remedy for this. The opportunities resulting from the inclusion of supply chain management are:

1. The ability to reduce service costs and response time.
2. The ability to be more responsive to customer service problem.
3. The ability to schedule pick-ups and deliveries.
4. The ability to directly communicate with vendors, customers, etc. regarding supply issues on a seven day/24 hour basis through e-mail.
5. The ability to track equipment locations including rail, cars, trucks and material handling equipment.
6. The ability to pay invoices electronically and to check outstanding debit balances.
7. The ability to notify vendors of the changes in configurations in products that are produced to order.
8. The ability to place bids on projects issued by the government and industry buyers.
9. The ability to check the status of orders placed with vendors.
10. The ability to receive orders from international customers.
11. The ability to provide 7 day/24 hr worldwide customer service.
12. The ability to schedule outbound shipments from private and public distribution centres on a 24-hr. Basis.
13. The ability to reserve spaces in warehouses for anticipated deliveries to market locations.
14. The ability to contact vendors or buyers for customer service related problems from late deliveries, stock-outs, alterations in scheduled shipment dates, late arrivals and wide variety of other service issues.
15. The ability to track shipments, using a wide variety of modes including truck, rail and air transport.
16. On-line vendor catalogues from which buyer can find, select, and order items directly from suppliers without any human contact.

(Rahman, 1974).

PURCHASING AND THE INTERNET

Internet can be utilized in a variety of procurement applications including communication with vendors, checking vendor price quotes, and making purchases from vendor based catalogues. Vendor negotiation has also been streamlined through the use of internet. Negotiations with internet include bargaining, re-negotiations, price and term agreements.

INVENTORY MANAGEMENT AND THE INTERNET

Use of internet in this area is the communication of stock-outs by customers to vendors, or the notification of stock-outs by companies to their customers. The internet has enabled companies to institute more quickly EDI information programs with the customers. The internet has managed inventory management most dramatically in the ability of the firms to be proactive in the management of inventory systems. This is demonstrated in the ability of firms, to notify customers of order shipping delays and inventory emergencies. Research shows that information available to inventory managers is becoming more readily available because of the reporting systems that can be used through the internet.

Internet also provides managers with the ability to track out-of-stock inventory items in field depots. Inventory levels become low, overall holding costs are reduced, high levels of customer service follows.

TRANSPORTATION AND THE INTERNET

Transportation is typically the second highest cost component in a supply chain management. The research showed that the monitoring of pick-ups at regional distribution centres by carriers is the most popular application of the internet in this area. Managers are provided with the information they need to inform carriers of shipment delays as they occur, and to have not to wait for days before the information becomes available for corrective measures to be taken.

ORDER PROCESSING AND THE INTERNET

Placing the orders and knowing order status are the main functions of internet in order processing. Reduction of paperwork will ensue which normally prevails in the traditional order processing systems because of the internet. The reduction in order-cycle time, or time between the orders placed and the time it is received by a customer has been reduced as much as one-half. Accuracy of pricing
is the most important in order processing, and the internet provides the companies with the ability to check vendor pricing.

**CUSTOMER SERVICE AND THE INTERNET**

Internet can provide the firms with the ability to offer their customers another way to contact firms regarding service issues. The internet also gives the customers 24-hour access to a company's service department, enabling customers to immediately notify companies of any service issues or problems that may arise. The overall effect leads to reduced response times and resolutions of customer service problems. Customer-firm relationships can be firmly cemented by two-way communication capability of the internet. This way it is good for longevity of business and satisfaction of the customers.

**FINDINGS:**

Here, we can witness that textile exports of India have remained more or less stable and there is not much increment in them from which it can be concluded that due to rising prices of Indian garments, countries shifted their interests towards other Asian countries textile imports. This stability in exports is only due to the increment in prices of textile commodities when they pass through several hands, as a result of which the customers from various parts of the world switched over to other countries’ products. Internet can play a decisive role in solving the bull-whip effect and reducing the delivery time of customer's orders. It can contribute a lot in increasing ease of doing business in India.

**ANALYSIS:-**

Whereas, in 2010-11 the textile exports were 10.95%, instead of a good increment as expected from Indian quality cloth, the increment was only close to 2% which signals that Indian supply chain management will have to undergo tremendous change, if Indian textile exports have to cover world market. It will have to introduce internet solution more rigorously in order to pave the way for doing business in a smooth and easy manner.

**INDIA’S CHALLENGES IN LOGISTICAL AND OUTSOURCING ISSUES**

Last but not the least, we can witness the logistical performance of India through ranking which it got in the previous years whether the country has emerged as an investment destination or not and even if it has emerged, it needs to take lot of steps in order to improve its logistics. India was ranked 47th among 155 countries in 2010 in Logistical Performance Index and spends 13% of GDP on logistics. In 2014, the ranking has slipped to 54 (lpi.worldbank.org). The fragmented supply chain management of India has posed this problem of India being ranked at very low pedestal in terms of logistics performance index. Other Asian countries as Korea, China, Bangladesh, Turkey, Mexico and Pakistan are close competitors of India which are not having so much fragmented supply chain. Till 1999, there were as many as 20 control orders and notifications which were operational despite long years of deregulation and liberalisation of Indian textile and clothing industry. The excise duties which are applicable to the textile industry are Basic Excise Duty (BED), Additional Excise Duty (AED) @15% applicable on cotton yarn and all man-made/ blended yarn and fibre and AED in lieu of sales tax applicable on power processed fabric.

**CONCLUSION:**

Thus, as practices and measures laid above regarding supply chain management, India will have to come in sync with the world supply chain practices and learn something from its Asian competitors as which are ruling the roost and become an effective supplier to world textile market.
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MICRO FINANCING SELF HELP GROUPS WHETHER A MEANS FOR RURAL WOMEN TO CROSS THE THRESHOLD OF HOUSEHOLD AND VENTURE INTO ENTERPRISE EXPANSION: A CASE STUDY OF RURAL NADIA, WEST BENGAL

Dr Sharmistha Bhattacharjee
Assistant Professor (Senior Grade)
Jaypee Institute of Information Technology, Noida
sharmistha121@gmail.com

ABSTRACT

The Micro financing Self-help groups and its contribution to the rural life have reached a long way in the last few decades. Nobel Laureate Muhammad Yunus started the revolution of Grameen bank in Bangladesh which spread all over the world. There are various studies citing about the transformation and empowerment of women through micro financing self-help groups. Most of studies consider these groups as a pillar of self-reliance (Lina & Krishna, 2014). Scholars even portrayed that the micro financing groups encourages women borrowers to gain financial management skills, owning bank accounts, gaining greater mobility outside their homes and taking pride in contributing to household income. Women also gained ownership of some selected household assets more commonly owned by men (mainly over poultry and beds with mattresses), and their micro-enterprises. (Rooyen, Stewart & Wet, 2012) This paper attempts to systematically review the condition of women in Rural Nadia, West Bengal and access whether these groups are able to facilitate capacity building, skill development marketing linkages and ultimately micro enterprise expansion.

Keywords: Microfinance, micro credit micro saving, enterprise

INTRODUCTION

Bill Vaughn is of the opinion that It would be nice if the poor were to even the half of the money which is spent in studying them.

Micro finance is defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards. (Nasir, 2013). In various national policies and developmental programmes, emphasis has been given on organizing women in Self Help Groups and thus, marks the beginning of a major process of empowering women. It is also felt to equip the women with necessary skills in the modern trades, which could make them economically self-reliant. Women must be empowered by enhancing their awareness, knowledge; skills and technology use efficiency, thereby, facilitating overall development of the society. The concept of Self Help Groups (SHGs) is proving to be a helpful instrument for the empowerment of women. (Lina & Krishna, 2014). This paper attempts to review the state of women in Rural Nadia, West Bengal and access whether these groups are helpful in capacity building skill development, creating market linkages and encouraging micro enterprise expansion.

OBJECTIVES

1. To study the relationship between SHG’s and socio economic development of the rural community particularly among the women who have joined the self-help groups

2. To evaluate the impact of SHG’s on building of self-confidence, self-esteem, decision making ability and capacity building
3. To determine the opportunities created by SHG’s to promote market linkages, skill development and support micro enterprise expansion.

RESEARCH METHODOLOGY

The primary data has been collected from the field survey of two villages. The location of the study is Villages Balindi Baishpukur and Muraghacha in Nadia district. It falls under Haringhata Block. Haringhata (community development block) is an administrative division in Kalyani subdivision of Nadia district in the Indian state of West Bengal.

Haringhata is a Town in Haringhata Tehsil in Nadia District in West Bengal State in India. Haringhata is Main Town for the Haringhata Tehsil. Haringhata is 72.3 km distance from its District Main City Krishnanagar and 48 km distance from its State Main City Kolkata. This district was chosen for the reason that lot of new SHG’s were coming into existence. Only those groups are chosen as a sample which was running effective over years. A structured questionnaire and face to face interaction method was used to interact with the samples.

LITERATURE REVIEW

India envisions a future in which Indian women are independent and self-reliant. Women's programme strictly focused on empowerment of rural women and making them financially, socially and politically capable. Various studies on Self-help groups and empowerment demonstrated how to mobilize and manage thrift activities, appraise credit needs, enforce financial disciplines, maintain credit linkage with banks and effectively undertake income generating activities etc.(Lina & Krishna, 2014). The feminist empowerment paradigm did not originate as a Northern imposition, but is firmly rooted in the development of some of the earliest microfinance programmes in the South, including SEWA in India. It currently underlies the gender policies of many NGOs and the perspectives of some of the consultants and researchers looking at gender impact of microfinance programmes. Here the underlying concerns are gender equality and women's human rights. Women's empowerment is seen as an integral and inseparable part of a wider process of social transformation. The main target group is poor women and women capable of providing alternative female role models for change. Increasing attention has also been paid to men's role in challenging gender inequality. (Kumar, 2013)

Microfinance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment which focuses on gender awareness and feminist organization. A majority of microfinance programs target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Whereas, other believe that investing in women’s capabilities empowers them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development. (Sarumathi & Mohan, 2011)

Microfinance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether microcredit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on microfinance as a solution for the poor-has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception of women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions. (Kumar, 2013)
The role of small enterprises in poverty alleviation has long been recognized as vital, and promotion of small and micro-enterprise for women has been recognized as the key to augmenting family welfare. However, poor women lack the capital required for enterprise and although lending mechanisms exist in their economy, mainstream financial institutions are not oriented towards providing them the fund they require. (Bagheri & Nabavi, 2007) Bhutt & Tang (2001) while discussing on delivering micro-financing in developing countries: Controversies and policy perspectives suggests three areas to understand micro-financing. The three keys are (a) vehicles for financial services delivery, (b) technologies for financial services delivery, and (c) performance assessments in financial services delivery. They suggest that such key there can be an effective implementation if properly monitored. Although, there are positive understanding of scholars towards micro-financing self-help groups and expansion of enterprises. Kumar, 2006 is of an opinion that women who are a part of micro financing self-help groups are aware and conscious of their rights, this is not realised and translated in their life due to various social, cultural and economic factors. He observes in his study that education is a major hindrance in this process of women's empowerment where these women are dependent on others for information and official work. Transformation is not only reflected in her character and attitude but is also well reflected in her pursuit, which is to excel, to improve her household's quality of living, to see her children go to school, to help her man with resource support during crisis, to work for the common good, to participate in the development planning and initiatives, etc. In reality, most of these are still at the need level and have not been achieved and realised.

ANALYSIS AND FINDING

The present Study investigates two villages. The location of the study is Villages Balindi Baishpukur and Muraghacha in Nadia district. There are eleven self-help groups regulated by the cooperative banks and five monitored by West Bengal Comprehensive Area Development Corporation in the former village and six groups were operating in the latter village which functioning in cooperative bank lines. The sample size chosen for the study where all women from these groups which was 222 in total. 174 women were from village Balindi and 48 from village Muraghacha. The self-help groups have Bengali names and members range from 8-14. The respondents chosen were between 21-50 years most of them were married. They either were a part of the APL (Above Poverty line) group or BPL (Below Poverty line) groups 30% of the population understudy had primary education and 50% were Illiterates and 15% attained secondary school and 5% of the crowd was either perusing or completed their graduation. After joining of self-help groups most of the women have started with a new ventures ranging from poultry farming to small business. Working as seasonal labourers or agricultural labourers are a part of their life. The income generated ranges from Rs 50-5000 and corresponding to the income earned the saving is less which can be computed as Rs 10-200 per month.

Table: 1 Self Help Groups regulated by Cooperative Banks, (Balindi)

<table>
<thead>
<tr>
<th>Name of Self Help group</th>
<th>Year of starting</th>
<th>Members</th>
<th>Monthly fee</th>
<th>Loan</th>
<th>Usage of loan</th>
<th>Income generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preetilota</td>
<td>2001</td>
<td>13</td>
<td>25</td>
<td>2 lakhs</td>
<td>Farming, Animal husbandry</td>
<td>Colour fish rearing</td>
</tr>
<tr>
<td>Mukti</td>
<td>2006</td>
<td>15</td>
<td>50</td>
<td>1.6 lakhs</td>
<td>Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Moton giri</td>
<td>2006</td>
<td>13</td>
<td>25</td>
<td>1.75 lakhs</td>
<td>Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Saboj Shakti</td>
<td>2006</td>
<td>14</td>
<td>50</td>
<td>1 lakhs</td>
<td>Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Amupama BPL</td>
<td>2006</td>
<td>11</td>
<td>25</td>
<td>2 lakhs</td>
<td>Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Shabna</td>
<td>2008</td>
<td>5</td>
<td>50</td>
<td>35000</td>
<td>Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Shahiti</td>
<td>2007</td>
<td>14</td>
<td>25</td>
<td>1lakh</td>
<td>Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Arpita</td>
<td>2009</td>
<td>10</td>
<td>50</td>
<td>50000</td>
<td>Farming, Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Anamika</td>
<td>2009</td>
<td>10</td>
<td>50</td>
<td>20000</td>
<td>Farming, Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Ananya</td>
<td>2009</td>
<td>10</td>
<td>50</td>
<td>1lakh</td>
<td>Farming, Animal husbandry</td>
<td></td>
</tr>
<tr>
<td>Jiniya</td>
<td>2010</td>
<td>5</td>
<td>50</td>
<td>70000</td>
<td>Agriculture, Cattle rearing</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data 2014

In case of the eleven self-help groups in Balindi village it is found that over years women are able to contribute to the family income. Earlier their contribution was negligible 98% cases. 2% women had some arrangements such as engaging themselves as Mid-day meal workers or Aganwari workers The
joining of the self-help groups have mobilized them to search new ventures and opportunities which was unexplored.

Table: 2 Self Help Groups regulated by West Bengal Comprehensive Area Development Corporation (Balindi)
Source: Survey 2014

<table>
<thead>
<tr>
<th>Name of Self Help group</th>
<th>Year of starting</th>
<th>Members</th>
<th>Monthly fee</th>
<th>Loan</th>
<th>Usage of loan</th>
<th>Income Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shakti</td>
<td>2002</td>
<td>10</td>
<td>50</td>
<td>2 laks</td>
<td>Petty Business, Vermi-compost and Animal Husbandry</td>
<td>500-1000 approx per family</td>
</tr>
<tr>
<td>Neel Kamal</td>
<td>2005</td>
<td>10</td>
<td>50</td>
<td>1.9 laks</td>
<td>Vermi-compost and sewing</td>
<td>1000-2000 approx per family</td>
</tr>
<tr>
<td>Chaitali</td>
<td>2005</td>
<td>8</td>
<td>30</td>
<td>42000</td>
<td>Petty Business and Animal Husbandry</td>
<td>2000-3000 approx per family</td>
</tr>
<tr>
<td>Rajni</td>
<td>2010</td>
<td>10</td>
<td>50</td>
<td>45000</td>
<td>Petty Business and Animal Husbandry</td>
<td>300-700 approx per family</td>
</tr>
<tr>
<td>Dalia</td>
<td>2010</td>
<td>10</td>
<td>50</td>
<td>22000</td>
<td>Machine</td>
<td>4000-5000 approx per family</td>
</tr>
</tbody>
</table>

Balindi village has another set of self-help groups which are regulated by the West Bengal Comprehensive Area Development Corporation, where women have contributed more than the women who had taken loan from the cooperative banks. An interesting point to be noted in these cases women earlier never knew to sign the documents before they joined self-help groups. Over years they visit bank for loan and exchange, transact with people related to the venture and explore new opportunities.

