



NATIONAL APEX CHAMBER



DEPARTMENT OF COMMERCE
Faculty of Commerce and Business
Delhi School Of Economics
UNIVERSITY OF DELHI

Ease of Doing Business for MSMEs

**A Report under the Collaborative Arrangement between
PHD Research Bureau, PHD Chamber of Commerce and Industry
and Department of Commerce, Delhi School of Economics (DSE)**

PHD CHAMBER OF COMMERCE AND INDUSTRY



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Ease of Doing Business for MSMEs



Shri Rajeev Talwar

Message from President, PHD Chamber

A conducive business environment is very important for starting and operating a business. India has been continuously improving in World Bank's Ease of Doing Business Rankings and has jumped by 65 spots from 142nd rank in 2015 to 77th rank in 2019 among 190 economies.

The government has undertaken plethora of economic and business reforms in the last five years with the objective of providing ease of doing business in the country. There is a significant improvement in almost all the parameters set by the World Bank.

Improvement in parameters such as starting a business, dealing with construction permits, getting electricity, getting credit, paying taxes, enforcing contracts, resolving insolvency and trading across borders are highly appreciable.

The MSMEs play a very significant role in the growth and development of the Indian economy by contributing at around 32% in GVA, 33% in Manufacturing GVA and 40% in exports. Thus, ease of doing business reforms for MSMEs become crucial to provide an efficient business environment for more than 60 million MSMEs in the country. At this juncture, the states can play a major role in promoting MSMEs by undertaking proactive measures for their growth and competitiveness.

The States' Policy Conclave 2019 is an excellent initiative of the State Development Council of PHD Chamber of PHD Chamber of Commerce and Industry for engaging in meaningful deliberations between the state officials and industry stakeholders. I am sanguine that the discussions during the sessions would provide fruitful outcomes that would spur the growth of industry and especially the growth and resilience of MSMEs in the country.

I wish all the best to the conclave and look forward to enriching deliberations.

(Rajeev Talwar)



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Ease of Doing Business for MSMEs

Message from Senior Vice President, PHD Chamber



Dr DK Aggarwal

The Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector over the last few decades. There are 634 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities, out of which 31% are in manufacturing, 36% are in trade and 33% are in other activities. The sector is the backbone of Indian economy as it contributes a significant share in GDP, manufacturing, employment, investments and exports.

India's rank in World Bank's Ease of Doing Business rankings jumped 65 positions to 77th rank in 2019 from 142nd five years ago. Government has taken various initiatives to improve the ease of doing business for MSMEs such as launch of MSME Samadhan Portal, MSME Sambhand Portal, MSME Sampark Portal; single window system; reduction in registration fees, among others.

Going ahead, to improve the ease of doing business rankings further, it is a pre-requisite for the states to give a special focus to the growth and development of MSMEs sector. The states' impetus would enable percolation of the reform measures at the grassroots, thereby facilitating growth of MSMEs and overall socio-economic development in the states.

The States' Policy Conclave, 2019 is focussed on discussing how the state governments can collaborate with industries for development of the nation at large. I am confident that the conclave would touch upon issues of topical importance and pave the way for all-inclusive growth in the country.

My best wishes for the grand success of States' Policy Conclave 2019 which will be a useful platform for different stakeholders including corporate, government officials, administrators, researchers, policy planners, businessmen and business leaders.

(DK Aggarwal)



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Ease of Doing Business for MSMEs



Shri Sanjay Aggarwal

Message from Vice President, PHD Chamber

Continuous government efforts have resulted in the significant improvement in India's rank in World Bank's ease of doing business rankings. India currently ranks at 77th position out of 190 economies.

The government has implemented several reforms at the national level to ease and rationalize the business regulatory processes accompanied by the introduction of information technology as enabler to make governance more efficient and effective.

Apart from central government, state governments have also initiated many reforms, such as initiating single window system, tax reforms, among others to make business environment in the state efficient and conducive. This would attract more investments and help states improve their BRAP rankings.

Going forward, both central and state governments should continue with their effective reform measures for promotion of ease of doing business in the country to spur industry growth in the coming times.

PHD Chamber is working diligently for the growth and development of states. The States' Policy Conclave 2019 is an excellent platform to deliberate on issues of topical importance to the states. I am sure that the discussions pertaining to Ease of Doing Business in the states would go a long way in strengthening industry sector. Major thrust given to MSMEs in the conclave would pave the way for their growth and development.

I wish grand success to the Conclave!



(Sanjay Aggarwal)



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Ease of Doing Business for MSMEs



Shri Sharad Jaipuria

Message from Chairman, States Development Council, PHD Chamber

Ease of doing business holds a prime importance for the overall growth and development of trade and industry. Improvement in India's ranking in World Bank's Ease of Doing Business to 77th position in 2019 from 142nd position in 2015 is highly inspiring.

