

Deciphering the Ease of Doing Business Initiatives

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The Union Budget 2018-19, while carrying forward the momentum of EoDB reforms, has proposed several initiatives which would have direct bearing on the investment climate and would aid employment generation in the country. The EoDB related initiatives in the Budget will help in reducing time and money cost for corporate sector. The Finance Minister has gone beyond the corporate sector to announce measures for improving the ease of doing business at larger level. MSMEs, agriculture, rural economy, infrastructure and technology have been the focus areas among the EoDB initiatives

A critical area with high expectations from the Union Budget 2018-19 included the Ease of Doing Business (EoDB), which has received unprecedented importance from the central government in the last few years. The underlying objective behind the government's agenda to improve EoDB is to unshackle the investment and employment potential of the country. The Centre has undertaken a series of reforms to remove impediments in various stages of the business cycle, from starting to exiting. Some positive developments on the EoDB front include company incorporation within a day, simplification of indirect compliances by introduction of GST and faster insolvency resolution owing to the implementation of Insolvency and Bankruptcy Code (IBC).

The Centre has also promoted a spirit of competitive federalism among the states by pushing the state governments to introduce business reforms rigorously in a range of areas such as labour, land, inspections and dispute resolution, among others. These initiatives have started yielding positive results for the industry. The recently released Doing Business Report of the World Bank showed a jump in India's ranking by 30 spots in 2018 (out of 190 countries) from a level

of 130 last year. The Prime Minister envisions India to join the league of top 50 countries in the next two years. The recently announced Budget was expected to undertake a few strong steps to move further in this direction. There were hopes and expectations that the Union Budget would provide a decisive policy direction and the way forward on the unfinished agenda of EoDB reforms.

In line with expectations, the Budget has announced a series of EoDB initiatives. The Budget's key areas of announcements on EoDB cover many aspects, with special focus on MSMEs, boosting employment and promoting investment. Some of the key initiatives for corporate sector on EoDB are mentioned in the next section.

Key EoDB initiatives for Corporate Sector

Larger financing for MSMEs: The government has allocated Rs 3 lakh crores to the MSME sector to provide for credit support, capital and interest subsidy to address the problem of credit shortage faced by MSMEs. What is noteworthy is that this increased allocation has been backed by measures which would improve the ease of getting credit. Accordingly, the Budget has proposed innovative methods to quicken the process for MSMEs to

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access bank credit such as generating a financial information database of MSME businesses to address the issue of lack of credit history of these firms and use of Fintech to ensure easier accessibility of working capital for MSME sector.

Simplifying sanctioning of loans to MSMEs: The government has proposed revamping the Trade Receivable Discounting System (TReDS) of sanctioning loans to SMEs by linking it with the GST Network (GSTN). This will help MSMEs with better management of working capital and faster discounting of the bills. Further, since the banks will have access to information on cashflows of MSMEs, they will pro-actively provide loans as there will be no risk of fake bills.

Taxation relief: Reduction in corporate tax to 25 per cent for companies with annual turnover up to Rs. 250 crores (earlier Rs. 50 crores) is a landmark initiative, expected to benefit 99 per cent of the companies in the country. This will leave MSMEs with a higher investible surplus, eventually contributing to growth and employment.

Relief in NPAs treatment of MSMEs: The Budget announced government's intent to effectively addressing NPA and stressed accounts of MSMEs. In line with this initiative, the RBI has issued a notification allowing MSMEs borrowers to delay their loan payments up to 180 days, which is twice the mandated period, without being categorized as NPA. This measure will address the cash flow issues of MSMEs and meeting repayment obligations with banks and NBFCs.

Unique ID: Presently, companies need to maintain several registrations including company incorporation, registering property, and obtaining electricity, among others, which is a costly affair when measured in terms of both money and time. The government has proposed a scheme for unique identification for enterprises in line with the Aadhaar for citizens. This would replace the need for

maintaining multiple registrations with different government authorities and just requires one-time registration for all approvals / permits.

National Logistics Portal: The logistics department under the Department of Commerce is developing an online National Logistics Portal. This will address the long pending

issue of gaps among the stakeholders such as logistics service providers, buyers, customs, DGFT, railways, ports, airports, hinterland waterways, coastal shipping etc. The portal, if implemented successfully, will bring the relevant stakeholders on a single online platform and could reduce the logistics costs up to around 10 per cent.

Union Budget – Measures for Ease of Doing Business

The Government has been continuously working towards improving the ease of doing business across the country. The Union Minister for Finance and Corporate Affairs, while presenting the General Budget 2018-19 in Parliament said that the Prime Minister, has always stressed the importance of good governance with the vision of "Minimum Government and Maximum Governance". This vision has inspired Government agencies to carry out hundreds of reforms in policies, rules and procedures. This transformation is reflected in improvement of India's ranking by 42 places in last three years in the World Bank's 'Ease of Doing Business' with India breaking into top 100 for the first time.

To carry the business reforms for ease of doing business deeper and in every State of India, the Government of India has identified 372 specific business reform actions. All States have taken up these reforms and simplifications in a mission mode constructively competing with each other. Evaluation of performance under this Programme will now be based on user feedback.

The Department of Commerce will be developing a National Logistics Portal as a single window online market place to link all stakeholders.