Table: 3 Self Help Groups regulated by Cooperative Banks, (Muraghacha)
Source: Survey 2014

<table>
<thead>
<tr>
<th>Name of Self Help group</th>
<th>Year of starting</th>
<th>Members</th>
<th>Monthly fee</th>
<th>Loan</th>
<th>Usage of loan</th>
<th>Income generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nawab</td>
<td>2002</td>
<td>11</td>
<td>25</td>
<td>1.5lakhs</td>
<td>Farming, Animal husbandry Colour fish rearing</td>
<td>2000-5000 approx per family</td>
</tr>
<tr>
<td>Edisha</td>
<td>2008</td>
<td>10</td>
<td>50</td>
<td>2.5 lakhs</td>
<td>Animal husbandry</td>
<td>1000-2000 approx per family</td>
</tr>
<tr>
<td>Garib –a Bandhu</td>
<td>2010</td>
<td>11</td>
<td>25</td>
<td>1.75 lakhs</td>
<td>Animal husbandry</td>
<td>600-1200 approx per family</td>
</tr>
<tr>
<td>Haza Baba</td>
<td>2008</td>
<td>11</td>
<td>50</td>
<td>2.5 lakh</td>
<td>Animal husbandry, tailoring</td>
<td>500-1000 approx per family</td>
</tr>
<tr>
<td>Taj Mahal (BPL)</td>
<td>2000</td>
<td>11</td>
<td>25</td>
<td>3.9</td>
<td>Animal husbandry, vermin-compost and farming</td>
<td>4000-5000 approx per family</td>
</tr>
<tr>
<td>Baglo lipi (BPL)</td>
<td>2008</td>
<td>10</td>
<td>25</td>
<td>2.5</td>
<td>Animal husbandry, farming</td>
<td>900 per family</td>
</tr>
</tbody>
</table>

In case of the Self-help groups which are present in Muraghacha although the groups are less in number of groups but their functioning and saving is as similar to the Balindi village. In all the case interviewed it is been found that the urge for venturing into micro enterprises have grown over years. Apart from discussing the condition and nature of work of the women in villages of Nadia District, West Bengal there is need to access whether these self-help groups are enable to facilitate capacity building, skill development, market linkages and expansion of micro enterprises. Various studies have discussed the relationship between Self-help groups and their contribution in women empowerment. (Manjunatha, 2013, Nand, Saha & Mondol, 2012)

Scholars have also analysed personality change and the role self-help groups by adopting a 5 point continuum and the scoring pattern was 5, 4, 3, 2 and 1 for very high, high, moderate, low and very low respectively to understand the relations. These studies indicated that overall personality of the group members had increased significantly with the joining of self-help groups (Lokhande, 2013)

Analysing the understanding from various studies that self-help groups empower women and there is a positive relation between joining of SHG’s and personality change the present study in Nadia district, aims to examine how the existence of self-help groups facilitate capacity building, market linkages and ultimately micro enterprise expansion through three dimensions of personality of women, such as self-confidence, self-esteem and decision making ability. These personality traits
were chosen because studies have interpreted and that there is an overall change among women confidence esteem and decision making (Uddin, 2012& Lokhande, 2013)

In this study women were interviewed by face to face interactions and a structured questionnaire about self-confidence, self-esteem and decision making the confidence of speaking to the family members, bankers, venture providers and dealers. They were also asked about their confidence in handling of various monetary and non-monetary issues, establishing linking and venturing into the domain of entrepreneurship without the help of a male folk. 70% of women in Balindi village self-help groups regulated by W.B Comprehensive Area Development Corporation are of the opinion that they feel more confident in interacting with bankers, venture providers and dealers as compared to situation before the joined SHG’s. An interesting point to note in case of these women is that they have influence the male members of their village to state up with self-help group. A young male group take all decisions consulting one of the SHG’s. The confidence has allowed women to enter petty business single handily and they have understood the need of saving. Even at time bankers do not cooperate with the women folk they try to keep their points firmly in order to get the work done. They also tried to establish market linkages to extend their work on machines and tailoring but certain times they have a take a back step to interact with the middlemen.

In case of SHG’s regulated by Cooperative Banks 50% women have agreed in rising of self-confidence. They still show a dependence on the male members or elderly if they wish to interact and establish linkages be it monetary or market connections. It should be noted that with joining of the self-help groups the women try to explore opportunities and speak to dealers and people about their aspirations’ to venture into a new domain.

In case of Muraghacha, there is self-confidence seen at a lower level than the women in Balindi since they consider speaking to family member, dealers, bankers and venture providers about finances, market linkages and their ventures outside a female arena. Although they are part of self-help groups over years and they do banking transactions and are able to use the loan for their ventures. Still their understanding and confronting with the outside world is limited. To site a case, if for instance the banker scolds one of them and do not facilitate what is required for a long period of time they do not get into these matters again. There are cases found in the village that when they come back from the bank not completing their transactions and feel frustrated the male counter parts have no role to support women folk. Many a times it’s seen that they have asked women folk to leave these self-help groups since it does not have an immediate benefit. A sense of confidence is felt when they feel that by starting ventures such as animal husbandry, vermin-compost and tailoring they are able to complement the family income.

The correlation between be Self-esteem and facilitating to capacity building, market linkages and venturing enterprises had a positive significance. In case of self-help groups in Balindi there is realization and appreciation by women themselves in joining of the self-help groups. These groups have enabled them to build assets for themselves in their own name as well as there is an interaction with number of NGO’s and small projects which provide them with training and market linkages. Another positive opinion which the women speak about is they are the sense of security for themselves and their family members. Now they feel self-reliant and secured. They are able to educate their children and provide them with modern amenities.

In case of Muraghacha, one can find a low degree of self-security respect and reliance although they are equally contributing like other villages they do not get options of training and development after joining the self-help groups. However every women of the village wants to be a part of such groups particularly BPL which has more facilities than the APL groups. They have a tendency to speak wrong information to the officials for being a part of such groups. They feel that they would find them more secured if they are provided constant loan with high subsidary and low rate of interest.

While understanding the relation between power of decision making and enabling capacity building, market linkages and enterprise expansion in the study it is been found Balindi village women have greater role to play in decisions of the family as compared to Muraghacha women. 60% of the women
either from the self-help groups operated by cooperative banks or WBCACD  projects are able to articulate their ideas in the family since they contribute to the family income. 80% of women in Balindi suggest their families for their children’s education need, saving patterns (making of fixed deposits, buying monetary coupons) and medication of the family members. It is been found interestingly that in one of the families because of the women’s income she plans picnics and outings for the family. The decision of buying and selling is less but there role is not negligible. They understand the importance of earning and saving as a result of such an exposure they suggest for asset building in the family such as purchase of cattle and farming needs. They even try to find linkages within and outside the village to establish links and ultimately extend their enterprises.

In case of Muraghacha, although there is a positive role played by the women in decision making in family matters, selling and buying and financial matters but their contribution to establish market linkages are less. Although they have established small enterprises at their level but the linkages are minimum. The interesting case to be noted where women aim in these villages to take decisions for family business for the growth of the family as a whole.

The contribution of women in capacity building is positive in all the case investigated in the two village every family has used the money to generate income for themselves either in small or a larger level. They have a risk taking attitude, less in case of Muraghacha as compared to Balindi. The reason behind such a lag is due to the lead back attitude of the women as well as men. Problem handling is effectively done in all the cases. The problems are seen in case of investing money, linking to markets and setting up suitable ventures. In all the three phrases problem arises and differences grow between the families and sometimes with group member but matters are resolved. One of the NGO’s who work in the village play a catalyst role in market linkage and encouraging women to take up ventures.

In all the cases the SHG’s have helped women in skill development and market linkage. Time to time trainings is provided to groups to enable them to learn the new changes which ultimately encourage new ventures. Women of all self-help groups have enrolled themselves in the training programmes provided for cattle rearing, tailoring, beautician courses and vermin-compost. It is interesting to explore that in one of the cases the SHG’s facilitated the women with cattle rearing training but when they applied for the loan for the concern bank they were provided finances for duckery farming. As a result enable to manage the project the group as a whole had to suffer. With lot of persuasions from the self-help groups later they were heard by the bank and provided a project in which women were trained with. Enabling market linkage is a difficult part which self-help groups have always faced. The NGO’s enable the self-help groups to coordinate with entrepreneurial projects such as MAVIM, MCED to encourage women for new ventures.

As a result of strong capacity building skill development and market linkages women are found to be exploring the world of cattle rearing, vermin-compost, animal husbandry, sewing petty business and farming. The expansion of microenterprises have enabled family growth and to a certain degree financial empowerment

CONCLUSION

Women empowerment is a process of awareness and capacity building leading to greater participation, to greater decision – making power and control and to transformative action (Uddin, 2012). The study inferred that the realization about their contribution to the family income has enabled an upward mobility of the women in society. The joining of the self-help groups have allowed them to come up new ventures and opportunities which was outside the women’s domain and was considered as the males world. The study shows a positive significance between the joining of the self-help groups and ability to facilitate capacity building, skill development marketing linkages and ultimately micro enterprise expansion. Although such a growth is seen more in case of Balindi as compared to Muraghacha villages in Nadia West Bengal but the confidence to handle a ventures alone is highly appreciating. However in some cases it is found that they resort help from family members but the percentage is less. The understanding the need to save and earn for the pleasure in complementing the family income in itself an empowerment for a village as whole Thus with
indiscriminate policy measures and proper facilitation of market linkage women in rural set ups can achieve a long way

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BUSINESS OPPORTUNITIES IN INDIAN HEALTH BIOTECHNOLOGY SECTOR

Azamat Ali
Doctoral Fellow
Centre for Studies in Science, Technology and Innovation Policy,
School of Social Sciences,
Central University of Gujarat, Gandhinagar- 29, India
E-mail: azamatcug@gmail.com

ABSTRACT

Biotechnology is one of the areas where the rate of progress of science and technology over the last century has been most important. Biotechnology related science and technology can be used to improve the health care system, reduce the disease burden, and improve the economic status of the poor in the developing world. Biotechnology science and technology has a strong growth trajectory in the last decades in India. It has achieved several milestones and is well positioned to leverage emerging business opportunities. Several players from both the public and private sectors have the ability to influence national investments in biotechnology research and development in India. This paper attempts to capture the health biotechnology research, development and innovation in India by highlighting the current scenario of the industries (market size and segmentations), factors influencing the growth of health biotechnology industry, public financial supports by the various players such as departments, venture capitalists and private equity in developing and promoting such promising technology.

Keywords: Biotechnology, biopharmaceutical, financing innovation, venture capital, India

1 INTRODUCTION

Biotechnology has emerged as one of the tools that can be used to address development challenges. This potential depends on a diverse set of policy instruments aimed at translating scientific discoveries into goods and services [1]. Health biotechnology is playing a major role in biomedical R&D through the translation of knowledge into products and services for Indian citizens. It represented a new set of technologies that affected the existing biomedical R&D and pharmaceutical production [2, 3]. Indian companies are engaged in various activities to ensure support by manufacturing biogenerics, developing a technology platform while expanding into services in other areas. The sector is currently made up of four major segments: biopharmaceuticals such as vaccines, human therapeutics, diagnostics products and animal healthcare; industrial biotechnology; agriculture biotechnology and custom services such as contract research, contract manufacturing and clinical trials [4].

India comprising about 400 biotechnology firms and is ranked 12th in the world in terms of the number of biotechnology companies and third in Asia-Pacific [5]. It is one of the most significant sectors in raising India’s global profile as well as contributing to the growth of the economy. Key firms established before the 1980s, such as Wockhardt Ltd, Hindustan Antibiotics Ltd, Lupin Ltd, and others were primarily active in pharmaceutical business and later diversified into healthcare and biotechnology. The 1990s saw the emergence of dedicated biotechnology firms, which had their origins in Biocon India, Shantha Biotechnics, Bharat Biotech, Xycton Diagnostics, Strand Genomics, and Syngene International are some of the companies showing success in the marketplace. Alongside the dedicated biotechnology firms, the active participation of pharmaceutical majors such as Ranbaxy, Dr. Reddy’s Laboratories, Dabur, and others are noted. Subsidiaries of multinationals such as GlaxoSmithKline and Eli Lilly also merged on the scene during the period [6].
2 INDIAN BIOTECHNOLOGY INDUSTRIES: MARKET SIZE AND SEGMENTATION

The Indian biotechnology industry grew at a compound annual growth rate (CAGR) of 18 percent in financial year 2001-13 and generated total revenues of Rs. 23524 crore [7]. The biotech industry is expected to increase the size to Rs. 440,000 crores by the year 2020, driven by a range of factors, including growing demand, intensive R&D activities and strong government support for the sector [8]. The biopharmaceutical sector is the largest segment of the biotech industry with a share of 63 percent in total revenues in financial year 2012-13. Therapeutics, vaccines, diagnostics formed the backbone of the growth story each contributing major to the revenue. Bio-Agrí and bio-services segments followed the biopharmaceutical segment with a share of 27 percent and 4 percent respectively in financial year 2012-13 [7].

Revenue from biotech export reached Rs.12012 crore in financial year 2013, accounting for more than half (51 percent) of total industry revenues. Total domestic sales for the year stood at 11512 crore in financial year 2013. Exports account for 52 percent share of the biopharmaceutical sector. Revenues made from export of biopharmaceuticals comprising mainly of vaccines and statins. The private sector vaccines market has recorded a growth of about 25 percent. 60 percent of the total volume of vaccines manufactured in India is exported [7]. The figure 1 below highlights the export and domestic revenue trends in the biotechnology industry for last five years.

Figure 1: Export and Domestic Revenue Trends in the Biotechnology Industry Over 2008-13 (Rs. in crore)

Revenue from biotech export reached Rs.12012 crore in financial year 2013, accounting for more than half (51 percent) of total industry revenues. Total domestic sales for the year stood at 11512 crore in financial year 2013. Exports account for 52 percent share of the biopharmaceutical sector. Revenues made from export of biopharmaceuticals comprising mainly of vaccines and statins. The private sector vaccines market has recorded a growth of about 25 percent. 60 percent of the total volume of vaccines manufactured in India is exported [7]. The figure 1 below highlights the export and domestic revenue trends in the biotechnology industry for last five years.

Figure 1: Export and Domestic Revenue Trends in the Biotechnology Industry Over 2008-13 (Rs. in crore)

Source: Author own compilation based on BioSpectrum Vol (1), June 2013 [7].

The Indian biotechnology industry like its global counterparts is dominated by the health sector, the sectoral composition of the biotechnology industry (see figure 2) shows that the health sector (biopharmaceutical) accounted for 63 percent, bio-agri 27 percent, bio-industrial 5 percent, bio-services 4 percent and bio-informatics 1 percent of the biotech industry revenues during the financial year 2013 [7]. The large majority of biopharmaceutical products are pharmaceuticals that are derived from life forms. Small molecule drugs are not typically regarded as biopharmaceutical in the nature of the industry. The Indian Biopharmaceutical market includes mainly of vaccines, diagnostics, therapeutic drugs, insulin, animal biologics and statins. Vaccines, therapeutics, and diagnostics formed the strength of the growth story, each contributing significantly to the revenue. The top 25 biotechnology companies in India ranked by revenue are listed in table 1. This list includes multinationals as well as home grown companies.
The importance of the health biotechnology is further derived from the fact that 70 percent of the firms in the list of top 25 biotechnology firms in India are in the health biotechnology segment. Top 20 companies account for 47.37 percent share of the total biotech industry of 23,452 crore. The health biotechnology accounted for the largest share of the biotech industry with 63 per cent of total revenues in financial year 2013 [7]. It segments mainly concentrates on vaccines, therapeutics, other novel products and contract services. Serum Institute of India becomes the first health biotechnology company in India to cross the Rs. 2000 crore revenues and registering 39 percent growth. Biocon is the second largest health biotechnology company with Rs. 1871 crore in revenues and a major player in the enzymes and statins business. Several pioneer companies like Shantha Biotechnics, Reliance Life Sciences, Bharat Biotech, Panacea Biotec and Haffkine Biopharmaceutical are major players in the growth of health biotechnology industry in India.

Table 1: The Top 20 Biopharmaceutical Companies in India, 2012-13

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Revenues Rs. in crore</th>
<th>% Change over 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Serum Institute of India</td>
<td>2374.00</td>
<td>1708.00</td>
</tr>
<tr>
<td>2</td>
<td>Biocon</td>
<td>1871.00</td>
<td>1676.40</td>
</tr>
<tr>
<td>3</td>
<td>Nuziveedu Seeds</td>
<td>778.13</td>
<td>745.00</td>
</tr>
<tr>
<td>4</td>
<td>NovoNordisk</td>
<td>712.00</td>
<td>647.28</td>
</tr>
<tr>
<td>5</td>
<td>Syngene International</td>
<td>557.00</td>
<td>410.00</td>
</tr>
<tr>
<td>6</td>
<td>Reliance Life Sciences</td>
<td>535.00</td>
<td>401.00</td>
</tr>
<tr>
<td>7</td>
<td>Eli Lilly</td>
<td>391.66</td>
<td>290.16</td>
</tr>
<tr>
<td>8</td>
<td>Bharat Serums and Vaccines</td>
<td>389.00</td>
<td>298.32</td>
</tr>
<tr>
<td>9</td>
<td>Biological E</td>
<td>353.00</td>
<td>98.96</td>
</tr>
<tr>
<td>10</td>
<td>Fortis Clinical Research Ltd.</td>
<td>344.40</td>
<td>287.00</td>
</tr>
<tr>
<td>11</td>
<td>Novozymes South Asia</td>
<td>343.00</td>
<td>297.66</td>
</tr>
<tr>
<td>12</td>
<td>Ankur Seeds</td>
<td>341.00</td>
<td>325.00</td>
</tr>
<tr>
<td>13</td>
<td>Indian Immunologicals</td>
<td>325.65</td>
<td>255.93</td>
</tr>
<tr>
<td>14</td>
<td>GlaxoSmithKline</td>
<td>312.00</td>
<td>257.66</td>
</tr>
<tr>
<td>15</td>
<td>Bharat Biotech</td>
<td>299.83</td>
<td>277.70</td>
</tr>
<tr>
<td>16</td>
<td>Tulip Group</td>
<td>260.00</td>
<td>225.00</td>
</tr>
<tr>
<td>17</td>
<td>Haffkine Bio-Pharmaceutical</td>
<td>253.41</td>
<td>160.02</td>
</tr>
<tr>
<td>18</td>
<td>Mahyco</td>
<td>246.00</td>
<td>314.00</td>
</tr>
<tr>
<td>19</td>
<td>Advanced Enzymes</td>
<td>229.36</td>
<td>180.00</td>
</tr>
<tr>
<td>20</td>
<td>Rasi Seeds</td>
<td>229.00</td>
<td>392.00</td>
</tr>
<tr>
<td>21</td>
<td>Krishidhan Seeds</td>
<td>199.81</td>
<td>173.80</td>
</tr>
<tr>
<td>22</td>
<td>Panacea Biotech</td>
<td>190.00</td>
<td>384.00</td>
</tr>
<tr>
<td>23</td>
<td>Concord Biotech</td>
<td>174.50</td>
<td>145.01</td>
</tr>
<tr>
<td>24</td>
<td>Bharat Immunologicals &amp; Biologicals Corporation</td>
<td>172.78</td>
<td>48.55</td>
</tr>
<tr>
<td>25</td>
<td>Ecron Acunova</td>
<td>153.00</td>
<td>146.00</td>
</tr>
</tbody>
</table>

Source: Author compilation based on BioSpectrum Vol (1), June 2013 [7].
In the present scenario, most of the major Indian health biotechnology firms are involved in the production of recombinant DNA and monoclonal antibodies (mAbs). The Genetic Engineering Approval Committee (GEAC) has given approval to 20 recombinant therapeutic products for marketing in India. Since 2005, the Review Committee on Genetic Manipulation (RCGM) from GEAC has recommended 91 clinical trials to be conducted in India related to recombinant pharmaceutical and therapeutic products with the permission of the Drug Controller General of India [9]. Indian companies now manufactured a wide range of products like Insulin, Streptokinase and Interferon, Erythropoietin, Growth Hormones, Granulocyte Stimulating Factor (GSF), Follicle Stimulating Factor, Blood Factor VIII, Tissue Plasminogen Activator and Vaccines. The key players in the vaccines segment are Bharat Biotech, Panacea Biotech, Shantha Biotechnics, Biocon, Serum Institute, Haffkine Biopharmaceuticals, Wockhardt, Indian Immunologicals, Biological E., Bhat Biotech, Cadila Healthcare, GlaxoSmithKline, etc. These companies are selling DPT (diphtheria, pertussis and tetanus) vaccines, rubella vaccines, rabies vaccines, hepatitis B vaccines, typhoid vaccines, DNA vaccines, etc.