The improvement in rankings has been observed primarily due to significant progress made in eight out of ten parameters such as dealing with construction permits, trading across borders, starting a business, getting electricity, getting credit, paying taxes, enforcing contracts and resolving insolvency.

The central and state governments have undertaken many reforms to promote ease of doing business as a whole. However, promotion of ease of doing business to MSMEs sector becomes crucial at this juncture, as the MSMEs have emerged as an engine of economic growth of the Indian economy.

The role of states in the promotion of MSMEs is of prime importance as the growth at national level is an aggregation of growth at state level. The States' Policy Conclave 2019 is a prestigious flagship event of the PHD Chamber's State Development Council. The objective of the conclave is to foster the spirit of cooperative federalism so that union and state governments come on a platform to forge a common national agenda for development with thrust on empowerment of the states of India.

I am sure that the deliberations during the various sessions would provide an effective roadmap for all states to ease the business environment for the MSMEs.

(Sharad Jaipuria)



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Ease of Doing Business for MSMEs

Message from Secretary General, PHD Chamber



Dr Mahesh Y Reddy

The ease of establishment and operation of businesses play a pivotal role in the growth and development of an economy. Prosperity of businesses facilitates creation of jobs and generation of incomes which improves the country's position in socio-economic and business rankings in global charts.

Over the years, government has implemented several reforms to streamline business processes and improve the business regulatory environment. India's performance on the World Bank's Ease of Doing Business Index has improved at a remarkable pace from 142nd rank in the year 2015 to 77th rank in the year 2019.

Similarly, states/UTs have introduced several reforms as a part of BRAP to improve their business regulatory environment and attract investments. Although, the business climate at macro level is expanding, the ease of doing business environment at MSMEs level needs more facilitation. Therefore, focussed reforms to promote ease of doing business for MSMEs are needed to make India a best place to do business, going forward.

The states can play a massive role in being the harbingers of improved business environment to the MSMEs by implementing pro-MSMEs policies and providing state of the art infrastructure.

The States' Policy Conclave 2019 of PHD Chamber of Commerce and Industry aims to provide an effective platform for the state machineries to interact with the industries on various opportunities and challenges. I am sure that the discussions in the conclave would be of immense significance.

(Mahesh Y Reddy)



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Ease of Doing Business for MSMEs



Shri PK Malhotra

Message from Chairman, Ease of Doing Business Committee, PHD Chamber

Micro, small and medium enterprises have a very special and vital role in the Indian economy. The government has given a major thrust to the growth of MSMEs as the next level of economic growth is expected to come from this crucial sector of the economy. However, the sector needs facilitation in terms of ease of doing business. This is where the states can play a major role in ensuring percolation of reform measures at the grassroots for the growth of MSMEs.

The state's role towards building the required infrastructure for smooth running of business is the key towards an efficient manufacturing sector for a strong and sustainable economic growth.

At this juncture, I am elated to know that PHD Chamber of Commerce and Industry is organizing its States' Policy Conclave 2019 which has ease of doing business as one of the themes. States have initiated reforms for ease of doing business which is evident from the significant implementation of Business Reforms Action Plan by the states. I am hopeful that the dignitaries from various states in the Conclave would highlight their best practices to the benefit of other states.

I wish all the success to the States' Policy Conclave and look forward to interesting deliberations!

(PK Malhotra)



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Ease of Doing Business for MSMEs



Prof Kavita Sharma

Message from Former Head, Department of Commerce, Delhi School of Economics, University of Delhi

Sharp jump in ease of doing business rankings to the level of 77 from 100 is highly inspiring and more than the expectations. The reform measures undertaken by the government have started paying off and fruitful outcomes are visible now. The implementation of GST and Insolvency and Bankruptcy Code along with improvements in registering for new electricity connection, upgradation of port infrastructure, among others have facilitated the country to improve in various parameters.

Further, MSME sector holds the potential to push India's growth in the double-digit trajectory, if facilitated by ease of doing business. Therefore, it is essential that great emphasis may be given to realize the true economic potential of this sector.

Going ahead, given the ongoing reform momentum, it is expected that India will rank at around 50 on the Ease of Doing Business Index in the coming times.

I am elated to be a part of the States' Policy Conclave 2019 of PHD Chamber of Commerce and Industry and look forward to interesting deliberations.

(Kavita Sharma)



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Ease of Doing Business for MSMEs



Dr Niti Bhasin

Message from Associate Professor, Department of Commerce, Delhi School of Economics, University of Delhi

India improved its Ease of Doing Business Ranking significantly from 100th position in Doing Business 2018 report to 77th position in Doing Business 2019 report by the World Bank.