The Government is also transforming method of disposal of its business by introduction of e-office and other e-governance initiatives in central Ministries and Departments. A web-based Government Integrated Financial Management Information System (GIFMIS), is being administered by Controller General of Accounts, for budgeting, accounting, expenditure and cash management of the Government.

A Central Public Procurement Portal provides a single point access for all information on procurement. Around 3.5 lakh contractors and vendors are registered on this platform. In November, 2017 alone, electronic bids for over one lakh tenders valued at around two lakh forty thousand crore were invited through this portal.

The Government E-Marketplace (GeM) facilitates procurement at the right price, in right quality and quantity in a transparent and efficient manner. The platform has seventy eight thousand buyers, fifty thousand sellers, three lakh seventy five thousand products and twelve services. Besides facilitating transaction of the value of Rs.3000 crore in about two lakh transactions, it could achieve savings of more than 25 per cent over the base price.

For easier access, links to all Detailed Demand for Grants will be provided at india.gov.in. The Government will also consider feasibility of providing disclosed fiscal information in a machine readable form.

Fixed-term employment for all sectors: The provision of Fixed Term Employment – hiring employees for a specific period – earlier applicable to only Textile Industries, is proposed to be extended to all sectors. This initiative, besides encouraging additional employment, will provide a major boost to EoDB by enabling companies to hire freely even for short terms. The provision will specially benefit the sectors including leather, footwear and accessories, where demand for labour usually varies through the year. Given that these sectors also happen to be employment intensive, the new initiative may provide a push to employment generation. The Budget also provides for employers directly hiring the fixed term workers without necessarily having to go through mediation, which will result in cost savings for the companies.

Uniformity in Stamp Duty: The Central government will coordinate with all the state governments to take reform measures on stamp duty. Currently, the Stamp Duty ranges from 4 per cent to 7 per cent across states. The uniformity in stamp rate at pan-India level would help in reducing distortion in land / property prices.

Technology-based governance: To expedite the dispute resolution in the country, the government is aiming for universal computerization of all District and Sub-ordinate courts. This will facilitate the effective implementation of National Judicial Data Grid, which provides an online platform for information related to judicial proceedings as well as decisions from computerized courts and subordinate courts across India. Further, the focus on e-courts with facility of e-filing and e-payments will strengthen the Contract Enforcement mechanism, wherein India currently ranks poorly at 164.

Electronic Toll Payment: The government is taking measures to replace the system of physical cash payment of toll with electronic payment system and Fastags. Implementation of “pay as you use” initiative in this direction, currently being run on a pilot basis, will provide significant relief to

the transporters of commercial goods in savings of money and time costs.

Boost to Defense Production: With the introduction of private investment in defense production, the government is taking measures to develop two defense industrial production corridors in the country. This will help in import substitution of defense products on the one hand and employment generation on the other. The Defense Production Policy 2018 is also proposed to promote domestic production by public and private sectors, including MSMEs.

Revised Outward Direct Investment Policy (ODI): The budget announced reviewal of the existing guidelines and processes to introduce a more coherent and integrated Outward Direct Investment Policy. The government is also working on a list of hybrid instruments which the Indian Companies, especially start-ups and venture capital firms, will be able to use for raising Foreign Direct Investment.

Industry feedback : To deepen the impact of business reforms introduced as part of the Business Reforms Action Plan (BRAP) by the Department of Industrial Policy and Promotion (DIPP), the government has introduced an exercise of incorporating industry feedback in evaluating rankings of states / UTs in implementation of reforms. Earlier, the assessment was based only on the feedback collected from the state governments and UTs, which could not capture the effectiveness of reforms at the ground level for the industry.

Apart from these measures to facilitate EoDB for the corporate sector, the Finance Minister has gone a step further to improve ease of doing business operations in areas beyond the corporate sector. For instance, in the agriculture sector, the government has announced several EoDB initiatives which includes upgradation of rural haats to Gramin Agricultural Markets (GrAMs) and its linking with e-NAM to facilitate direct transactions between farmers and consumers / bulk purchasers, setting up Long Term Irrigation Fund (LTIF), introduction of Fisheries

and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF), among others. Similarly, in the infrastructure sector, the government has proposed to widen the network of National Highways and Railways and extend the broadband access to rural citizens.

Conclusion

The Union Budget 2018-19, while carrying forward the momentum of EoDB reforms, has proposed several initiatives which would have direct bearing on the investment climate and would aid employment generation in the country. The EoDB related initiatives in the Budget will help in reducing time and money cost for corporate sector. The Finance Minister has gone beyond the corporate sector to announce measures for improving the ease of doing business at larger level. MSMEs, agriculture, rural economy, infrastructure and technology have been the focus areas among the EoDB initiatives.

While these measures will greatly help in improving the investment climate in the country, policy directions in areas such as labour laws, land acquisition, and expansion in Third Party approvals would have further helped in improving the business environment. States could have also been encouraged to undertake e-governance initiatives, including the integration with the Shram Suvidha Portal of the Centre, implementation of GIS, digitization and amalgamation of land records at various levels and bringing municipal corporations online, among others. There was also an opportunity to provide policy directions to states / UTs, which have been running abysmally low on DIPP's EoDB ranking owing primarily to lack of resources and / or interest to carry out business reforms. However, as it is said that the better things are yet to come, EoDB reforms such as these will hopefully be carried at the earliest even beyond the Budget 2018-19. □

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