The major players in therapeutics segment are Biocon, Bharat Biotech International, Shantha Biotechnics, Panacea Biotech, Eli Lilly, Cadila Healthcare, Cadila Pharmaceuticals, Novo Nordisk, Wockhardt, Intas Pharmaceuticals, Nicholas Piramal, Dabur Research Foundation, etc. These companies are working on disease like diabetes, malaria, tuberculosis, cancer, HIV, cholera, heart diseases, etc. Top players in the diagnostics sector include Xcyton Diagnostics, Remetrix, Bio-system Diagnostics, Span Diagnostics, Accurex Biomedical, Beacon Diagnostics, Bhat Biotech, etc. These companies are selling kits in areas such as pregnancy, human immunodeficiency virus (HIV) infection, hepatitis B virus (HBV) infection, hepatitis C virus (HCV) infection, evaluation, estimation of Triiodothyronine (T3), thyroxine (T4) and thyroid stimulating hormone (TSH), rheumatoid diseases and disorders, cancer (cervix, colon, prostate, lungs, mouth, etc.), kidney and liver function tests.

3 FACTORS INFLUENCING GROWTH OF HEALTH BIOTECHNOLOGY

3.1 Growing and ageing population
The current world population of 7.2 billion is projected to increase by over 1 billion in the next 12 years and reach 9.6 billion by 2050 [10]. Between 2000 and 2050, the proportion of the world's population over 60 years will double from about 11 percent to 22 percent. The absolute number of people aged 60 years and over is expected to increase from 605 million to 2 billion over the same period [11]. Most of the older people die of non-communicable diseases such as heart disease, cancer and diabetes, rather than from infectious and parasitic diseases. The growing ageing population will drive the demand for medicines and increase pharmaceutical spending.

3.2 Changing lifestyle
Rising prevalence of lifestyle diseases like hypertension, diabetes mellitus, dyslipidaemia and overweight or obesity are the major risk factors for the development of cardiovascular diseases. Cardiovascular diseases (CVD) continue to be the major cause of mortality representing about 30 percent of all deaths worldwide [12]. With rapid economic development and increasing westernization of lifestyle in the past few decades prevalence of these diseases have reached alarming proportions among Indians in the recent years [12].

3.3 The rising incidence of non-communicable diseases
Non-communicable diseases are the top cause of death worldwide, killing more than 36 million people in 2008. Cardiovascular diseases were responsible for 48 percent of these deaths, cancer 21 percent, chronic respiratory diseases 12 percent, and diabetes 3 percent [13]. World Health Organization (WHO) forecasts that by 2020, the non-communicable diseases will account for 44 million deaths a year, increasing by 15 percent from 2010 [14].
3.4 Prevalence of communicable diseases
Although disease patterns change constantly, communicable diseases remain the leading cause of mortality and morbidity in lust and less developed countries. According to WHO, low-income countries currently have a relatively higher share of deaths from: (i) HIV infection, tuberculosis and malaria, (ii) other infectious diseases, and (iii) maternal, perinatal and nutritional causes compared with high and middle income countries [15, 16].

3.5 Rising spend on healthcare
The healthcare sector in India is expected to grow at a CAGR of 15 percent and touch US$ 158.2 billion in 2017 from US$ 78.6 billion in 2012 [17]. India is a country with a growing population, its per capita healthcare expenditure has increased at a CAGR of 10.3 percent from US$ 43.1 in 2008 to US$ 57.9 in 2011, and going forward it is expected to reach US$ 88.7 by 2015 [17]. The factors behind the growth of the sector are raising incomes, easier access to high quality healthcare facilities and greater awareness of personal health and hygiene.

3.6 Growth in healthcare financing products
Development in the Indian financial industry has eased healthcare financing with the introduction of products such as health insurance policy, life insurance policy and cashless claims. This has resulted in an increase in healthcare spending, which in turn, has benefitted the pharmaceutical industry.

3.7 Health insurance is growing
Health insurance in India is a growing segment of India’s economy. It is expected to grow at a CAGR of 15 percent over the next five years and nearly 650 million people will enjoy health insurance coverage. Around 80 percent healthcare is financed out of pocket [18]. The private healthcare facilities grew rapidly and insurance coverage increased. The small percentage of Indian who has some insurance and government run insurance company is the main provider. The government sponsored programmes largely focused on the below poverty line (BPL) segment and are expected to provide coverage to nearly 380 million people by 2020 [19].

3.8 Increase in domestic demand
More than half of India’s population does not have access to advanced medical services, as they mainly depend on traditional medicine practices. However, with the increase in awareness levels, rising per capita income, change in lifestyle due to urbanization and increase in literacy levels, demand for advanced medical treatment is expected to rise. Moreover, growth in the middle class population would further influence demand for pharmaceutical products.

3.9 Rise in outsourcing activities
Increase in the outsourcing business in India would accelerate the growth of Indian pharmaceutical industry. Some of the factors that are likely to influence clinical data management and bio-statistics markets in India in the near future include: 1) cost efficient research 2) highly-skilled labour base 3) cheaper or low cost of skilled labour 4) presence in end-to-end solutions across the drug-development spectrum and 5) robust growth in the IT industry.

3.10 Higher R&D expenditure
The government of India is committed to supporting the expansion of R&D in the pharmaceutical and biotechnology industries and has taken a direct role in funding R&D in both, public and private sectors. The total biomedical R&D expenditure by both public and private sectors was US$ 10.4 billion between the year 2007 and 2012 in India [20]. This R&D expenditure included expenditures by government agencies, educational or research institutions, and charitable organizations, whereas for the industries it included expenditures by biotechnology, medical-device, and pharmaceutical firms.
4 PUBLIC FINANCIAL SUPPORTS FOR HEALTH BIOTECHNOLOGY IN INDIA

Since the 1980, Indian government has taken biotechnology as one of the nation’s key industries and put it on the top of the development agenda. Biotechnology related financing support programme was started in the Sixth Five Year Plan (1980-1985) in India. In this plan, a National Biotechnology Board (NBTB) established in 1982 as an inter-ministerial coordinating agency, to accelerate the pace of development in the frontier and emerging areas of biotechnology. NBTB was renamed the Department of Biotechnology (DBT) in 1986. Department of Biotechnology initiatives has taken up innovation and promotion of excellence in medical biotechnology, synthetic biology, systems biology, computational sciences, nanotechnology and other emerging areas. The department also promotes and creating an institutional framework for biological sciences and biotechnology, human resources at the Ph.D. and postdoctoral level and nurturing scientific and technology community for advancement in their respective fields in the country.

In the Seventh Five Year Plan (1985-1990), the Planning Commission of India allocated a budget of Rs. 142.86 crore to DBT and emphasized in human resource development, projects involving several disciplines and research and development into biotechnology derived products [21]. In the Eighth Five Year Plan (1992-97), the government allocated a budget of Rs. 265 crore to DBT. The primary objectives were to develop products and processes or technology for social benefits in the sectors of health, agriculture, animal resources development, aquaculture, energy, environment and forests and industry. It was also focused on specialized manpower and infrastructure for these programmes and very strong base for research and development.

During the Ninth Five Year Plan (1997-02) government was taken a major initiative in the field of medical biotechnology and proposed priorities of the programmes is based on several criteria, including the degree of disease burden, mortality rates, and the cost effectiveness of treatment, the emergence and reemergence of diseases and the potential use of technology at the community level. It was planned to develop cost effective and quicker diagnostics of tuberculosis, HIV, leishmaniasis, respiratory infections, cancers and rheumatoid heart diseases. The Planning Commission of India allocated a budget of Rs. 675 crore to department of biotechnology in the 9th Five Year Plan [22]. In the Tenth Five Year Plan (2002-07), the Planning Commission allocated a budget of Rs. 1450 crore to department of biotechnology. The plan objectives were enhanced the knowledge base skilled human resource, nurturing research leads of potential utility through adequate facilities and infrastructure, and bringing bio-products to the marketplace through innovative policies and partnerships [23].

Figure 3: Allocation of Budget to the DBT during the Five-Year Plans (Rs. in crore)

Source: Author own compilation based on Planning Commission reports
In the Eleventh Five Year Plan (2007-12), the Planning Commission allocated a budget of Rs. 6389 crore and it was four times higher budgetary allocations as compared to Tenth Five Year Plan (Rs. 1450 crore). It focused on cross cutting issues such as human resources development, R&D in small and medium size companies, establishing centre of excellence, new model of creating innovation friendly micro environments, newer ways of collaborating with large companies, promoting biotech regional clusters, interdisciplinary networks, academic and industry interface, promotion of industry and trade, biotechnology parks and incubators and regulatory mechanisms [24]. During this plan period health care was more focused particularly in mass public health such as vaccines, diagnostics and therapeutics, biomedical devices, implants and instruments, clinical trial and contract research, nanotechnology, regenerative medicine and stem cell technology.

In the Twelfth Five Year Plan (2012-17), the strategy of the plan proposes is to “accelerate the pace of research, innovation and development to advance biotechnology as a strategic area by taking India’s strengths in foundational sciences to globally competitive levels and expanding the application of biotechnologies for overall growth of bio-economy within the framework of inclusive development” [24]. During 12th Plan government of India allocated a budget of Rs. 11804 crore to the Department of Biotechnology. It will help in initiating new schemes for human resource development, institutions and bio-clusters, the expansion and establishment of new generation research resources, energy, agriculture, climate change and providing support to institutions of interdisciplinary research in medical sciences and biopharmaceuticals, along with the setting up new innovation centres.

4.1 Financial Assistance by the Government Departments

There are several government departments’ offers various types of research grants, fellowships through soft loan or equity to conduct R&D in various fields of biotechnology and commercialize indigenous biotechnologies. Government of India has taken several new initiatives to support discovery and innovation in biotechnology industry covering all sectors of agriculture, human health and the environment. They provide technical, financial and other required innovation services promote the growth of the biotechnology industry in the country. The following some of the funding agencies and the type of the financial assistance are:

4.1.1 Department of Biotechnology (BDT), New Delhi

Department of Biotechnology is one of the key stakeholders in biomedical research and development in India. The department promotes and accelerated the pace of development of biotechnology through several R&D projects, demonstrations and creation of infrastructure facilities in India. It is the nodal agencies under the Ministry of Science and Technology for providing grants in aid support to universities, national research laboratories and research foundation for biotechnology related activities in different sectors such as healthcare, agriculture, environment and industry. It has promoted establishing of linkages between industries and R&D institution through interaction and financial support. During the Eleventh and Twelfth Five Year Plan, several initiatives have been taken by the department such Small Business Industry Research Initiatives (SBIRI), Biotechnology Industry Partnership Programme (BIPP) for public private partnerships and Biotechnology Industry Research Assistance Council (BIRAC) for the promotion of biotechnology industry in the country.

- **Small Business Innovation Research Initiative (SBIRI):** The SBIRI is a scheme launched by the Department of Biotechnology in 2007 to boost Public Private Partnership (PPP) efforts in the country. The initiative is one of its kind early stage innovation based on the public private partnership model in the area of biotechnology. It facilitates innovation and risk taking by small and medium companies and bringing together the private industry, public institutions and the government under the one roof to promote R&D in the Indian biotechnology sector.

- **Biotechnology Industry Partnership Programme (BIPP):** The BIPP was launched in 2008. It is a government partnership programme with industry for support on a cost sharing basis towards development of novel and high risk futuristic technologies with huge economic prospects. They mainly focus is on viability gap funding and enhancing existing R&D capacities and those which can make Indian industry globally competitive. The programme is generating intellectual property in frontier biotechnology areas. It supports the development
of appropriate technologies in the area of agriculture, health, bio-energy, green manufacturing for social and economic development.

- **Biotechnology Industry Research Assistance Council (BIRAC):** The BIRAC is a not-for-profit, public sector enterprise, set up by the Department of Biotechnology (DBT), Government of India as an interface agency for supporting industry academia interaction to strengthen and empower the emerging biotechnology industry in the country. It provides access to risk capital through targeted funding, technology transfer, intellectual property management and handling schemes that help bring innovation, excellence to the biotechnology firms and make them globally competitive. They have initiated partnerships with several national and global partners to collaborate and deliver the salient features of its mandate. Currently, more than 200 companies’ large, small and medium, startups and entrepreneurs are a part of BIRAC’s innovators network [25].

### 4.1.2 Department of Science and Technology (DST), New Delhi
Department of Science and Technology (DST) is the nodal department for organizing, coordinating and promoting science and technology activities in the country under the Ministry of Science and Technology. It has major responsibilities for specific projects and programmes such as policy formulation for science and technology (S&T) sector, promotion of new areas of S&T with special emphasis on emerging areas, strengthening the pool of scientists and technologists for carrying out globally competitive research and development (R&D) in cutting edge areas of science, nurturing R&D institutions and building infrastructural facilities, support for the establishment of multi-stakeholder mechanism for partnerships for promoting science, developing capacity of institutions and industry for technology commercialization for solving national challenges and providing S&T inputs to society for its socio-economic benefits. There are the following various programmes initiated by the departments:

- **Technology Information Forecasting and Assessment Council (TIFAC):** It is an autonomous organization under DST. It keeps a technology watch on global trends, formulate preferred technology options for India, promote key technologies and provide information on technologies.

- **Home Grown Technologies Programme (HGT):** It is initiated by TIFAC. This programme aims to give financial, techno managerial and patent related support to deserving technology development projects for pilot operations or significant improvement to existing one.

- **Technology Development Board (TDB):** It invests in equity capital or gives soft loans to agencies like academic institution, national or state laboratory, registered R&D foundation etc., involved in the development and commercial application of indigenous technology, or adapting imported technology to wider domestic applications.

- **National Science and Technology Entrepreneurship Development Board (NSTEDB):** It is established in 1982 by the Government of India under the guidance of DST, to promote knowledge driven and technology intensive enterprises.

### 4.1.3 Department of Scientific and Industrial Research (DSIR)
The department promotes trade in technologies and collaborative R&D and technology development projects through the following various financial aids:

- **Technopreneur Promotion Program (TePP):** It is jointly operated by DSIR and DST. It aims to knock the vast existing innovative potentials of Indian entrepreneurs in order to assist individual innovators to become technology based entrepreneurs and further assist in networking and forging links for the commercialization of their developments.

- **Research and Development by Industry (RDI):** It is mainly recognize in-house R&D units in industries and scientific and industrial research organizations and give them financial incentives for scientific research.

- **Scheme to Enhance the Efficacy of Transfer of Technology (SEETOT):** It supports technology acquisition and management via the schemes:
  - **National Register of Foreign Collaborations (NRFC):** The objective is to facilitate acquisition and management of technology in the country more efficiently.
Transfer and Trading in Technology (TATT): The objective of this programme is to catalyse technology intensive export efforts of industry or R&D through grants and technical assistance.

Technology Development and Demonstration Program (TDDP): The objective of this programme is to promote industries efforts in development and demonstration of indigenous technologies, development of capital goods and absorption of imported technologies. It promotes the involvement of national research organizations in joint projects with industry.

4.2 Venture Capitalists and Private Equity

The venture capital industry in India has emerged after the government of India in 1988 announced guidelines for setting up venture capital funds (VCFs). These guidelines restricted the setting up of VCFs by banks or financial institutions only [26]. The policy for promotion of venture capital funds are also facilitated by small and medium sized firms. The most important feature of the 1988 rules was that venture capital funds received the benefit of a relatively low capital gains tax rate which was lower than the corporate rate [27]. The 1988 guidelines stipulated that VC funding firms should meet the following criteria.

- Technology involved should be new, relatively untried, very closely held, in the process of being taken from pilot to commercial stage or incorporate some significant improvement over the existing ones in India.
- Promoters/entrepreneurs using the technology should be relatively new, professionally or technically qualified, with inadequate resources to finance the project.

Small Industries Development Bank of India (SIDBI) was established on April 2, 1990 under an Act of Indian Parliament. The bank provides financing for the promotion and development of industry in the small scale sector. SIDBI's support also flows to the service sector, including transport, health care, such as diagnostic & pathology centers, clinics, hospitals with focus on relatively smaller hospitals, medical transcriptions, bio-informatics, and hospitality & tourism related activities, etc.