The implementation of GST and Insolvency and Bankruptcy Code along with improvements in starting a business, dealing with construction permits, getting electricity, among others have yielded positive results.

Under the Make in India initiative, central and state governments are executing their respective annual Business Reform Action Plan (BRAP) to improve their rankings on the ease of doing business which reflect their willingness to reform and attract investments.

Going ahead, there is a need to sustain this momentum of implementing reforms both at the Centre and State level to make India one of the best destinations to do business. I believe this report would provide important insights to policy makers for creating a conducive business environment for the MSME sector of the Indian economy.

I am delighted to know about PHD Chamber's States' Policy Conclave 2019 which aims to engage in effective policy dialogues at the state level. I wish grand success to the programme.

(Niti Bhasin)



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Ease of Doing Business for MSMEs

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At the outset, we thank Shri Rajeev Talwar, President, PHD Chamber, Dr DK Aggarwal, Senior Vice President, PHD Chamber, Shri Sanjay Aggarwal, Vice President, PHD Chamber and Dr Mahesh Y Reddy, Secretary General, PHD Chamber for their benevolent and constant support to prepare the study on Ease of Doing Business for MSMEs.

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**- PHD Research Bureau
PHD Chamber of Commerce and Industry**



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Ease of Doing Business for MSMEs

Executive Summary

The ease of doing business has gained importance in the last few years owing to the impact it has on the overall industrial climate; investments and job creation in the economy. The government has given major thrust to ease of doing business and has worked aggressively to ensure that India moves up on the rankings of ease of doing business of the World Bank. India has been continuously improving in the World Bank's Ease of Doing Business Rankings and recently jumped 23 positions to mark its position at 77th rank among 190 economies. However, there is a need to give major impetus to ease of doing business for MSMEs as the MSMEs have a very special and vital role in the growth and development of the Indian economy.

The growth of MSMEs is of paramount importance as the sector has potential not only to generate additional export earnings but also generate millions of employment opportunities for the growing young population in the country. At this juncture, it becomes imperative to assess the business environment for MSMEs in the country and to suggest measures to make it more conducive in the coming times.

With the objective of knowing about the ease of doing business for the MSMEs, PHD Chamber of Commerce and Industry in collaboration with Department of Commerce, Delhi School of Economics conducted a survey of MSMEs across the sectors in the country. The findings of the study were very interesting as there was no uniform trend discernible in terms of perception of respondents towards ease of doing business. Majority (45%) of the respondents agreed to ease of doing business for MSMEs in the country and said that the economic and business reform measures undertaken by the government have been fruitful for them. Of the rest 55%, around 32% of the respondents opined that there is a dire need for improvement in the ease of doing business climate for MSMEs while 23% were indifferent about improvement in the ease of doing business environment in the country.

Majority of the respondents agreed to a significant improvement in number of tax payments in a year, cost of transportation and logistics, time required to enforce a contract, bringing out a law suit against a company, supply of electricity, time to obtain an electricity connection, time involved in transportation of goods, number of documents in starting a business, online availability of business procedures, starting a business, IT enabled business procedures, cost to obtain an electricity connection and cost to obtain an internet connection, among others.

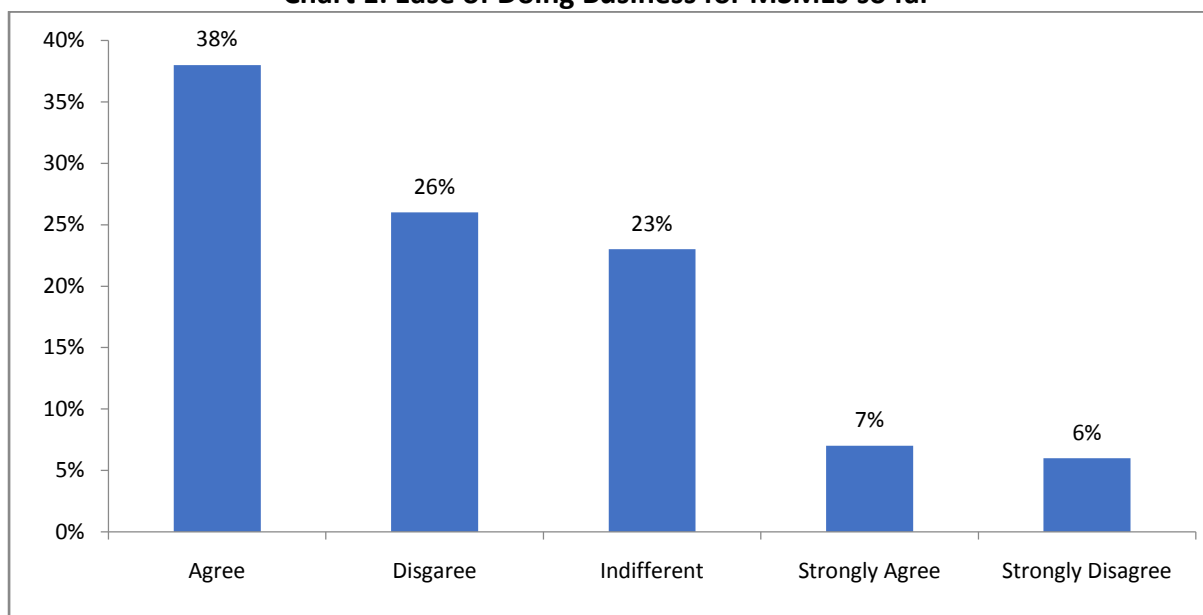
However 32% of the respondents disagreed on the improvement in availability of land, process to acquire a land, cost of land, cost for starting a business, cost of labour, cost to register a property, single window mechanism for approvals and clearances, common application for business approvals, compliances under various labour laws, cost of business approvals and clearances, procedure for registering a property, electricity tariffs and number of tax returns to be filed in a year, among others.



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Ease of Doing Business for MSMEs

Chart 1: Ease of Doing Business for MSMEs so far



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

This can be attributed to the fact that the survey was conducted in the month of April to June 2019 while lot of reform measures were undertaken by the government in the recent months (July-August 2019). It may be mentioned that recently the government has undertaken plethora of reforms for the MSMEs including provisions for banks' lending to NBFCs for further on-lending to MSMEs up to Rs.20 lakh per borrower under the Priority Sector Classification, payment of all pending GST refunds to MSMEs within 30 days and withdrawal of Angel Tax provisions for Startups and their investors.

The support and outreach programme such as extension of loan facility upto Rs 1 crore within 59 minutes through an online portal, online filing of Udyog Aadhaar Memorandum (UAM), MSME SAMADHAAN Portal, among others to the MSMEs were also launched in the recent past to provide them with a supportive business environment.

Going ahead, the ease of doing business for MSMEs is expected to improve significantly in the coming times with the percolation of economic and business reforms at the ground level. This is where the role of states becomes exceedingly important. The state's role towards promoting ease of doing business is the key towards a competitive manufacturing sector for a strong and sustainable economic growth.

The states have implemented the Business Reform Action Plan (BRAP) to improve the regulatory environment for businesses to grow and flourish. It may be noted that the states which have performed well on the BRAP have observed high growth of GSDP. Further, it has been observed in few states that the states with high rankings on BRAP witness high industry growth.



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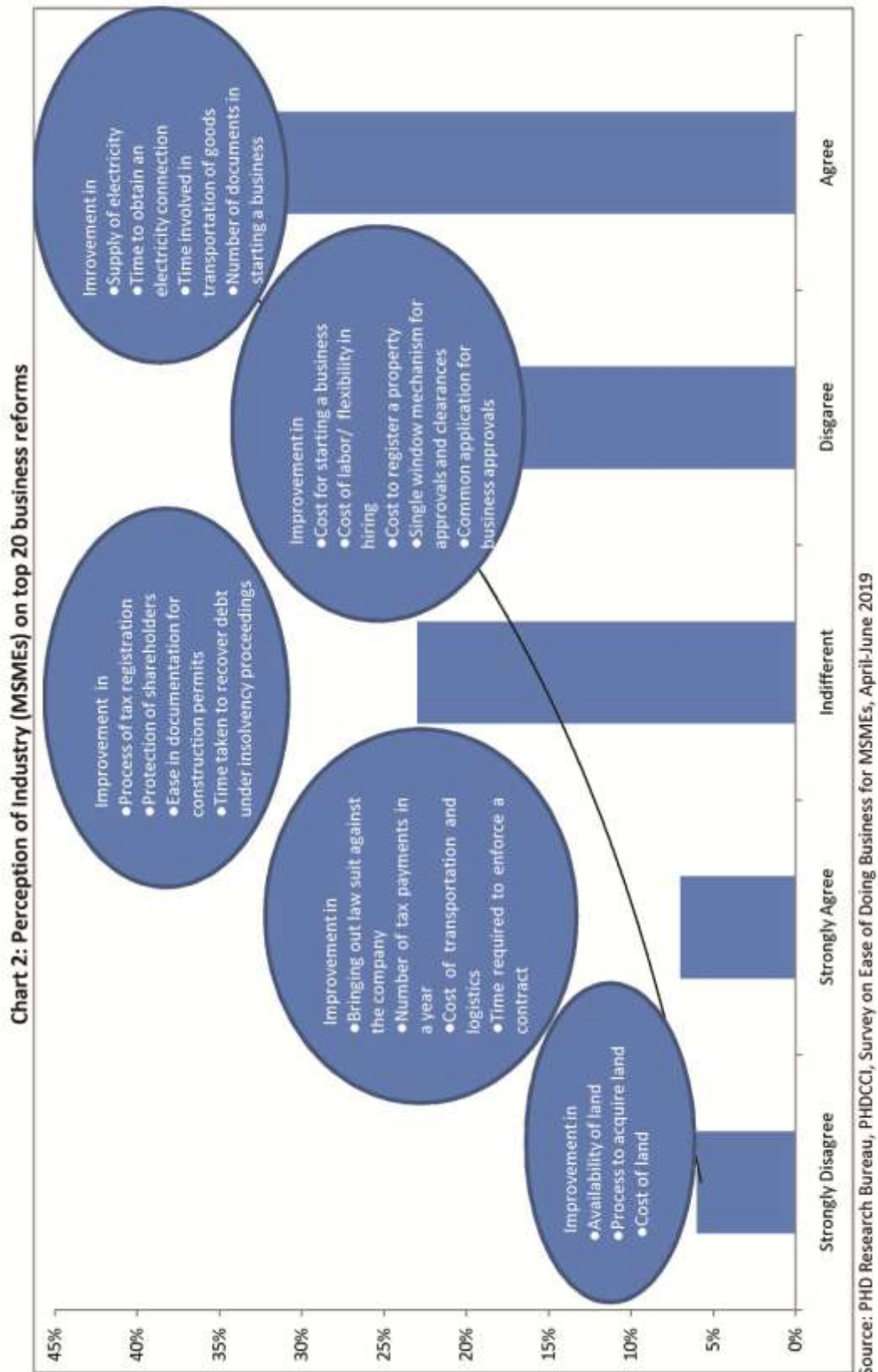
Ease of Doing Business for MSMEs