Indian Private Equity and Venture Capital Association (IVCA’s) was established in 1993 in Delhi. IVCA’s mission is to promote the development of venture capital and private equity industry in India and to support entrepreneurial activity and innovation. Private Equity is a number of various types of investments that can be made with private money. Private Equity firms generally focus on financial statements. Indian Credit and Investment Corporation of India (ICICI) Venture is a Leading private equity (PE) firm is playing a big role in the country’s healthcare sector. Securities and Exchange Board of India (SEBI) framed the SEBI (Venture Capital Funds) Regulations in 1996. SEBI is the single point nodal agency for registration and regulation of both foreign venture capital and private equity funds investing in India. Following are the major Venture Capitalist (VC) and Private Equity (PE) Players some of them support various life sciences and biotechnology business projects in India:

- **CANBANK Venture Capital Fund’s third fund (CVC-F3):** It is jointly launched in association with the Small Industries Development Bank of India. It has a corpus of Rs. 30 crore is expected to invest about Rs. 3 to 3.50 crore in each of the firms which have been identified.
- **The Gujarat Biotech Venture Fund (GBVF):** It is a 12 year close ended fund managed by Gujarat Venture Finance Limited (GVFL), has a target corpus of about US$ 122 million. The GBVF has committed itself to invest in start-ups as well as in early-stage companies involved in areas of biopharmaceutical, bio-agriculture, contract research, and industrial biotechnology.
- **KPMG Corporate Finance (Bangalore):** It is interested in providing financial assistance to some small start-up biotechnologies companies in the area of biopharmaceutical, bioinformatics and contract research.
- **Reliance Industries Ltd.:** It is partaking in the US$ 27 billion venture financing space in India through Reliance Life Sciences (RLS). It is recently invested between US$ 40 to 50 million in a US$ 650 million biotechnology venture fund, titled MPM BioVentures IV, floated by US investment management firm MPM Capital. Reliance Life Sciences will invest in start-up Indian biotech companies that are into research and development.
5 CONCLUSION AND DISCUSSIONS

This analysis makes it clear that the biotechnology industry is developing rapidly in India. The government of India has played a key role in building capacities and capabilities in terms of research infrastructure, human resources, fiscal support and R&D incentives, apart from synergizing the various actors through new initiatives and programmes in biotechnology fields. Several agencies like Indian Council of Medical Research (ICMR), Department of Biotechnology (DBT), Department of Science and Technology (DST), Council of Scientific and Industrial Research (CSIR) and Defence Research and Development Organization (DRDO) have played a major role in developing the health biotechnology research ecosystem in enterprise leading programs, major investments, development of model curricula, initiating joint university industry projects, establishing centres of excellence and enhancing laboratory facilities, developing human resources and building international collaborations. Other stakeholders such as universities, research institutes, and private firms are also emerging as important players in this area.

Other important issues are the regulatory framework for biotechnology research, development and innovation in India. It ideally involves a host of actors and institutions, including research bodies, promotional agencies, planning bodies, nodal ministries, other ministries, regulatory agencies, implementing agencies etc. performing different functions. For responsible governance of biotechnology research and development in India, it is essential to identify the roles of different actors and stakeholders. India has a strong biotechnology regulatory framework that involves four to five ministries within the government, involving the Drug Controller General of India (DCGI), Review Committee on Genetic Manipulation (RCGM), Genetic Engineering Approval Committee (GEAC), Director General of Foreign Trade (DGFT), etc. These agencies jointly regulate the development, manufacture and supply of biologics making it a very complex regulatory system. All countries, where pharmaceutical and biotechnology industries are very successful, have a single regulatory agency such as the European Medicines Agency (EMA), United States Food and Drug Administration (USFDA), Therapeutic Goods Administration (TGA), National Health Surveillance Agency Brazil, etc., that oversee and regulate all aspects of the industry. The Indian Government should consider bringing all these regulatory activities into a single regulatory body, which can bolster biotech industry growth in the country.

The Government of India has extended support through biotech parks, funding scheme etc., but this support needs to be continued and even increased. Government of India should consider increasing funding opportunities for innovative R&D novel product development projects, new infrastructure and facility projects for platform technologies. Equity support by government bodies can create a new avenue to raise funds. There should also be added to provide impetus to foreign investment into the biotechnology industry in India. Allowing venture capital investments in early stages, like that in advanced markets will go a long way towards encouraging entrepreneurship and innovation in this space. These opportunities should support new entrepreneurs and encourage existing companies to conduct high risk R&D in the major markets can help them in capturing a large share of the global opportunity.

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IMPACT OF CREDIT AVAILABILITY

Zala Hiralba Dasharathsinh
Student
Nandkunvarba Mahila College
Zala_2011@yahoo.com

ABSTRACT

Credit availability means the availability of money for a specific purpose and for particular time. Here, we can say that credit means contractual agreement in which a borrower receives something and with interest they have to pay it back. In small business credit availability depends on banks [majority] when in large business credit availability depends on shares, debentures etc.

There are so many factors which are related to credit availability like credit cycle, credit rating, etc. Credit availability determined by risk because the lower the risk to lender the more they are willing to lend. Nonbank financial intermediaries provides loan to open market instruments which are available for short term credit and trade credit is available to firm.

This research paper focuses that how the company will collect their finance and how easily they can work on their business by help of credit availability. Two parties are most important giver and receiver. They have to make their transaction in a transparent way. Credit crunch is very essential element but therefore we have some bad hypotheses which regret the importance of it.

Key words: credit availability, modern credit availability, traditional credit availability, market research.

1. INTRODUCTION:

The credit availability means the availability of money for a specific purpose and for particular time. Money that a bank or business will allow a person to use and then pay it back in future. Such credit is provided by some financial sectors and bank which means the availability of credit is depends on banks and financial sectors the ability of a customers to obtain goods or services before payment based on the trust that payment will be made in future. The main source of credit is Reserve Bank of India now so we can see the movement in the sources of money control.

Credit for businesses is subject to a great divide: for financially strong businesses, debt is almost free. For other companies credit is not available easily. Enough credit would be available if the economy gains speed. In a nutshell, credit availability for high quality borrowers is good today and should be good.
for at least another two years. In prior time, the credit was available majority from Bank but now there are various Non-Bank financial Institutions which provide the credit.

1.1 Meaning

A contractual agreement in which a borrower receives something of value now and agrees to reply the lender at some date in future generally with interest. The term also refers to the borrowing capacity of an individual or companies.

The ability to obtain goods, money, or service in return for a promise to pay at some later date. Money that a bank or business will allow a person to use and then pay back in the future. The ability of customers to obtain goods or service before payment. In short credit availability means to receive money for some specific work and purpose and for specific time. [1]

2. OBJECTIVES:

Another major objective of credit availability in India is to maintain price stability in country. It implies control over inflation. Price level is affected by money supply. Credit availability regulates money supply to maintain prices stability. An important objective of that is credit availability to make available necessary supply of money and credit for the economic growth of the country.

Those sectors which are quite significant for the economic growth are provided with adequate availability of credit. By regulating the rate of interest and checking inflation monitory policy promotes saving and investment. Higher rates of interest promote saving and investments. Boom and depression are the main phase of business cycle. Credit availability puts a check on boom and depression.

In a period of boom credit is contracted so as to reduce money supply and thus check inflation. In period of depression credit is expanded so as to increase money supply and thus promote aggregate demand in the economy. By providing concessional loans to experts oriented and import substitution units, monitory policy encourages such industries and thus help to improve the position of balance of payments.

Monetary authority tries to keep the aggregate demand in balance with aggregate supply of goods and services, if aggregate demand is to be increased then credit is expand and the interest rate is lower down. Because of low interest rate, more people take loan to buy goods and services and hence aggregate demand increase and vice-verse.

Good system of credit availability aims at providing more funds to priority sector by lowering interest rates for thus sector. Priority sectors includes agriculture, small-scale industry, weaker section of society, etc. [2]

3. RESEARCH METHODOLOGY:

There are two ways for credit availability. The first is modern and the second is traditional. In modern approach they use shares debentures, bonds etc. In the sixteen’s we can say that the farmers or poor people’s receive money from bank or some rich peoples at that time they have to pay it back with lots of interest and if they are not able to pay that money than they have to being a worker for lifetime and their wife and children were treated like animals after long time such things get stop. And the new thing for such people is provided by bank which called subsidy or such new plans are created by the government. Which are more beneficial to poor peoples. And now Domestic credit provided by the financial sector includes all credit to various sectors on a gross basis, with the exception of credit to the central government, which is net. The financial sector includes monetary authorities and deposit money banks, as well as other financial corporation’s where data are available (including corporations
that do not accept transferable deposits but do incur such liabilities as time and savings deposits). Examples of other financial corporations are finance and leasing companies, money lenders, insurance corporations, pension funds, and foreign exchange companies.

India is a second largest population country over the world. The ratio is 1.267 billion populations in India for the year 2014. And our income is lower middle income which is very low comparatively. The following image suggests the global economic with the chart of growth, commodity, and capital flows. Domestic credit provided by the financial sector (% in G.D.P.)

Image: 1 Global Economic Prospectus.

![Global Economic Prospectus](image)

Source: Global economic decision [8]

Graph 2 RBI’s Liquidity Provision:

![RBI Liquidity Provision](image)


When any firm or business depends on bank at that time we can say that the bank is depended on the reserve bank ...here, we have the liquidity position of RBI.

4. LITERATURE REVIEW:

With the help of this observation the two important strands are related first a small business tend to be “bank dependant” that emphasize the importance of bank health in determining credit availability and the international trade flows with an emphasis on the importance of trade finance.
More recently the ’07-’09 financial crisis highlighted the importance of liquidity as a determinant of the ability of banks to satisfy loan demand.

Here we can see about the credit rating. Credit rating defines its meaning itself. The rate of credit must be decided further. It will become much fruitful.

4.1 History of credit rating:

Moody’s was the first agency to issue publicly available credit rating for bonds, in 1909, and other agencies followed suit in the decades after. These ratings didn’t have a profound effect on the market until 1936, when a new rule was passed that prohibited banks from investing in speculative bonds or those with low credit rating, to avoid the risk. This practice was quickly adopted by other companies and financial institutions, and relying on credit rating became the norm. [1]

4.2 Importance:

Credit rating is very useful to the borrowers because it’s based on substantial due diligence conducted by the rating agencies. While a borrower will strive to have the highest possible credit rating since it has a major impact on interest rate charged by lenders, the rating agencies must take a balance and objective view of the borrower’s financial situation and capacity to service/repay the debt.

A credit rating not only determines whether or not a borrower will be approved for a loan but also the interest rate at which the loan will need to be repaid. Since companies depend on loans for many start-up and other expenses, being denied a loan could spell disaster, and a high interest rate is much play a large role in a potential buyer’s determining whether or not to purchase bonds. A poor credit rating is a risky investment.

4.3 Factors affecting credit rating:

There are a few factors credit agencies take into consideration when assigning a credit rating for an organization. First, the agencies consider the entity’s past history of borrowing and paying of debt. Any missed payments or defaults on loans negatively impact the rating. The agencies also look at the entity’s future economic potential. If the economic future of the borrower does not have a positive economic outlook, the credit rating will fall. For an individual, the credit rating is conveyed by means of a numerical credit score that is maintained by Equifax, Experian, and other credit reporting agencies. A high credit score indicates [2]

4.4 Credit rating:

An assessment of the credit worthiness of a borrower in general terms or with respect to a particular debt or financial obligation. A credit rating can be assigned to any entity that seeks to borrow money from an individual, corporation, state, or provincial authority or sovereign government. Credit assessment and evaluation for companies and government done by a credit rating agency such as Standard and Poor’s, Moody’s, or Fitch. These rating agencies are paid by the entity that seeking a credit rating for itself or for one of its debt issue [2]

4.5 Breaking down credit rating:

For individual, credit rating are derived from the credit history maintained by credit reporting agencies such as Equifax, Experian and Tremsunion.

‘A loan is essentially a promise and a credit rating determines the likelihood that the borrower will pay back to loan within the confines of the loan agreement without defaulting. A high credit rating
indicates a high possibility of paying back the loan in its entirely without any issues a poor credit rating suggests that the borrowers has had trouble paying back loans in the past and might follows . The credit rating affected the entity chances of being approved for a given loan or receiving favourable for said loan.

Credit rating apply to business and government while credit scores apply only to individuals similarly sovereign credit rating apply to national government and corporate credit rating apply solely to corporations Credit rating agencies typically assign grade to indicate rating . Standard and Poor’s for instance has a credit rating scale.

We can see the money markets turnover with the key issue of shares (just for information)

5. ANALYSIS PART:

When we are studding about the credit availability at that time we should see the credit cycle and the credit control. This paper investigates the relative impact of credit in the business. Such credit cycle is indicates that local bank health does mater however the analysis is limited because the firm size data cannot decided.

5.1 Credit cycle:
A cycle involving the access to credit by borrowers credit cycle first go through periods in which funds are easy to borrow these period are characterized by lower interest rate lowered lending requirement and increase in amount of available for credit availability. these period are followed by a contraction in the availability of funds. During the contraction period interest rates climb and lending rules become more strict meaning that less people can borrowed. the contraction period continues until risks are reduced for the lending institutions at which point the cycle starts again.

The credit cycle is expansion and contraction of access to credit over the time some economists including Barry Eichengreen Hyman Minsky and other post Keynesian economists and some members of the Austrian school regard credit cycle as the fundamental process driving the business cycle.

In many countries, when a customer fills out an application for credit from a bank, credit card Company, or a store, their information is forwarded to a credit bureau. The credit bureau matches the name, address and other identifying information on the credit applicant with information retained by the bureau in its files. The gathered records are then used by lenders to determine an individual's credit worthiness; that is, determining an individual's ability and track record of repaying a debt. The willingness to repay a debt is indicated by how timely past payments have been made to other lenders. Lenders like to see consumer debt obligations paid regularly and on time, and therefore focus
particularly on missed payments and may not, for example, consider an overpayment as an offset for a missed payment. [2]

5.2 Breaking down ‘credit cycle’:

Credit availability determined by risk. The more they are willing to lend during high access to credit in the credit cycle in the credit cycle risk is reduced because investments such as real estate and business are usually increasing the value. Individuals are also more willing to take out loans because interest rates are lower.

After the peak, the assets and investment usually begin to decrease in value or they do not return as much income making it harder to pay back loans. Banks then tighten lending requirements and raise interest rates. This is due to the higher risk of borrowers default ultimately this cuts down the availability of credit pool which brings the credit cycle to the access point. [1]

5.3 Credit Control:

Credit control is an important tool used by Reserve Bank of India, a major weapon of the monetary policy used to control the demand and supply of money (liquidity) in the economy. Central Bank administers control over the credit that the commercial banks grant.

Such a method is used by RBI to bring “Economic Development with Stability”. It means that banks will not only control inflationary trends in the economy but also boost economic growth which would ultimately lead to increase in real national income with stability. In view of its functions such as issuing notes and custodian of cash reserves, credit not being controlled by RBI would lead to Social and Economic instability in the country.

Credit control policy is just an arm of Economic Policy which comes under the purview of Reserve Bank of India, hence, its main objective being attainment of high growth rate while maintaining reasonable stability of the internal purchasing power of money. The broad objectives of Credit Control Policy in India have been ensure an adequate level of liquidity enough to attain high economic growth rate along with maximum utilization of resource but without generating high inflationary pressure. [5]

6. FINDINGS:

In this we can study about how much credit is available for the consumers and. We can analyse the ratio and the amount which is given to consumers and to suggest this the Monetary Policy Report (MPR) of September 2014 suggest some points which are useful for credit availability. And we got that Large declines in commodity prices and the benign inflation outlook for the near-term should provide a boost to growth. [7]

Our results show that when an external credit rating becomes available, it only affects a firms’ access to credit if the rating contains negative information, i.e. when the rating is bad. Moreover, banks react to bad ratings when lending in traditional industries but not in innovative industries. Firms in low-tech...
industries with a bad rating are less likely to use bank finance and have more difficulties compared to firms with no, fair, or good ratings. For high-tech firms we do not find significant effects.

The banks take into account that external ratings are less informative for high-tech firms. External ratings are based on publicly available information and business-to-business (trade-credit) relations. In general, credit bureaus do not use different rating standards for high-tech compared to low-tech firms. Aware of this, banks seem to react to bad signals by an external rating only for low-tech firms.

The Federal Reserve reported that consumer credit increased in July 2016, an indication of rising consumer confidence in a favourable economic environment. It was reported that the volume of consumer credit rose by $19.1 billion or at an annual rate of 6.7% in July, outpacing the consensus estimate of $18 billion. This was preceded by a gain of $27 billion in June. Moreover, with July's increase, consumer credit finished in the positive territory every month for nearly four years.

According to the report, revolving credit in July increased at an annual pace of 5.7% after surging 10% in June. Non-revolving credit, which includes auto and student loans, also witnessed a gain of 7%, preceded by June's rise of 9.4%. This encouraging report indicated that consumers who play an important role in boosting the U.S. economy are gradually gaining confidence on the back of a recovering economy, low oil price and a steady labour market.

7. CONCLUSION:

From this paper we can say that the credit availability suggest the financial statements of any company which borrow the money from banks or any financial institute and the the co-operative credit has a special place in agriculture finance to corporation have performed better in comparison with other agriculture credit agencies.

The financial crisis expected that smaller firms would be hit harder than larger firms due to the greater reliance of smaller firms on bank finance and the general perception that smaller firms expose lenders to greater risk. Thus, as credit availability. Large firm exporters, policymakers will have a clearer picture of the industry-specific and regional impacts of financial crises based on the sensitivity of specific industries and on the composition of banks in particular geographic locations. They also will gain a better understanding of the role of credit availability.