The states form the core of the federal structure in India and for any development initiative to succeed; the role played by states assumes immense significance. In order to improve the ease of doing business in the country, the state governments may identify the issues that exist in their respective states and work towards addressing those bottlenecks, thereby ensuring a conducive business environment, particularly for MSMEs.

Going ahead, the overall smooth functioning and the quality of governance at state level can stimulate growth by making the policy environment more business friendly. Further reforms in ease of doing business at the ground level especially for the small and medium sized businesses along with desired reforms in labour laws such as fixed term employment for flexibility in hiring by industry across the States would be crucial to strengthen the manufacturing sector, Make in India programme and create millions of employment opportunities for growing young workforce. Though the government has announced Fixed Term Employment but only few states have implemented it. So, all the state governments may implement Fixed Term Employment for the benefit of the industries in general and MSMEs in particular.

It is also recommended that the government may reduce the performance bank guarantee for MSMEs such that it is one-tenth for micro, two-fifth for small and one-third for medium enterprises for level-playing field; provide deemed NSIC registration renewal in case of delay; and reduce high primary and collateral security demanded by banks. Further, there may be extension of loans of Rs 1 crore by banks without any collateral and reduced rate of interest to MSMEs and introduction of punitive measures for habitual defaulters who do not meet payment obligations towards MSMEs in maximum 45 days.

Ease of Doing Business for MSMEs



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019



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Ease of Doing Business for MSMEs

Key Findings of the Survey

Respondents strongly agreed on improvement in ease of doing business	
<p>Promotion of ease of doing business has become most crucial for the growth of industry and the reforms undertaken in this direction have started giving fruitful outcomes. Relatively easier and lesser number of procedural requirements, efficient judicial system, online availability of required information, among others have made it easier to bring out law suits against a company and enforcing a contract has become easier. Obtaining the pre-requisites for a law suits has become hassle free and less time consuming.</p> <p>The historic restructuring of tax system in the country, accompanied by increase in use of digital payments and technological upgradation at the receiving end, i.e. government departments, have resulted in the improved tax payments, competitive pricing and economies of scale.</p>	<ul style="list-style-type: none"> • Number of tax payments in a year • Cost of transportation and logistics • Time required to enforce a contract • Bringing out law suit against the company
Respondents agreed on improvement in ease of doing business	
<p>Ease of doing business has significantly improved as getting approvals has been made a lot easier and hassle free. The improvement in communication and coordination between the government departments and citizens is visible. Steps such as removal of tedious procedures, curtailment of transmission loss of electricity, availability of online applications and online approval systems, among others, have created a transparent working environment and thus raised the confidence of people and firms. This has resulted in the improvement of various parameters of ease of doing business, such as getting electricity, starting a business, construction permits, among others. Further, there is an increase in efficiency and sales of the businesses due to requirement of very minimal paperwork and approvals, which has been made possible with the implementation of GST.</p>	<ul style="list-style-type: none"> • Supply of electricity • Time to obtain an electricity connection • Time involved in transportation of goods • Number of documents in starting a business • Online availability of business procedures • Starting a business • Business procedures are IT enabled • Cost to obtain an electricity connection • Obtaining construction permit/certificate • Cost to obtain an internet connection • Cost of enforcing a contract • Cost of documenting in exporting and importing • Time of processing building permit & certificate • Credit Availability • Documents required for exporting and importing • Procedures for new water & sewage connection • Time for documenting in exporting and importing • Time to register a property • Cost for new water and sewage connection • Behavior of inspectors • Road police checks/inspections



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Ease of Doing Business for MSMEs

Respondents indifferent on improvement in ease of doing business	
Government has undertaken various dynamic reforms over the last few years to promote ease of doing business. However, the effectiveness of these reforms has to be made significant at the MSMEs level. People are neutral to the improvement of certain parameters of ease of doing business either due to lack of awareness or due to presence of structural bottlenecks hampering the effectiveness of the reforms. At this juncture, there is a need to work on the implementation and awareness aspect of the reforms, so that their benefits can spread equally to the firms of different size, nature firms and across states.	<ul style="list-style-type: none"> • Process of tax registration • Protection of shareholders from undue board control • Ease in documentation for construction permits • Time taken to recover debt under insolvency proceedings • Recovery rate under insolvency proceedings • Compliance under various environmental laws • Simplification in Tax structure • Role of shareholders in the management of the company • Cost involved to recover debt under insolvency proceedings • Cost of environmental laws • Contracts entered into are easily enforceable • Time to obtain credit • Tax rates in the country
Respondents disagreed on improvement in ease of doing business	
Although, procedural requirements have been reduced, the communication between government departments have become transparent and hassle free, however, the cost aspect of some of the parameters still needs to be relaxed further. There are various approvals, documentation requirements and multiple visits to departments that consume a significant amount of time and initial investment in a business. Further, the government has upgraded itself technologically, however, there are segment of people that need to be made aware about the technical know-how of these facilities, so that the effectiveness is fully realised. In addition, there is manual interference in the automated mechanisms that needs to be removed.	<ul style="list-style-type: none"> • Cost for starting a business • Cost of labor • Cost to register a property • Single window mechanism for approvals and clearances • Common application for business approvals • Compliance under various labor laws • Cost of business approvals and clearances • Procedures for registering a property • Electricity tariffs • Number of tax returns to be filed in a year • Inspection conducted by departments are defined • Obtaining various business approvals and clearances • Employment of labor • Credit availability at reasonable rate of interest • Reduction in number of inspections conducted
Respondents strongly disagreed on improvement in ease of doing business	
Obtaining land is one parameter of ease of doing business that requires improvement in every aspect. The procedure to acquire land should be free from complex and costly procedural bottlenecks.	<ul style="list-style-type: none"> • Availability of land • Process to acquire land • Cost of land



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Ease of Doing Business for MSMEs

1. Introduction

The ease of establishment and operation of businesses play a pivotal role in the growth and development of an economy. Prosperity of businesses facilitates creation of jobs and generation of income which can be spent both domestically and internationally. Clear and certain legislative and executive regime, augmented by an efficient judiciary that ensures timely enforcement of contracts, protects property rights, resolves insolvency and protects the rights of creditors and investors are pre-requisites for healthy business environment in an economy. Some the key factors that encourage businesses especially MSMEs to flourish and realise economic gains include sound policy framework, effective rules, simple procedures, increased transparency, curb on corruption and red tapism, strong infrastructure backed by efficient information technology system and timely implementation of policies with strong tracking and monitoring mechanism to measure progress¹.

Across the globe, MSMEs face many difficulties in starting and operating businesses. However, their difficulty level varies with the regulatory and institutional environment in which they operate. Effective business regulation and continuous and focused reform measures to ease the business environment provide MSMEs opportunities to grow, innovate and move from informal to the formal sector of an economy. For instance, in Denmark, the average number of newly registered companies is 8 per 1,000 workers per year, whereas in Uganda this figure is less than 1 new company per 1,000 workers per year. This difference can be explained by many factors including the level of business regulations². Various studies have also found that an economy that undertake reforms to ease the regulatory burden on businesses tend to attract greater foreign investments as Multinational Corporations (MNCs) prefer countries that have predictable and stable business environment with fewer, cheaper and simpler regulations³.