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ABSTRACT

India has adopted federal government system. To discharge functions of the government at different levels, government raises revenue by imposing tax on citizens. Indian government has initiated many reviews of the tax system which have shaped the taxes that we have today. Though Indian tax system has come a long way from the narrow based, complicated and confiscatory to the one that is far more efficient, we need to think creatively about the kind of tax system that will enable us to better realize the opportunities before us.

The research paper emphasises on the aspects of tax system which need to be modified in the Indian tax structure. Their impact is analysed on the mode of revenue of government as well as the prosperity of public. The study uses secondary data which directs the system to get advantages of levy tax at uniform and moderate rate. The TARC (Tax Administration Reform Commission) has remarked the Indian tax administration at its nadir. Finally, the paper recommends the fundamental and deep reform which will improve revenue productivity while minimizing distortions. Through these tax reviews, we will develop a better tax system that delivers taxes which are lower, simpler and fairer.

Keywords: - Indian tax system, Tax limit, Revenue productivity, Technology (face less system), landmark (GST & DTC), Uniform and moderate tax rate.

1. INTRODUCTION

The authority to levy a tax is derived from the Constitution of India which allocates the power to levy various taxes between the Centre and State. Tax is a means by which governments finance their expenditure by imposing charges on citizens and corporate entities. As per the Income Tax act, 1961 every person (individual, companies, Hindu undivided family, Firms, Co-operative societies and all other artificial judicial persons) whose total income exceeds maximum exemption limit is liable to pay Income tax at the rates prescribed in the act. In addition of Income tax, the person has to pay various tax to the government. The payment of tax is not a voluntary payment but an enforced contribution that is why tax is known as “financial charge or levy”. Despite the fact that money provided by taxation is used to carry out many functions of the welfare of society, it gives a feeling of displeasure to tax payee as tax payee does not want his hard core money to be taken away from him. History is witness that there is always struggle between tax payer and tax collector. [1]

But the modern tax system comprise of very broad – based taxes on income and consumption, levied at uniform and moderate rates. In India, taxes on both income and consumption fall far short of this ideal. Considering all these, it is now necessary to reform the tax system to meet impending fiscal crises. The present study focuses on the reformed tax structure which would be beneficial to both the party the government as well as the citizens (tax payee). Therefore the attempt is made to suggest the activities to modify the Indian tax structure.

2. OBJECTIVES OF STUDY

There have been innumerable major changes in tax system of countries with a wide variety of economic system and levels of developed during the last two decades. The motivation for these kinds of reform has varied from one country to another and the driving force of reforms has differed at regular intervals.
depending on the development strategy and philosophy of the time. In our India, fiscal crises has been proven to be the mother of tax reform. [2]

**The main objectives of the study are mentioned below:-**

1. To meet immediate exigencies of revenue in India.
2. To increase the proportion of revenue to discharge the functions effectively.
3. To solve the critical issues of economy.
4. To suggest suitable measures for rationalizing corporate tax structure.
5. To evolve a tax system to meet requirement of international competition.
6. To ensure common market to all.

**3. LITERATURE REVIEW**

It is a matter of general belief that taxes on income and wealth are of recent origin but there is enough evidence to show that taxes on income in some form or the other were levied even in primitive and ancient communities. (IT circular, 2010) [1]. History says that first Income Tax Act came in force on 24th July 1860 with the approval of The Governor General. It was a tax selectively imposed on the rich royalty and Britishers. For the first year of tax, the government collect Rs 30 Lakhs. The act lapsed in 1865 and was reintroduced in 1867. There was need for more revenue to fight Anglo-Russian war. So Governor General Lord Dufferin introduced a comprehensive Income Tax Act in 1886. It was combination of License Tax and Income Tax. Taxes were collected in the same manner as land revenue. The system to collect tax from the Indian citizens started from that time. [7]

The rapid changes in administration of direct taxes, during the last decades, reflect the history of socio-economic thinking in India. (CBDT report). Governments use different kinds of taxes and vary tax rates because taxes are one of the significant sources of revenue. Quite apart from its role of raising revenue, the personal income tax has long been regarded as a potent weapon of effecting distributive justice (Nayak, 1989). It is an instrument of equity, social justice and income distribution. It is very important to understand the ratio of personal income tax to total tax revenue and national income. (Agarwal, 1991) A good tax system is characterized by a high responsiveness of tax revenue to changes in income of public bodies or national income; the technique of measuring this response is tax elasticity and tax buoyancy. The total tax revenue is dependent upon three variables viz., tax rate, tax base, and national income. [1]

Tax reforms sometime bring changes in taxation system. A tax payer sometime finds it difficult to understand whether change in tax liability is due to legislative change in the federal tax code or shift in his or her own circumstance. (Ankita, 2005) [3]. According to the IMF working paper, Indian tax system is characterized by high dependence on indirect taxes, low average effective tax rates and tax productivity and large tax induced distortions on investment and financing decisions. The TARC (Tax Administration Reform Commission) has remarked that Indian tax system is at its nadir. A fundamental and deep reform is urgently called for. The Indian tax system is in a way easy for the calculation but it has it’s another aspects which make it in a sense a poor tax system. The state of Indian tax administration is reflected in India, 2015 which ranks India at a dismal 156 out of 189 countries in terms of ease of paying tax.

**4. RESEARCH METHODOLOGY**

For the research, the secondary data of tax revenue is used. The study has taken figures available from the official website of tax department of India. The data available has been presented in a table form which shows the revenue of different states in India. It is very important to study the growth of revenue of Tax department. To show the growth, there is a data given by budget control of India. It is shown in the form of column chart. Various figures of last 7 years of Income tax has been studied to come to
conclusion of increasing tax revenue in India. In addition, the diagram is used to show tax growth in India. [4]

5. ANALYSIS

This is a list of States of India by projected own tax revenues of their governments (excluding the shares from Union tax pool) assessed for the year 2014-15 by the 13th financial commission with figures in crore of Indian Rupees.

The above table shows the figures of revenue in India. It shows tax revenue of all the states of our country. It shows that Maharashtra state has highest earning of tax which shows its efficient collection system. The Sikkim state has the lowest revenue of tax. The Gujarat has succeed to secure 6th rank among 28 states.

The following column chart shows the growth of tax revenue of 7 years.

From the above chart it is analysed that the growth rate of tax revenue does not constantly go up. It is fluctuating year by year. In F.Y. 2011, it was highest at 25% .In current year, India has same growth rate as it had in F.Y.2013.

The above analysed data clarifies that the tax revenue productivity of India should be increased. To achieve this goal, we need to modify Indian tax structure in the way that it increase the revenue productivity and decrease the tax distortions.
6. FINDINGS

The government is worried about the revenue of the country and international competition. It understands the importance of modification in tax structure and for that it has taken a step too. The government has embarked on the reform of the tax system. The paper has studied the remarks and its effect on revenue.

Indian government’s two landmark reforms are: 1) Goods and Service tax (GST)  
2) Direct Tax Code (DTC)

The following diagram shows the tax structure which the India has in present time. Before studying that two remarks, the present tax structure is shown in diagram so that the comparison between the existence tax structure and modified tax structure become easy.

Diagram: 01 Indian tax structure

1) GST:-

It would indeed be the most important initiative in the fiscal history of India. The ultimate objective of the GST reform is to replace multiple indirect taxes at the Centre and state levels by a single tax (GST) levied on a comprehensive base of all goods and services at a moderate tax rate. The implementation of GST will lead to the abolition of other taxes such as Custom duty, Excise duty, Service tax, Octroi, Central sales tax, State level state tax, Entry tax, Stamp duty, telecom license fees, Turnover tax, Tax on consumption or sale of electricity, Taxes on transportation of goods and service etc. Thus avoiding multiple layer of taxation that currently exist in India.

Almost 140 countries have already implemented the GST. Most of the countries have unified GST system. For e.g. France was the first country to introduce GST system in 1954. Brazil and Canada follow a dual system where GST is levied by both the union and the state government.

A vision of this reform is provided in the report of the 13th Finance commission which outlines the design of a flawless GST levied at a moderate rate of 12% (combined central and state tax rate).

Despite of having all these advantages, the states have been reluctant to endorse this flawless GST system for various social and political reasons. One of that reason is that the Model that is being talked about will have some important exclusions from the tax base (e.g. real property, alcohol and petroleum) the state have also proposed tax to be levied at multiple rates. A lower rate for basic necessities and higher rate for other goods and services.

A recent OBCD report points out that the exemptions and lower tax rates under GST wile designed to help those in the lower income brackets, benefit disproportionately those in the higher income brackets. Pending the GST implementation the states are pursuing tax policies that are immensely detrimental to the economy. [6]

For instance,

- Panjab has converted its VAT on most consumer goods from multi-point tax on the full supply chain to a tax at the first point of sale.
• Uttar Pradesh has announced that for many transactions the VAT, rather than being collected and remitted by the vendor will be deducted from the price by the customers and remitted directly to the government.
• Many states, most notably Tamil Nadu, Karnataka and Gujarat are denying the credit for the tax paid on investment and other production inputs.

2) DTC:–

DTC was proposed by the government in 2010. The design of this Income tax reform has been contentious from the very inception. Its objectives were to broadened the base and lower the rates, there was no consensus on how the base should be broadened. Most of the reform proposals in the DTC have been modified to such an extent what is left only a little different from the status quo and amounts to little more than re-wording of the same provisions.

The recent reforms are in fact, a continuation of the reforms initiated in 1991. In this sense, tax reform in India has been gradual and although not always consistent from year to year, the overall direction has been ‘to broaden the tax bases, reduce the rates, reduce the rates differentiations and make the system simple and transparent.’[6]

6.1 About income tax

Income tax is the one of the main source of tax revenue. Most of the proportion of revenue is collected from this section. In comparison with prior time the income tax system has become more convenient. The government has introduced digital system by which the manual work will be decreased and the work would done online. To make the tax payment convenient for person, various deduction (80 C, 80 CCC, 80D, 80E, 80EE, 80G…), reliefs, allowances, rebates are available to do Tax planning and Tax avoidance. Despite of all these facilities, the event of tax evasion also happens in our India

The more population of country has an income exceed the limit but they do not file the Income tax return and elapses from paying tax. Sometimes, the person file the return but shows the lesser income than real income and the tax evasion takes place. They may do it by showing more expense and getting the unfair advantage of deduction. [8]

Our tax system needs to do attention on the minimization of tax disputes. India has earned the tax administration the label of “tax terrorism” and has given India a bad name in jurisdiction across the world. The current practice of blind pursuit of revenue targets has an adverse impacts on tax officer equilibrium and leads to harassment of taxpayer. [7]

In the prior time, for the tax payment there was step system in which the tax payer has to pay tax according to following calculation:

<table>
<thead>
<tr>
<th>Income (Rs.)</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1,00,000</td>
<td>10%</td>
</tr>
<tr>
<td>up to 2,00,000</td>
<td>20%</td>
</tr>
<tr>
<td>up to 3,00,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Official website of tax department (History)

<table>
<thead>
<tr>
<th>Income tax slab (Rs.)</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 2,50,000</td>
<td>No tax</td>
</tr>
<tr>
<td>2,50,001 to 5,00,000</td>
<td>10%</td>
</tr>
<tr>
<td>5,00,001 to 10,00,000</td>
<td>20%</td>
</tr>
<tr>
<td>Above 10,00,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Official website of tax department [8]
In the prior time, for the tax payment there was step system and it has its limitation. And to avoid that the government has lunched the tax slab. The table shows that the government has changed the tax slab in this year which is beneficial to the tax payer and it will convince the person to fill the return. Additionally, it will indirectly help to increase revenue of government.

7. RECOMMENDATION

As mentioned in findings, The TARC has provided an excellent diagnosis of the ills of the current tax administration and has made many thoughtful recommendation. Form the secondary data and various analyses, I personally feel that there are some aspects in Indian tax structure which need to be modified and for that following recommendations are made:

1) The emphasis should be on modern tax jurisdiction, the goal of tax administration should not of maximizing revenue but to minimize voluntary compliance and minimize compliance gaps.

2) High dependence on indirect taxes should be reduced by raising non tax revenues and direct taxes on the super-rich.

3) Considering the advantages of GST, it should apply in practice as soon as possible.

4) To minimize the tax evasion, filling of tax return should make compulsory. For that the faceless system should be promoted more. Government should make compulsory e-filing system.

5) The tax exemption limit should be increased, various schemes for tax planning should be introduced. So that the public attract towards paying tax.

6) In present time, so many reliefs and deductions are available for tax planning. These exemptions and their limit should be increased. (Depends on the requirement of economy and tax revenue).

8. CONCLUSION

The Indian tax system has not fully evolved. It will take time to evolve. Hence, we should not make any decisions based on a knee jerk reaction to the changes in the economy. It is very broad concept to modify the tax structure. But considering all its advantages, the tax system can be modified at certain level by way of updating the rules. By avoiding slab system, the tax rate would become lower, simpler and fairer.

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[8] Official website of income tax department (www.incometaxindia.gov.in)
ABSTRACT

Travel and Tourism is one of the most significant sectors in world trade and provides a wide variety of employment opportunities in the world. The World travel and Tourism Council states that the share of travel and tourism accounts for 8.3% of world is working places, 9.3% of investments, and 12% for exports across the world (ND, 2007). Tourism can be considered as a sunrise industry with a prospect for faster development. The tourism industry was estimated to contribute around 9% of GDP and 8% of global employment in 2010 (Tourism Industry Generates 9% of global GDP and8% of World Employment, 2010). According to World Tourism Organization, China is expected to be the most preferred tourist destination in the years ahead (Carvao, 2011).

Regional Trade Agreements are an important feature of multilateral trading in the modern era. The number of agreements and the world share of trade have increased over the last years (Gabriela, 2007). These trade agreements can be labeled as agreements for cooperation and partnership among nations. RTAs form an increasing number of commitments in regions as well as between developed and developing countries (Walley, 2006). Regional Trade Agreements control more than half of world’s trade where sectors such as tourism were subjected to control of various government agencies (Jayasekera, 2009).

This paper will highlight the impact of regional trade agreements for destinations and for tourism and hospitality industry. This is illustrated considering the impact of Australia – China RTA in the travel and tourism industry in Australia.

Keywords: Regional Trade Agreements, Tourism, Hospitality, etc.

1. INTRODUCTION

Travel and Tourism is one of the most significant sectors in world trade and provides a wide variety of employment opportunities in the world. The World travel and Tourism Council states that the share of travel and tourism accounts for 8.3% of world is working places, 9.3% of investments, and 12% for exports across the world (ND, 2007). Tourism can be considered as a sunrise industry with a prospect for faster development. The tourism industry was estimated to contribute around 9% of GDP and 8% of global employment in 2010 (Tourism Industry Generates 9% of global GDP and8% of World Employment, 2010). According to World Tourism Organization, China is expected to be the most preferred tourist destination in the years ahead (Carvao, 2011). Tourism and hospitality was one of the worst hit industries due to the global crisis. Tourism can contribute to the recovery of world economy (Xiangyang, 2010). Tourism industry suffered a loss beginning from second half of 2008 due to the global crisis. Policies are important to tourism and this can be of two types: Tourism policy and policies related to tourism (Coles, 2008).

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and developing countries (Walley, 2006). Regional Trade Agreements control more than half of
world’s trade where sectors such as tourism were subjected to control of various government agencies
(Jayasekera, 2009).

In this paper, we analyse the impact of regional trade agreements for destinations and for tourism and
hospitality industry. This is illustrated considering the impact of Australia – China RTA in the travel
and tourism industry in Australia.

2. TRAVEL, TOURISM AND HOSPITALITY INDUSTRY OVERVIEW

Tourism and Hospitality is the largest services industry in gross revenue and foreign exchange
earnings providing job opportunities to a large population in the world. Tourism has been a reason
and result of development of many economies. It stimulates other sectors of the economy resulting in
cross-synergetic benefits in the economy According to World Tourism Organization, Tourism can be
defined as “Activities of people travelling to and staying in places outside their usual place for not
more than one consecutive year for leisure, business or other purposes (Rowe, 2002).” Tourists are
people who travel from their usual place of residence for a time period not more than a year and will
return to their home. They take part in activities associated with tourism. Travel and tourism involve
both travelling abroad and within the home country. Inbound tourism involves people entering their
country from their homeland, which is otherwise called International tourism. Outbound tourism
involves people travelling away from their homeland to visit other countries for business or for leisure
purposes. Travel Service providers are people who assist tourists with their travel arrangements. The
involve travel agencies who sell travel products to individuals or businesses. The main components of
the Tourism and Hospitality industry are Travel agents, Transportation, Tourist Attractions, Travel
and Tour operators, Tourism information and guiding services and Travel Accommodation and
catering.

In 2009, the Travel and tour industry was affected by the collapse of credit and the housing markets in
many nations with the households reducing the leisure travel and corporate reducing business travel.
It is estimated that the demand for Travel and Tourism may increase gradually with the corporate and
households planning to reconsider their travel schedules. Studies suggest that travel and tourism will
grow in the next ten years as one of the top priority sectors and largest employment providing sector
(Council, 2010). The industry of tourism grew by 0.5% in 2010 and the GDP is expected a growth rate
of 3.2% in 2011, after gaining momentum from the second half of 2010. The contribution to the GDP
is expected a growth rate of 9.2% (5751bn USD) to a growth rate of 9.6% (1 1151 bn USD) in the
year 2020. The real GDP is estimated to be 0.5 percent in 2010 from -4.8 percent in 2009 and is
expected to rise at an average rate of 4.4% in the coming 10 years. The contribution to employment is
estimated to rise from a rate of 8.1% in the year 2010 to a rate of 9.2% of total annual employment by
2020. In 2002-2003, the travel advisories started getting serious attention from global travel industry.
Tourism Concern, PATA, and World Tourism Organization began to pay serious attention to global
and regional organization after 2003. Increased concern insecurity and safety was a major
consideration in travel decision since 2000. Since the war on terror started, proliferation of foreign
tavel advisories gave rise to the suggestion that Western countries need to be overcautious (Wilks,
2006).