At international level, the World Bank every year assesses the policies to ease the regulatory burden, undertaken by countries across the world through its Ease of Doing Business Index (EDBI). The index uses 10 different indicators that measure various aspects of business regulations which are important to domestic firms and for national competitiveness. Doing Business also measures features of labor market regulations which are reported as a separate section and not included in the ranking. EDBI is considered as a reliable source of

¹Gaur, A. D., & Jasmin, P. (2017). Ease of Doing Business in India: Challenges & Road Ahead. *In International Conference on technology and Business Management* (pp. 77-84).

²Doing Business Report, World Bank, 2019

³Corcoran, A., & Gillanders, R. (2015). Foreign direct investment and the ease of doing business. *Review of World Economics*, 151(1), 103-126.

Jayasuriya, D. (2011). *Improvements in the world bank's ease of doing business rankings: Do they translate into greater foreign direct investment inflows?*. The World Bank.

Kelley, J. G., Simmons, B. A., & Doshi, R. (2016, September). The power of ranking: the ease of doing business indicator as a form of social pressure. *In Annual Meeting of the American Political Science Association Mini-Conference on Assessment Power in World Politics, Philadelphia, PA.*



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information on the business environment of an economy^[1]. EDBI rankings aim to compare the business environment of different countries.

It rewards any policy that reduces the time and cost of doing business and reveals how well an economy's government is doing than others⁴. Ease of doing business rankings impacts the reputation of the countries and hence influences them to initiate important policy reforms to improve the regulatory environment in their economy.

At the national level, reforms undertaken by the government to improve business environment in the country, such as removing regulatory burdens, cutting delays, introduction of Goods and Services Tax (GST), promoting paperless transaction, among others have been widely acknowledged in the light of India's improved ranking in the World Bank's Ease of Doing Business (EODB) Index from 130th in 2016 to 77th in 2019 out of 190 economies. Further, at the state level, under the Make in India initiative, state governments are executing their respective annual Business Reform Action Plan (BRAP) to improve their rankings on the ease of doing business which reflect their willingness to reform and attract investments.

Although, governments at both central and state level have been initiating significant reforms to improve ease of doing business in India, but there is a need to check the ground realities i.e. to analyse whether such reforms have been implemented properly and their benefits have reached to small and medium scale businesses, which are the backbone of the Indian economy.

Analysis of the Ease of doing business at the MSMEs level becomes essential because in a dynamic economy like India, which is rapidly growing and continuously reforming its business environment, the results in major cities and on large businesses may not be representative of other small areas and businesses of the country⁵. In the light of the above arguments, this study aims to evaluate the ease of doing business at international, national and state level, analyse the impact of ease of doing business reforms undertaken by the Indian government on MSMEs.

^[1]Pinheiro-Alves, R., & Zambujal-Oliveira, J. (2012). The Ease of Doing Business Index as a tool for investment location decisions. *Economics Letters*, 117(1), 66-70.

⁴Kelley, J. G., Simmons, B. A., & Doshi, R. (2016, September). The power of ranking: the ease of doing business indicator as a form of social pressure. In *Annual Meeting of the American Political Science Association Mini-Conference on Assessment Power in World Politics*, Philadelphia, PA.

⁵Piwonski, K. (2010). Does the 'Ease of Doing Business' In a Country Influence its Foreign Direct Investment Inflows?.



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2. Objectives and Research Methodology

The ease of doing business has gained importance in the last few years owing to the impact it has on the overall industrial climate; investments and job creation in the economy. India has been continuously improving in the World Bank's Ease of Doing Business Rankings and has made remarkable progress of 65 spots in the Doing Business Report of World Bank in the last five years.

However, there is a need to give major impetus to ease of doing business for MSMEs as the MSMEs have a very special and vital role in the growth and development of the Indian economy. The growth of MSMEs is crucial as the sector has potential not only to generate additional export earnings but also generate millions of employment opportunities for the growing young population in the country.

At this juncture, it becomes imperative to assess the business environment for MSMEs in the country and to suggest measures to make it more conducive in the coming times. Against this objective, PHD Chamber of Commerce and Industry in collaboration with Department of Commerce, Delhi School of Economics conducted a survey study to assess and analyse the ease of doing business environment at the MSMEs level.

2.1 Objectives of the Study

Following are the objectives of the study:

- (i) To evaluate the ease of doing business scenario at international level and thereby analyse India's position.
- (ii) To evaluate the ease of doing business at national and state level in India.
- (iii) To analyse the impact of reforms undertaken by the government for MSMEs.
- (iv) To analyse the level of ease of doing business for MSMEs.
- (v) To draw conclusions and recommendations based on the analysis and findings of the survey.

2.2 Research Methodology

Both primary and secondary research has been conducted to determine various factors contributing to the ease of doing business in the India at the MSMEs level. Both quantitative and qualitative tools have been used for the study.