3. TOURISM INDUSTRY IN AUSTRALIA

According to ABS Australian, National Accounts, Tourism is defined with respect to the international
standards to include visitors whose main purpose is government or private purposes as well as for
leisure (Rowe, 2002). The World Travel and Tourism Council states that the contribution to GDP is
expected to grow at a rate of 4.1% from 2009 to 2018 in Australia. The employment is also expected
a growth rate of 1.9% over the period (nd, 2009). Tourism contributes to around 4.2% of Australia’s GDP and is a growing export industry contributing to around 11 percent of exports. Australia was the first country in 2003 where an agreement was negotiated with DFAT and national travel industry leadership.

In the year ended December 2010, there were approximately 5400,000 visitors in Australia of age above 15 years. The main reasons for the promotion of Australian tourism were holiday, education and employment, business, visiting friends and relatives, etc. New Zealand contributed to the largest source of visitors followed by USA, UK and China. Of all visitors, 52% visited the city of New South Wales, 38% visited the city of Queensland and 30 percent visited Victoria during the period (Tourism Research Australia, 2010). The total tourism consumption is expected to reach AUD110.5 bn in 2020 with an average annual growth rate of 1.4% from 2009-2020 (Government, 2010).

4. AUSTRALIA’S TRADE POLICY AND TOURISM

The Free trade Agreement in Australia is aimed at engaging in trading partners and trade related activities to obtain concrete results through trade negotiations. FTAs have increased potential to gain improved access for exporters by eliminating the tariffs and the barriers to trade in key markets. FTAs are live documents designed for expanding trade relationships among nations (Mugliston, 2006).

One of the important components of Australia’s trade policy is improving the availability of service industries. The signing of General Agreement on Trade in Services (GATS) in year 1995 has brought the services industry under the World Trade Organization’s influence. This also ensured that services are a part of multilateral negotiations in trade in the coming years. Australia has made many negotiations for the liberalization of services including tourism sector in GATS. According to the GATS commitment, the supply of travel and tour operators across borders is restricted by the mandate of having a commercial presence such as office or agent for foreign tourism providers. There are no operational requirements, which are sector specific to differentiate between domestic and foreign suppliers of services. In the Uruguay round on WTO, 114 of the 134 members opted for liberal commitments in the tourism sector. This commitment has been shared by developed as well as developing nations reflecting the significance of tourism and its contribution to the employment opportunities and in generating foreign exchanges. Australia continued to stress for further commitments for opening the market and made requests for improved access to market to various nations of the world in the Doha round. Australia pushed for liberalization of service industries such as tourism in its Free Trade Agreements. Travel was made possible through Trans-Tasman Travel Arrangements in 1973 allowing people of New Zealand for visiting, living and working in the Australia without restrictions. Australia adopted a negative approach with Singapore and US to services enforcing barriers that are subject to liberalization unless if they are specifically exempted. All restrictions were lifted on investments from Thailand in tourism services in Australia in its FTA with Thailand. Thailand permitted up to 60% ownership for many hotels and restaurants compared to its previous share of 49.9%. In its FTAs with Malaysia and the ASEAN (Association of South East Asia Nations) Australia negotiated to increase the export of tourism services because of increased business travel. The FTA with China raised concern about the hurdles in the opening of overseas branches and in imposing geographic regulations on the operations of the travel agencies from other nations in China. A joint study was conducted by Australia with Japan to analyse the feasibility of framing of bilateral FTA, so that there is an increase in the number of tourists between both nations. Australia has been considering The Gulf Cooperation Council to implement a FTA across GCC and commenced a Joint experts Group with Mexico for improving bilateral relations.

‘Austrade’ deals with export activities related to tourism in Australia. The main objective of Austrade’s tourism strategy is a MoU between Tourism Australia and Australian Tourism Commission since 2002 (Trade, 2006). Aussie Enthusiasts Program is joint imitative under this venture, to support travel markets where FTA did not have significance.
Austrade has allied with Australian tourism Export Council to bring a delegation of travel agents from Vietnam to Australia for holding meetings with travel product suppliers. The services of Austrade apply for tourism exporters and customized services are provided for a free service basis. Austrade helped more than 200 travel companies for achieving success in exports valuing over 800mn $ in the international market. Austrade also coordinates tourism related events such as Australia Festivals and the Australia Week in Latin America and Moscow. The Export Market Development Grants issued 3205 grants out of which 407 grants valuing $11mn were made to tourism exporters, which generated revenue of $451mn revenue.

5. AUSTRALIA – CHINA FREE TRADE AGREEMENT – IMPACT ON AUSTRALIAN TOURISM

China has been one of Australia’s key trade partners with growing investment and trade relationship (Australain Bureau, 1979). Australia and China formed Trade and Economic Framework for enhancing trade and investments among both nations in the year 2002 (Yinhua, 2005). The Trade and Economic Framework were signed in 2003. The agreement consists of three pages and two Annexes indicating the specific areas in which both nations will promote strategic cooperation and to create favourable condition for trade and investments. Chinese agreements with Australia put forward the emerging structure for investment, trade and a broader relationship with Australia that suggests how China plans to enter into regional agreements with Australia. Both nations agreed to seek trade in services, mainly in tourism, education, labour and professional services. Both parties sought transparency, information exchange and predictability in investments. China is the second largest trading partner of Australia and Australia is ninth largest trading partner of China. Australia made a trade surplus of 13.5 bn USD with China in 2003 (Antkiewicz, 2004)

Three key services, which were traded between Australia and China, is Education, travel and transport. Education constitutes Australia’s largest service export to China, which constituted about USS250 mn in 2003 (Burrows). Travel and Tourism where 5% of travelers to Australia were Chinese in in 2004 and Australia Bureau of Tourism forecasted this to one million by the year 2010. This is the result of high disposable income with China. With an increase in the nation’s economic growth, high wages encourage travel. The economic reforms of China and Australia acted as a catalyst for increased bilateral activity.

Australia has been in a unique position with a large number of Chinese tourists due to Australia’s ‘Approved destination status’. Among 19 other nations, Australia and New Zealand are the only nations of the West to travel directly in China. Arrivals from China almost doubled within two and half years after ADS was granted. Through ADS, Australia and New Zealand was opened for official leisure tourism in 1997 with the scheme becoming operational in 1999. These are the two western countries having a long experience with Chinese tourists including business travelers from China.

As a part of FTA with China, China designated Australia as an approved tourist destination in 1997 with Australia the first western country to get the approval. As a result, Chinese were able to use ordinary passports and can apply for tourist’s visas if they want to visit Australia. In the year 2004, there were 208100 Chinese tourists to Australia above 15 years of age, which was, a 15% increase compared to previous year. Contacts between Australians and Chinese increased through tourism at all levels (Curt, 2004). There is an assumption that agreement to liberalize education and tourism will benefit both sectors where there will be more students from China to study in Australia. Chinese tourist considered Adlediade as a healthy and safe place and giving better value for money than other cities of Australia.
In 2002, almost half of the Chinese visitors came to Australia came for holidays and education. Most of the Chinese tourists visited Sydney to see landmarks such as the Opera House and the Harbour Bridge. When it comes to spending, visitors from China spend double the spending average of all other tourists in Australia. Food and education, Gambling, Shopping and Entertainment from the most prominent spending. Australia is a typical ‘Golden Week’ destination for Chinese families. The tourism industry in Melbourne attracted more Chinese visitors by offering Chinese food, involving Chinese speaking staff and guides. The shops in Melbourne also cater to Chinese tastes but they get little business as guides steer the tourists away for lack of commission agreements.

However, in Australia, these Chinese tourists are taken as granted for Australian tour guides. Since the prices for package tours are too low, foreign companies have to earn money from shopping commissions. A scandal was developed in the year 2005 when the media reported that some guides charged a council fee to walk on beaches or to take photos of sights such as Opera House or Harbour Bridge. The tourists were not brought to the City Centre being unsafe for Chinese tourists. With the ADS agreement, Australia enjoyed a steady flow of Chinese tourists from more number of provinces in China (Arlt, 2006). The emigration policy of Australian Government does not allow tour guides to qualify for stay over extended period of time and for obtaining business visas (Knowles, 2004).

5.1 Benefits of FTA to Australia
- Low Tariffs provide a stable base for FTA negotiation
- Australia and China have complementary economies
- Increase in exports
- Faster development of the economy
- Increased Employment

5.2 Drawbacks of FTA
- Job loss for labour-intensive sectors
- Political pressure results in the government to act into the best interest of majority of the population

6. CONCLUSION

Regional Trade Agreements have emerged as a powerful instrument used by developed and developing nations for expansion of political interests. Regional trade Agreements have been an easier route towards liberalization of trade as they are related to multilateral trading processes (EQUATIONS). Tourism was included in General Agreement on Tariffs and Trade (GATTS) negotiations after 1986 when a decision was taken to apply GATT in services. The trade workers in the industry lacked a single trade union to express their concerns, which led to the development of GATS involving tourism. Tourism has been promoted by WTO worldwide. The liberalization of trade is thought to promote competition, employment, exports and ultimately economic growth. The same happens with tourism trade is liberalized. Regional trade Agreements helps the possibility of Joint marketing activities for example in case of Australia and New Zealand or NAFTA.

There are chances of lesser airfares in single aviation markets, which can be the result of free trade and removal of visa restrictions, and controls in passports resulting in easier and quicker movements across countries. The Regional Trade Agreements help in increased market access for foreign suppliers and non-discrimination of foreign investors in tourism. For developing countries, there are abundant tourism resources that can generate huge monetary value but needs effective distribution machinery in these tourism-generating countries. Though there is a trend towards deregulation in many industries, tourism trade has been subjected to very little of these regulations. The challenge for
hotel and tourism in the current economic scenario would be to stimulate growth. This requires new polices that can be promoted at regional level. Greater regional participation in marketing and promotion activities of tourism will help to counter the effects of global slowdown. In case of hotel industry, the growth can be achieved through partnerships with local hotels as well as joint ventures across nations.

International regulation seems to be a minor feature in the tourism sector, but two factors need to be kept in view as two challenging forces, i.e. the growth of consumer power and the recognition that regulation is mandatory to avoid complete chaos (Brown, 2000). The studies on Regional Trade Agreements show that most of them are relatively same in structure, but the truth is that reality is quite different.

7. REFERENCES

DEVELOPING ENTREPRENEURS:
ROLE OF GOVERNMENT AND NON-GOVERNMENT BODIES

Prabir Chandra Padhy
Assistant Professor
Shroff S R Rotary Institute of Chemical Technology
prabir.in@gmail.com

Dr Trupti S Almoula
Director
Narmada College of Management
s almoula@yahoo.com

ABSTRACT

The importance of entrepreneurship is known to all – for some it may be from an individual perspective and for most it is from a societal / economic perspective. The relevance of entrepreneurship always existed in our country right since the advent of industrialization and globalization. The relevance gets enhanced given the national vision of “Make In India”.

Be it from the cottage/village level or for small and medium scale industries or even for large scale enterprises, apart from land and finances, equipment and technology, a very important aspect is the will and motivation, the attitude of risk taking and adaptation, the ability of visualization and creation/innovation! While many banking Institutions and government organisations provide aid – financial and otherwise for the physical implementation of any project/enterprise, the same would not bear results unless the potential entrepreneurs have the motivation, the education on the nuances of enterprising and the training to be persistent inspite of the many challenges!

This paper introduces the importance of these attributes by way of defining "entrepreneurship” and explains the importance and need for better and more intense entrepreneurship. Subsequently, the paper explains the role that many government and non-government organizations play in the education and training for developing and strengthening entrepreneurial qualities thus creating more and better entrepreneurs.

Keywords: banking Institutions, entrepreneurial qualities, entrepreneurship, government & non-government organizations and “Make In India”.

1. THE NEED FOR PROMOTING ENTREPRENEURSHIP:

The importance of entrepreneurship is known to all – for some it may be from an individual perspective and for most it is from a societal / economic perspective. The relevance of entrepreneurship always existed in our country right since the advent of industrialization and globalization. The relevance gets enhanced given the national vision of “Make In India”.

The LPG (Liberalisation, Privatisation and Globalisation) environment, since it’s advent, has continued to challenge our country’s economic growth. As technologies developed, demographics changed, consumer characteristics surfaced differently, perspectives of business competition re-defined themselves and as the global village continued to become smaller and more complex; the human competencies required for conducting efficient business – be it as employer or employee, have drastically changed. The human competencies and performance parameters that once were expected of employers or business owners, are now expected of employees as well – which we label as “Intrapreneurship”.

2. BUSINESS DYNAMICS: IMPERATIVES FOR INTRAPRENEURSHIP:

Both, external and internal factors affect the way businesses function. Each factor, in turn, explicitly necessitates the need for intrapreneurial qualities among employees, as explained herein.
2.1 External Environment creating a need for entrepreneurial qualities:

2.1.1 Economic Environment:
High product costs on one hand and paying capacity of buyers decreasing on the other hand, emphasis the need of being cost effective. With interest rates falling, companies must invest wisely. Scanning the market dynamics most minutely therefore is a preferred behaviour. With growing unemployment, there is less demand and more supply of competent manpower. At the same time, organizations are downsizing, which means only those with a “Contributory Personality” may be retained.

2.1.2 Technological Environment:
Technological upgradation is mandatory for optimization of production and profits. An attitude of adaptability to new technology and the keenness to keep learning is what companies look for in employees therefore.

2.1.3 Socio-Cultural Dimension:
There is a major skewness in the ratio of youth in Asian countries vs. the non-Asian countries. Asian countries are at an advantage here. Hence, it is essential that the youth component does not get wasted. Their virtues of risk taking, easy adaptability, faster learning, their quest for knowledge and desire for experimentation, etc. should be capitalized by not only any organization but the society at large.

2.1.4 Political and Legal Environment:
The stake of Government in businesses is reducing including in organizations/sectors calling for heavy investment or those belonging to the Core sectors. All the same, the government is supporting private players by drafting investor friendly laws / regulations. In order to earn profits through businesses calling for heavy investments, it is obvious that companies will select those with the abilities to optimize resources and have the skills to perform as expected.

2.1.5 International Dimensions:
With advanced Information Technology, inter-organisational networks and communications are becoming easier, faster and effective. Transparency created thus makes ethic governance, an imperative.

2.2 Internal Environment creating a need for entrepreneurial qualities:

2.2.1 Leadership:
Leadership is now rated by how well teams are managed to render best results. Hence, both – ability of optimal resource utilization and personal competence are defining parameters for Leadership, but man management capabilities are more critical.

2.2.2 Career Pathing:
The path to rising up the ladder, no more, is a function of number of years of experience alone. Performance appraisals have become more objective and transparent. While expecting best results, organizations will have to also render a platform for experimentation, a culture of risk taking and open communication.

2.2.3 Competency Building:
Given the strategic vision of organizations and the downsizing of organizations, more contribution from few people is what is expected. This means, not a single under-performer is acceptable. Getting extra-ordinary output from ordinary people is far-fetched. Hence, the imperative to build entrepreneurial qualities amongst one and all is possible.

2.2.4 Mentoring:
Competencies are not built over night. All people within organizations have a different set of sociocultural background, attitudes and skill sets. To bring about an alignment of individual goals with organizational goals in spite of these differences, is indeed the role of a Mentor. As people grow up in the ladder, they must mentor their juniors and these calls for patience and persistence.

2.2.5 Performance Optimisation:
Beyond organisational initiatives, individuals also must exhibit initiative to ensure that their departments perform as SBUs and give optimal output. A spirit of ownership, self-confidence and team-work alone can ensure such results.
3. THE DICTAT FOR MORE AND BETTER ENTREPRENEURSHIP:

Deriving from what enterprises expect in their employees in the above mentioned paragraphs, we may state that the following are the entrepreneurial characteristics required for any employee in the current context—be it in small and medium scale organizations or in large scale organizations:

- a) Cost effectiveness
- b) Scanning the market dynamics
- c) Contributory Personality
- d) Attitude of adaptability
- e) Keenness to keep learning
- f) Risk taking
- g) Desire for experimentation
- h) Ability to optimize resources
- i) Transparency
- j) Ethical Governance
- k) Management capabilities
- l) Open communication
- m) Patience
- n) Persistence.
- o) Ownership
- p) Self-confidence
- q) Team-work
- r) Multi-Skilling

As discussed above, organizations are downsizing leaving many qualified people jobless or under-utilised and under-paid. As a result, talent goes waste! A great National loss! The question then is - What can be done?

It is said Entrepreneurship is a key driver of our economy. Hence, while developing qualities of Intrapreneurship within organizations, it is equally important to create more jobs through more small and big enterprises. Wealth and a high majority of jobs are created by small businesses started by entrepreneurially minded individuals, many of whom go on to create big businesses. Hence, the imperative to create the drive and knowledge in potential youth to set up small businesses and grow them to create wealth for the nation over a period of time. The benefits of entrepreneurship development can therefore be summarized as follows:

Importance of education and developmental programmes for fostering entrepreneurship to enable entrepreneurs initiate, contribute and sustain the process of economic development, can be seen by the following benefits:

3.1 Creation of Employment Opportunities:
Entrepreneurship can help resolve the issue of unemployment which is one of the most important problems confronting developing and underdevelopment countries. Several schemes like Nehru RozgarYojna, National Rural Employment Programme (NREP), and Integrated Rural Development Programme (IRDP) etc. have been initiated by the government, of India in this direction. The thrust of all these schemes is to eliminate poverty and generate gainful employment. Opportunities for the unemployed specially the young and educated people, helps in prevention of social tension, unrest etc.

3.2 Capital Formation:
An Entrepreneur mobilizes idle savings of the public and put them to productive use. In this way he helps in capital formation which is so essential for the industrial and economic development of a country. Various development banks like ICICI, IFCI, IDBI; SFCs, SIDCs take initiative in promoting entrepreneurship through assistance to various agencies involved in EDP and by providing financial assistance to new entrepreneurs.

3.3 Balanced Regional Development:
Various concessions and subsidies offered by the state and central government for small scale units to be set up in industrially backward and remote areas with limited financial resources and local resources, thus accelerating the pace of industrialization in the backward areas and reducing the concentration of economic power in the hands of a few and leads to balanced regional development. The population of villages/backward areas gets an opportunity to set up enterprises through the guidance, assistance, education and training they get from government and non-government bodies.
3.4 EDPs:
EDPs can help in preventing spread of industrial slums by promoting enterprises to be set up in industrially backward areas. This helps in reducing pollution, elimination of slums and overtaxing of civic amenities.

3.5 Improvement in per Capital Income:
Educational and developmental programmes that motivate setting up of more enterprises help in enhancing production, employment and generation of wealth in the form of goods and services; thus leading to increase in the overall per capita income in the country.

3.6 Improvement in the Standard of Living:
EDPs provide the necessary support to entrepreneurs by educating them about the latest innovations and market trends. As a result, better qualities of products at lower prices are available to consumers, leading to the improvement in their standard of living.

3.7 Economic Independence:
Through support of finances and otherwise coming from the government, training and motivation for innovation, productivity etc. coming in the form of education or training, these entrepreneurs are able to compete in the world market as well. At the domestic level, they are able to develop substitutes of the goods being imported and thus prevent over-dependence on foreign countries and at the same time help in the saving of precious foreign exchange. Export promotion and import substitution thus help in promoting economic independence of the economy.

4. DEFINING ENTREPRENEURSHIP AND HOW TO DEVELOP ENTREPRENEURS:
Entrepreneurs: what entrepreneurs actually do? Entrepreneurs take the initiative, engage in calculated risks and raise resources to create new businesses. In the process, they meet and overcome challenges to solve the problems so as to be able to satisfy the needs of a clearly defined market. Entrepreneurship is essentially the act of creation, requiring the ability to recognize an opportunity, shape a goal and grab opportunities to achieve the same. Planning and persuasion and assuming significant accountability for the inherent risks and outcomes helps them to unite all means of production.

Given the condition that lot of talent goes waste due to growing rates of unemployment leading to social distress, theft, malpractices, all of which break the fine social fabric, it is important to mould their energies and abilities into some constructive outcome thereby creating social well-being, financial wellbeing and economic growth.

Training and Education on Entrepreneurship develop entrepreneurs who act as a catalytic agent for change which results in a chain reaction. Moreover success of one entrepreneur sets the right type of example for others to follow. Entrepreneurs, thus, create an environment of enthusiasm and convey a sense of purpose. This gives future impetus to the overall development of that area.

WHO then is responsible and can develop the above mentioned qualities in our countrymen such that nobody is without an income that sustains their families and at the same time the country develops economically and socially. It is easier said than done! Inhibitions amongst people, who have the talent, are many, which break the WILL in them to be able to create any sort of business – small or big!

It is hence, that various government organizations were set up to extend help to potential entrepreneurs by way of extending facilities of fund, material, land, equipment and machinery and even a market where to sell the goods produced. It is hence that certain government and certain non-government organizations have initiated motivational and knowledge based programmes to promote entrepreneurship – be it for cottage or village industries or be it for small and medium sized organizations. Not only do inhibitions get reduced or eliminated in the process, such organizations contribute a great deal in building confidence and motivation along with the necessary skills and knowledge to be able to do so.

The following passages through light on the various such government and non-government bodies which help develop entrepreneurs, each such organization addressing a particular set of attributes of
developing entrepreneurs. The objective and activities of such organizations in this direction are noteworthy, many have benefitted and many more shall benefit if one is aware of them. Hence, given below are important details of work that such organizations do.

4.1 Government organisations focusing on financial assistance

4.1.1 Role of institutions towards rehabilitation and development of enterprises:

i. Industrial Reconstruction Bank of India
   - Set up by Government of in April 1971 under the Indian Companies Act.
   - The objective was to look after the special problems of sick units and provide assistance for their speedy reconstruction and rehabilitation (Khanka, 1999:116) thus assisting and promoting industrial development and rehabilitation of industrial concerns.
   - The IRBI has diversified its activities into ancillary lines such as consultancy services, merchant banking and equipment leasing. Through its merchant banking, IRBI helps units in the process of amalgamation, merger and reconstruction. Equipment leasing was an extension of the IRBI hire-purchase scheme.

ii. Industrial Investment Bank of India
   - Established as Industrial Reconstruction Corporation Limited during 1971 when it was renamed as Industrial Reconstruction Bank of India with effect from March 20, 1985 under IRBI Act 1984. During 1997, the bank was converted into a joint stock company by naming it as Industrial Investment Bank of India.
   - The objective was to take over the function of industrial reconstruction corporation.
   - Its functions are to provide finance for industrial rehabilitation and revival of sick industrial units by way of rationalization, expansion, diversification and modernization and also to coordinate the work of other institutions for this purpose.

4.1.2 Role of financial institutions for financial help

iii. Export Import Bank of India (EXIM BANK)
   - It is apex institution for coordinating the working of institutions engaged in financing exports and import of goods and services. With initial authorized capital of Rs. 200 crore, Exim Bank was established on Jan 01, 1982 under Export-import Bank of India Act 1982, which took over the export finance activities of IDBI.
   - It undertakes following types of functions;
     * Direct finance to exporter of goods
     * Direct finance to software exports and consultancy services
     * Finance for overseas joint ventures and turnkey construction project
     * Finance for import and export of machinery and equipment on lease basis
     * Finance for deferred payment facility
     * Issue of guarantees
     * Multi-currency financing facility to project exporters

iv. IFCI (Industrial Finance Corporation of India)
   - It was established in 1948 for Merchant banking operations.
   - It provides assistance for institutional infrastructure by:
     * Helping in improving the productivity of various factors of production for the socio-economic objective of the country,
     * Providing needed guidance in project evaluation, identification, formulation, implementation, operation etc
     * Undertaking research and survey for the sake of industrial development.
     * Giving its helping hand with respect to technical and administration aspects
     * Providing advance loans for various purposes.
v. ICICI (Industrial Credit Invest. Corp. of India)
   - It was established in 1955.
   - It assists in the following ways:
     - Provides long term funds for capital assets.
     - Direct subscription to securities.
     - Provides long term loans in rupees.
     - Guarantees payments for credits.
     - Leasing of equipment.
     - Conducts techno economic survey for backward areas.
     - Provides credit facility to indigenous manufacturer.

vi. IDBI (Industrial Development Bank of India)
   - It was established in 1964 as an apex lending financial institution and subsequently reconstructed on the principle institution.
   - It activities include:
     - Direct assistance to industrial concerns in the firm of underwriting of shares debentures.
     - Soft loans for modernization renovation and replacement of existing industries.
     - Rediscount bills arising out of sale of indigenous machinery on differed payment.
     - Finance export oriented industries.

vii. LIC (Life Insurance Corporation)
   - This corporation establishing in 1965.
   - It’s activities include:
     - Work in close liaison with the other all India financial institutions in providing finance directly to the industries.
     - Helping industry concern by its underwriting support.

viii. State Industrial Development Corporations (SIDCs):
   - These have been established under the Companies Act, 1956, as wholly-owned undertakings of State Governments.
   - They have been set up with the aim of promoting industrial development in the respective States and providing financial assistance to small entrepreneurs.
   - They are also involved in setting up of medium and large industrial projects in the joint sector/assisted sector in collaboration with private entrepreneurs or wholly-owned subsidiaries.
   - They are undertaking a variety of promotional activities such as preparation of feasibility reports; conducting industrial potential surveys; entrepreneurship training and development programmes; as well as developing industrial areas/estates.

4.1.3 Role of financial institutions in promoting small scale industries

ix. SIDBI (Small Industries Development Bank of India)
   - It was setup in 1989.
   - It’s main activities include:
     - Discounting & rediscounting of bills.
     - Extension of risk capital or soft loan assistance to Industries
     - Extending financial support to SSIDC & NSIC.
     - Technological upgradation& modernization services to the industries.
     - Promotes employee oriented industries especially in semi urban area.

x. NSIC (National Small Industries Corporation)
   - It was set up in 1955 as a public undertaking.
   - It’s main activities include:
     - Procuring government orders for small scale units.
Developing the SSI as ancillaries to large industries.
Developing and upgrading technology particularly for projects based on wastes.
Importing and distributing scarce raw materials, components and parts among actual users in the SSI.

xi. State Financial Corporations (SFCs):
- This State-level financial institutions plays a crucial role in the development of small and medium enterprises in the concerned States.
- They provide financial assistance in the form of term loans, direct subscription to equity/debentures, guarantees, discounting of bills of exchange and seed/ special capital, etc.
- SFCs have been set up with the objective of catalysing higher investment, generating greater employment and widening the ownership base of industries.
- They have also started providing assistance to newer types of business activities like floriculture, tissue culture, poultry farming, commercial complexes and services related to engineering, marketing, etc.

4.1.4 Role of institutions for providing credit to agriculture, small and village and cottage industries

xii. National Bank for Agriculture and Rural Development (NABARD)
- It came into existence on July 12, 1982 under NABARD ACT, 1981 with a capital of Rs. 100 crore contributed by Central Government and RBI with its main office in Mumbai.
- The set up has been created by merging Agriculture Credit Department and Rural Planning and Credit Cell of RBI and took over the entire functions of Agriculture Refinance and Development Corporation.
- It’s activities include:
  - Raising fund and providing credit to agriculture, small and village and cottage industries through banks by way of refinance facilities to commercial banks, Regional Rural Banks, Cooperative Banks, Land Development Banks and other Financial Institutions like Khadi and Village Industries Commission (KVIC).

4.2 Government and non-government/ autonomous organisations focusing on training and peripheral assistance

i. INDIAN COUNCIL OF SMALL INDUSTRIES (ICSI)
- It was established in 1979.
- **Main functions are:**
  - Information dissemination.
  - Entrepreneurship development.
  - Consultancy and managerial support.
  - Training and research.

ii. LAGHU UDYOG BHARTI (LUB)
- It was founded in 1995.
- **It is responsible to undertake:**
  - Entrepreneurial training.
  - Technology upgradation.
  - Marketing services.

iii. National Institute for Entrepreneurship and Small Business Development (NIESBUD)
- Established in 1983 by the then Ministry of Industry [now Ministry of Micro, Small & Medium Enterprises (MSMEs)], Government of India
- An apex body for coordinating and overseeing the activities of various institutions/agencies engaged in Entrepreneurship Development
In the area of small industry and small business, this Institute is registered as a Society under Societies Registration Act, 1860 (XXI of 1860) and started functioning from 6th July, 1983.

Objectives-NIESBUD
a) To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.
b) To help/support and affiliate institutions/organizations in carrying out training and other entrepreneurship development related activities.
c) To serve as an apex national level resource institute for accelerating the process of entrepreneurship development ensuring its impact across the country and among all strata of the society.
d) To provide vital information and support to trainers, promoters and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.
e) To train trainers, promoters and consultants in various areas of entrepreneurship development.
f) To provide national/international forums for interaction and exchange of experiences helpful for policy formulation and modification at various levels.
g) To offer consultancy nationally/internationally for promotion of entrepreneurship and small business development.
h) To share internationally, the experience and expertise in entrepreneurship development.

iv. Entrepreneurship Development Institute of India (EDII)
- The Entrepreneurship Development Institute of India (EDI or EDII) is a non-profit organization dedicated to promote entrepreneurship that is based in Ahmadabad, Gujarat, India.
- It was founded in 1983 with the sponsorship of the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI) and State Bank of India (SBI).
- EDI runs a range of educational programs in the field of entrepreneurship including a 2 year Post Graduate Diploma in Management (PGDM) program for first generation entrepreneurs, family business inheritors, agri-business, and non-governmental organization management.
- Functions of EDII
  - Creating a multiplier effect on opportunities for self-employment,
  - Augmenting the supply of competent entrepreneurs through training,
  - Augmenting the supply of entrepreneur trainer-motivators,
  - Participating in institution building efforts,
  - Inculcating the spirit of Entrepreneurship in youth,
  - Promoting micro enterprises at rural level,
  - Developing new knowledge and insights in entrepreneurial theory and practice through research,
  - Facilitating corporate excellence through creating intrapreneurs,
  - Improving managerial capabilities of small scale industries,
  - Sensitizing the support system to facilitate entrepreneurs establish and manage their enterprises,
  - Collaborating with organizations to accomplish the above objectives.

v. Small Industries Service Institute (SISI)
- MSME - Development Institute, (MSME- DI) (Formerly Known as Small Industries Service Institute) maintains a close liaison with the state industries department, Financial Institutions, Voluntary Organizations and other agencies concerned with the entrepreneurial development.
- There are 28 SISIs and 30 branches of SISIs are set up all over the country.
- Functions of SISI
  - Serve as an interface between central and state governments.
vi. District Industries Centres (DICs)
- These were started on May 8, 1978, with a view to provide an integrated administration framework at the district level for the promotion of SSI in rural areas.
- The organizational structure of DICs consists of one general manager four functional managers and three project managers to provide Technical Services.
- Functions of DIC’s
  - Conducting industrial potential surveys keeping in view the availability of resources in terms of material and human skills, infrastructure, demand etc.
  - Preparing an action plan for effective implementation of the schemes identified.
  - Guiding entrepreneurs to select most appropriate machinery and equipments etc.

vii. National Entrepreneurship Development Board (NEDB)
- It devises and recommends to the Government, the schemes for promotion of entrepreneurship, for encouraging self- employment in small scale industries and small business. The Board also recommends suitable facilities and incentives for entrepreneurship training.
- National Entrepreneurship Development Board (NEDB) identifies & removes entry barriers for potential entrepreneurs.
- It focusses on existing entrepreneurs and identifies and removes constraints to survivals & growth.
- It facilitates the growth and diversification of existing entrepreneurial venture in all possible ways.
- Functions of NEDB
  - Support skill up-gradation and renewal of learning processes among entrepreneurs and managers.
  - Support agencies in the area of entrepreneurship about the current requirement of growth.
  - To act as catalyst to entrepreneurship development by supporting and strengthening state level institutions for entrepreneurship development.

Apart from Institutions engaged in training for entrepreneurship development, many autonomous bodies have engaged in providing a platform for experimentation and innovation. They serve as Incubation Centres that allow the bright technological / technical ideas as well as business ideas to culminate into new products and new businesses in the market place. These initiative encourage the youth in specific. Some of such initiatives are listed below:

4.3 Entrepreneurial Initiatives - Top Incubation Centres in India:

i. Centre for Innovation, Incubation & Entrepreneurship (CIIE)-IIM Ahmedabad
   - Setup in2001
   - Since inception CIIE has15-odd innovations grow out of the incubation centre in varied technologies

ii. Society for Innovation and Entrepreneurship (SINE)-IIT Bombay
   - Setup in2004
   - It currently has 16 companies under it’s incubation programme

iii. Cell for Technological Innovation, Development & entrepreneurship support–IIT Chennai
- Setup in 2000
- Organises National level competitions, Break-through – A general business plan Competition and Genesis - A social entrepreneurship plan competition

iv. Society for Innovation and Development (SID)-IISc, Bangalore
- Setup in 2006
- The investigator is given a seed capital for Rs 20 lakh a year for two years as soft Loan for the approved plan

v. The S P Jain Centre for Entrepreneurship Development-SPJIMR
- It offers a 16- week 'Start Your Own Business ‘programme– a public programme held every six months.

vi. Technology Business Incubator (TBI) – BITS Pilani
- In association with DST, BITS has established Technology Business Incubator in the area of embedded systems and VLSI design, way back in 2004

vii. Technology Incubation and Entrepreneurial Training Society (TIETS)–IIT Kharagpur
- Setup in 2005, So far, the institute has been able to incubate two companies through “Concipio” over the last three years. Besides, an in house panel has helped 11-12 venture stake wings.

viii. Nirma Labs, Nirma University, Ahmedabad
- Established in 2004, Nirma Labs used to pride itself in a three-step model for students who were interested to start their own businesses- training, incubation and funding

ix. AFI, Bangalore
- Action For India’s mission is to help social innovators in India overcome barriers to scale and achieve greater impact at the Bottom of the Pyramid. We bring together social innovators, impact investors, mentors, technology resources, government agencies and local partners. Launched in 2012, AFI is inspired and guided by Sam Pitroda, Former Adviser to the Prime Minister of India, a pioneer in leveraging technology and resources to address critical economic issues. AFI’s financial supporters include Desh Deshpande, Adviser to the US President Barack Obama & Founder of the Deshpande Foundation.
- They have headquartered in Bangalore, India with a chapter in Silicon Valley, California. AFI is a registered Section 25 company in India, and a registered 501(c)3 company in the United States.

5. CONCLUSION:

Entrepreneurship education is a lifelong learning process, starting as early as elementary school and progressing through all levels of education, including adult education.

Unfortunately, Entrepreneurship development is looked at from the perspective of training and financing. If we only modify our outlook and treat and establish entrepreneurship as a Culture, only then will entrepreneurship training and motivation gain a discussion and implementation platform right from high school level. Schools – at district levels, State levels and National levels, do organize may science fairs, but these have very little intervention of teachers, hence the element of Innovation is missing in many. In those with a element of innovation, are left with a certificate or medal in hand, nothing beyond that. Let’s mend this attitude, let’s make entrepreneurship as our mission, only then can we design interventions and programmes, curriculum and incentive systems, to create a CULTURE of Entrepreneurship in our country and achieve what our late President Shri A B J Abdul Kalam aspired and what our current Prime Minister Shri Narendra Modi is out to ensure – India as the largest and most prosperous economy with the “Make in India” mission!
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EASE OF DOING BUSINESS AND ENVIRONMENTAL CLEARANCE FOR INFRASTRUCTURE PROJECTS IN INDIA

Prof Dr K N Sheth
Director-Operations, Adani Institute of Infrastructure Engineering
Email: drkn.sheth@aiim.ac.in

ABSTRACT

CII-KPMG – ease of doing business in India (May 2014) report states very clearly that ‘obtaining approvals like environmental clearance, land procurement, construction-related permits and NOCs is a major obstacle in starting a business’. With the positive mindset under Make-in-India initiative, the environmental clearance procedure needs to be made easier. Government has taken several steps to ease the business. However no concrete step has been taken by Ministry of Environment & Forest (MoEF) in environmental clearance for the infrastructure projects except that the process of applying for environment and forest clearance has been made on line. An attempt has been made in this paper to describe the environmental law and environmental clearance in India and the procedural steps involved in obtaining environmental clearance. Though, Environmental impact Assessment (EIA) has been evolved worldwide India like other nations India need to ease the obstacles in starting business.

Keywords: Environmental Clearance, Environmental Impact Assessment, Ease of Doing Business

INTRODUCTION

India has a lot of potential of attracting international business but the ‘ease of doing business’ needs to be improved. India presently stand at 142nd out of 189 in World Bank’s latest ranking. Government has promised to improve India’s position to 50 by 2017 from present 142. Government has taken several steps to ease the business. However no concrete steps have been taken by Ministry of Environment & Forest (MoEF) in environmental clearance for the infrastructure projects except that the process of applying for environment and forest clearance has been made on line. With the positive mindset under Make-in-India initiative, the environmental clearance procedure needs to be made easier.

In Singapore there is a code of practice for pollution control SS 593: 2013. This specifies the recommended pollution control requirements and good practices to safe guard clean air, clean land, clean water and a quality of living environment. This code also includes siting requirements of various types of developments, management of hazardous substances and toxic industrial wastes and land contamination and remediation. The process of obtaining environmental clearance in Singapore is not very long unlike India.

CII-KPMG – ease of doing business in India (May 2014) report states very clearly that ‘obtaining approvals like environmental clearance, land procurement, construction-related permits and NOCs is a major obstacle in starting a business’ The World Bank’s “Doing Business 2014” report states that India ranks 179 among 189 countries on the ease of starting business, with less desirable performance in the batch of BRICKS and other developing Asian countries. Approvals related to environmental clearance, land procurement, construction permits, industrial safety permits and power connection are top five obstacles in starting a business in India. As per the survey made by CII –KPMG about 50% of the respondents have highlighted major challenges in obtaining environmental clearances. More than one third of the respondents rated approvals as the major obstacle in starting a business.

ENVIRONMENTAL LAW AND ENVIRONMENTAL CLEARANCE IN INDIA

Environmental law is a body of law which is a complex system of statutes, common law treaties conventions regulations and policy which seek to protect the natural environment which may be impacted or affected or endangered by human activities.
Thus, environmental law refers to rules and regulations governing human conduct likely to affect the environment. It reflects the legislative measures, and the administrative and judicial structures to protect the environment. However, it is difficult to define precisely the boundaries of environmental law in the same way as we define, say the law of contract.

In India Environmental clearance of a project has to be obtained either from State Government and/or from the Central Government. The basic objective behind the environmental clearance is to ensure the least damage to the natural resources and incorporate suitable remedial measures right at the stage of project formulation. The Environmental Impact Assessment (EIA) notification issued by Ministry of Environment & Forest (MoEF) includes the details of the procedure for obtaining Environmental Clearance and public hearing for decision making. This EIA notification is valid for both Government as well as Public sector/Private sector for mega projects undertaken by them.

“The Environmental Impact Assessment” (EIA ) can be as the systematic identification and evaluation of the potential impacts of proposed projects, plan, programs or legislative actions relative to the physical-chemical, biological, cultural and socio economic components of the total environment.

The Environment (Protection) Act, 1986 authorizes the central government to protect and improve environmental quality, control and reduce pollution from all sources, and prohibit or restrict the setting and/or operation of any industrial facility on environmental grounds.

The Environment (Protection) Rules 1986 lay down procedures for setting standards of emission or discharge of environmental pollutants.

The environmental Protection Act, 1986 is an ‘Umbrella’ Act enacted by the national parliament. This Act empowers the Government to take all necessary measures to protect control and abate environmental pollution.

The Act identifies the MoEF, Government of India as the apex nodal agency to deal with environmental problems of nation so that an integrated and holistic policy can be implemented with regard to the environment.

The scope of this Act is very broad covering water, Air, Land and human beings and other living creatures. The main functions of MoEF are:

1. Coordination of the activities of various central and state authorities established under the previous Acts;
2. Laying down emission/ effluent standard for various industrial activities;
3. Powers to get information about the industrial process and to inspect the plant, premises, records and other necessary materials including seizure of the documents;
4. Giving direction for closure, prohibition or regulation of industrial processes as necessary and
5. Stoppage or regulation of the supply of water and electricity or any other services to industries violating pollution standards

In terms of responsibilities, the Act and the associated Rules requires for obtaining environmental clearances for specific types of new/expansion projects (addressed under Environmental Impact Assessment Notification, 1994) and for submission of an environmental statement to the State Pollution Control Board annually. Environmental clearance is not applicable to hydro projects also. The requirement for conducting environmental impact assessment (EIA) for all proposed economic development projects/activities in India is based in law -Environmental Protection Act 1986

Since the passage of the US National Environmental Policy Act (NEPA) 1969 which incorporated a requirement for assessing the environmental impact of ‘major federal actions significantly affecting the
quality of human environment’, the concept of environmental impact has spread throughout many countries.

In India, as a decision making process, EIA provides a means for all stakeholders in an action to be heard and to participate in the process of selection of alternatives and mitigation of adverse impacts. It also brings before decision makers more alternatives courses of action that may better achieve several instead of just one set of goals. Finally it helps to identify actions needed to prevent future environmental damage from future anticipate impacts (Patel and Sheth, 2005).

The UN Economic Commission for Europe (UNECE) (1987) has stated that:

Some countries have introduced specific legislation, setting out formal requirements for environmental assessment while other countries have adapted in the existing environmental planning legislations. The environmental impact assessment in India was started in 1976-77 when the Planning Commission asked the then department of Science and technology to examine the environmental issues of river valley project. This was then extended to cover the projects requiring approval of Public Investment Board. The Government of India enacted the Environment (Protection) Act in 1986 and the most important decision that was taken was to make environmental impact assessment statutory. The first notification to this effect was issued on 1994 amended on 1997 and 2000 making the environmental impact assessment statutory for 30 activities as shown under Annexure-1 therein. This can be considered as a principal document of legislation governing environmental impact assessment. In addition to limited to specific geographical areas, many other notifications related to EIA have been issued and they have been summarized in Table -1.

Table -1 Other Notifications related to EIA

<table>
<thead>
<tr>
<th>Sr</th>
<th>Specific Geographical areas</th>
<th>Date of issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prohibiting location of industries expect those related to Tourism in a belt of 1 km from ; high tide mark from the Revdanda Creek up to Devgarh Poonit (near Shrivardhan) as well as in 1 km belt along the banks of Rajpuri Creek in Murund Janjira area in the Raigarh district of Maharashtra</td>
<td>6th Jan, 1989</td>
</tr>
<tr>
<td>2</td>
<td>Restricting location of industries, mining operations and regulating other activities in Doon Valley</td>
<td>1st Feb, 1989</td>
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<tr>
<td>3</td>
<td>Regulating activities in the coastal stretches of the country by classifying them as coastal regulation zone and prohibiting certain activities</td>
<td>19th February 1991</td>
</tr>
<tr>
<td>4</td>
<td>Restricting location of industries and regulating other activities in Dahanu Taluka in Maharashtra</td>
<td>6th June 1991</td>
</tr>
<tr>
<td>5</td>
<td>Restricting certain activities in specified areas of Aravalli Range in the Gurgaon district of Haryana and Alwar district of Rajasthan</td>
<td>7th May 1992</td>
</tr>
<tr>
<td>6</td>
<td>Restricting industrial and other activities, which could lead to pollution and congestion in the North West of Numaligarh in Assam</td>
<td>5th July 1996</td>
</tr>
</tbody>
</table>

The basic objective is to ensure that the project under consideration is sustainable which enables the proponent to foresee the potential environmental issues that would arise after the project construction has started and project is fully operational. Such information is required to be submitted during project proposal stage to the regulatory agencies and all stakeholders and interest groups. All the countries in the world have evolved Environmental Impact assessment as reproduced in Table-2.

Table-2 Evolution of EIA worldwide

<table>
<thead>
<tr>
<th>Nations</th>
<th>Particulars</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Environmental Protection (Import of Proposals) Act 1974 Commonwealth of Australia.</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>No specific EIA legislation; however there was a declaration that environmental impact Assessments should be carried out for all major development projects, 1995.</td>
</tr>
<tr>
<td>USA (California)</td>
<td>California Environmental Quality Act (CEQA) of 1971.</td>
</tr>
</tbody>
</table>
The Netherlands | EIA Policy, 1986
Vietnam | Environmental Protection Law, 1994
Western Australia | Environmental Protection Act 1986
West Germany | Cabinet Resolution, 1975.

**PROCEDURAL SEQUENCE TO BE FOLLOWED IN EIA**

**Stage-1 Screening**

In this stage the project proponent will see whether the environmental clearance as per the notification required for the project based on scale of investment and potential pollution levels. At this stage, screening the site should be selected such that it does not fall under environmentally sensitive areas, conflicting desirable land use like prime agricultural land.

**Stage-2 Scoping**

Scoping is focused primarily on determining the specific issues and impacts which may need to be addressed in a comprehensive environmental study. In this stage Terms of Reference are formulated by identifying *prima facie* major/minor environmental issues involved and the geographical boundaries of the study. This stage forms an understanding of format of the environmental impact statement.

**Stage-3 Public Consultations**

“Public Consultation” refers to the process by which the concerns of local affected persons and others who have plausible stake in the environmental impacts of the project or activity are ascertained with a view to taking into account all the material concerns in the project or activity design as appropriate.

All Category ‘A’ and Category B1 projects or activities are required to undertake Public Consultation, except the following:-

1. Modernization of irrigation projects (item 1(c) (ii) of the Schedule).
2. All projects or activities located within industrial estates or parks (item 7(c) of the Schedule) approved by the concerned authorities, and which are not disallowed in such approvals.
3. Expansion of Roads and Highways (item 7 (f) of the Schedule) which do not involve any further acquisition of land.
4. All Building/Construction/Area Development projects and Townships (item 8).
5. All Category ‘B2’ projects and activities.
6. All projects or activities concerning national defense and security or involving other strategic considerations as determined by the Central Government.

The Public Consultation is ordinarily comprised of two components:-

1. A public hearing at the site or in its close proximity- district wise, to be carried out in the manner prescribed in the notification, for ascertaining concerns of local affected persons;
2. Obtain responses in writing from other concerned persons having a plausible stake in the environmental aspects of the project or activity.

The public hearing at, or in close proximity to, the site(s) in all cases is conducted by the State Pollution Control Board (SPCB) or the Union territory Pollution Control Committee (UTPCC) concerned in the specified manner and forward the proceedings to the regulatory authority concerned within 45 (forty five ) days of a request to the effect from the applicant.
After completion of the public consultation, the applicant shall address all the material environmental concerns expressed during this process, and make appropriate changes in the draft EIA and EMP. The final EIA report, so prepared, has to be submitted by the applicant to the concerned regulatory authority for appraisal. The applicant may alternatively submit a supplementary report to draft EIA and EMP addressing all the concerns expressed during the public consultation. The field work mainly included the structured questionnaire to get the feedback from the:

- Interaction with the officials of government including GPCB.
- Interaction with academicians/ experts/consultants through the structured interviews.
- Interaction with other stakeholders who have participated in Gujarat environmental hearing especially project affected persons.
- Interaction with NGOs and environmental interest groups through formal as well as informal means.

**Stage-4 Project Appraisal**

Detailed scrutiny by the Expert Appraisal Committee or State Level Expert Appraisal Committee of the application and other documents like DPR, the Final EIA and EMP Report, outcome of the public consultations including public hearing proceedings, submitted by the applicant to the regulatory authority concerned for grant of environmental clearance forms the scope of this stage.

The appraisal shall be made by Expert Appraisal Committee or State Level Expert Appraisal Committee concerned in a transparent manner in a proceeding to which the applicant shall be invited for furnishing necessary clarifications in person or through an authorized representative. On conclusion of this proceeding, the Expert Appraisal Committee or State Level Expert Appraisal Committee concerned shall make categorical recommendations to the regulatory authority concerned either for grant of prior environmental clearance on stipulated terms and conditions, or rejection of the application for prior environmental clearance, together with reasons for the same.

The EAC or the SEIAA, as is relevant, may also direct the applicant to re-do some of the components of the EIA study without changing the TOR or improve upon the EMP document if they are found wanting in certain respects.

The appraisal of an application shall be completed by the Expert Appraisal Committee or State Level Expert Appraisal Committee concerned within 60 days of the receipt of the final Environment Impact Assessment report, Environmental Management Plan and other documents or the receipt of Form 1, where public consultation is not necessary and the recommendations of the Expert Appraisal Committee or State Level Expert Appraisal Committee shall be placed before the competent authority for a final decision within the next 15 days.

**Stage-5 Grant or Rejection of Prior Environmental Clearance (EC)**

The regulatory authority shall consider the recommendations of the EAC or SEAC concerned and convey its decision to the applicant within 45 days of the receipt of the recommendations of the Expert Appraisal Committee or State Level Expert Appraisal Committee concerned i.e. within 105 days of the receipt of the final Environment Impact Assessment Report, and where Environment Impact Assessment is not required, within 105 days of the receipt of the complete application with requisite documents, except as indicated otherwise in the Notification.
Table 3 The Environmental Clearance stages and the probable time consumption

<table>
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<tr>
<th>Procedure</th>
<th>Principal Activity</th>
<th>Time duration in days</th>
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<tbody>
<tr>
<td>Stage-1</td>
<td>Application for clearance either to MoEF or SEIAA</td>
<td>60</td>
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<tr>
<td>Stage-2</td>
<td>Scoping and determination of terms of Reference</td>
<td>45</td>
</tr>
<tr>
<td>Stage-3</td>
<td>Public consultation</td>
<td>60</td>
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<tr>
<td>Stage-4</td>
<td>Appraisal</td>
<td>45</td>
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<tr>
<td>Stage-5</td>
<td>Grant of Clearance/ Rejection</td>
<td>45</td>
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</tbody>
</table>

Thus it is extremely clear that the time required by each stage of procedure is quite high and there is a scope with the Government to ease all these stages.

SUMMARY AND CONCLUSIONS

The key finding of this approval process undoubtedly states that India needs to seriously think the time allotted to each process for obtaining environmental clearance if India desires to attract Foreign Direct Investment (FDI). Though the philosophy of the Environmental Impact Assessment is most essential to protect the environment and keep balance between the ecology and the economy, development and pollution, it is necessary to revamp the time taking stages as it has become a major obstacle in starting a business in India. In last couple of years administrative and bureaucratic issues that have come up has made difficult the local investors to invest. It is high time that India like Singapore and Hong Kong should protect the investors to boost up the Indian economy.

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The International Conference on "Ease of Doing Business: Contemporary Issues, Challenges and Future Scope" features contributions that cater to the areas of doing (initiating) and sustaining business in various political environments. The book includes research papers that readers might find useful, since they are detailed and are structured to fit the requirement of a good read. A reading of this book is expected to provide not only an insightful summary of the work being done in this area, but more importantly, it would help generate new research directions in the area of Ease of Doing Business. These could be picked up for any further work to improve upon the delivery of issues by entrepreneurs operating in a various economic and political environments.

Gujarat Technological University (GTU)

GTU is a state-wide institution affiliating more than 485 Engineering, Pharmacy and Management Institutes across the State of Gujarat. GTU caters to the needs of more than 450 thousand students and 17 thousand professors, making strong endeavours to initiate new pedagogies in education with research in many areas. In the short span of eight years, GTU has received more than 15 awards at National level in different areas of academic and technological work.

GTU is revolutionizing Management Education in the State through its new Global MBA Program. Taking a lead, it is offering courses in the field of Gandhian Philosophy, Asian Business, International Business and Global Sustainable Businesses, Business Ethics and Corporate Governance. During the year 2012 it has established fourteen Post-Graduate Research Centres namely Centre for Environment and Green Technologies (CEGT), Centre for Mobile Computing and Wireless Technologies (CMCWT), Centre for Cyber Security (CCS), Centre for Environment and Energy Efficiency Tools (CE3T), Centre for Infrastructure, Transportation and Water Management (CITWM), Centre for Technology Education (CTE), Centre for Global Business Studies (CGBS), Centre for Business Ethics and CSR (CBEC), Centre for Financial Services (CFS), Centre for Governance System (CGS), Centre for Marketing Excellence (CME), Centre for Pharmaceutical Studies and Drug Delivery Technologies (CPSSDT). All these steps have resulted in a sharp increase in the number of published papers and patents at GTU. More than 60 professors from Europe and North America are working as Adjunct Professors at GTU.