Extensive secondary research has been conducted to evaluate the ease of doing business scenario at international, national and state level. Different news articles, national and international journals, books and websites which focused on various aspects of ease of doing business were referred. World Bank database on ease of doing business has been used in-depth. Other authenticated sources referred for the secondary analysis on the study

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include Annual Reports of the Ministry of Micro, Small and Medium Enterprises, Government of India; Business Reform Action Plan (BRAP) Reports of the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, among others.

For secondary analysis, trends in ease of doing business across the world and in India were analysed using the World Bank's ease of doing database and the trends in ease of doing business at the State and Union Territory level in India were analysed using the Business Reform Action Plan (BRAP) reports of the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India.

For primary analysis, Simple Random Sampling Technique⁶ was used. The selection of MSMEs did not involve any criteria and the questionnaires were sent across the country. The statistical tools used for the study were simple aggregates and averages. Descriptive statistics were used to describe the study variables and items of each variable of the study. The data has been presented in graphs and charts for lucid illustration.

The target population of this study was MSMEs operating in India. To obtain the responses, online invitations and hard copies of the questionnaire were sent to potential participants. 740 numbers of responses were received from across the country, comprising of maximum number of responses from small enterprises (329), followed by 246 responses from medium enterprises and 165 from micro enterprises. Further the respondents comprised of 370 services MSMEs, 222 manufacturing MSMEs and 148 trade MSMEs.

Table 1: Profile of Data Collected

	Manufacturing MSMEs	Trade MSMEs	Services MSMEs	Total
Micro	65	45	55	165
Small	95	30	204	329
Medium	62	73	111	246
Total	222	148	370	740

Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs

Various qualitative methods like focus group interview, depth interview have been adopted and after considering the opinions of various industry experts and academicians, an extensive questionnaire pertaining to the selected aspects of doing business in India was administered on MSMEs from a variety of sectors across India. The survey/ questionnaire was self-administered to assess and operationalise each of the variables at a specific point in

⁶ Simple random sampling is a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample.



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time (cross-sectional). The questionnaire incorporated 19 parameters/measures of ease of doing business with 56 items/questions in total. The measures/parameters used were:



All questions used a Likert scale⁷ to record participant responses. Respondents were asked to rate their experience on a 5-point Likert scale of 1 to 5, (where 1-5 represents strongly disagree, disagree, indifferent, agree and strongly agree respectively) against each parameter of the ease of doing business based on individual questions in the questionnaire. After the responses were collected, they were decoded and analysed.

⁷ The Likert scale is a five (or seven) point scale which is used to allow the individual to express how much they agree or disagree with a particular statement. It is the most widely used approach to scaling responses in survey research, such that the term is often used interchangeably with rating scale.



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3. Ease of Doing Business at International Level: India's Position

At the international level, the World Bank, every year since 2003, assesses the policies to ease the regulatory burden, undertaken by countries across the world. It is done through the Doing Business Report, Distance to Frontier Score also known as Ease of Doing Business score and the Ease of Doing Business rankings. The ranking of economies is determined by sorting the aggregate ease of doing business scores of 190 economies across the world.

Governments across the world are making significant efforts in improving their business regulatory environments to make doing business easier for entrepreneurs. Since its launch in 2003, Doing Business has inspired more than 3,500 reforms in the 10 areas of business regulation measured by the report. The majority of these reforms have been made in low- and lower-middle-income economies. The three regions which have improved the most since 2004 are Europe and Central Asia, Sub-Saharan Africa and the Middle East and North Africa.

Around the world, registering a business now takes an average of 20 days and costs 23% of income per capita, compared to 47 days and 76% of income per capita in 2006⁸. The average paid-in minimum capital that entrepreneurs may deposit is 6% of income per capita, compared with 145% of income per capita in 2006. The global average time to prepare, file and pay taxes has fallen from 324 hours in 2005 to 237 hours in 2017. On an average, entrepreneurs across the world find it easier to start a business and deal in construction permits but find enforcing contracts and resolving insolvency the most difficult.

The economies that rank highest in the ease of doing business are those that have consistently well-designed business regulation or whose regulatory environments have thrived thanks to comprehensive reform over the years. While, New Zealand has topped the Ease of Doing Business rankings in the years 2017, 2018 and 2019, Singapore topped the Ease of Doing Business rankings from 2007 to 2016.

Table 2: World Bank Ease of Doing Business Rankings

Rank	2019	2018	2017	2016	2015
1	New Zealand	New Zealand	New Zealand	Singapore	Singapore
2	Singapore	Singapore	Singapore	New Zealand	New Zealand
3	Denmark	Denmark	Denmark	Denmark	Hong Kong SAR
4	Hong Kong SAR	Korea, Rep.	Hong Kong SAR	Korea, Rep.	Denmark
5	Korea, Rep.	Hong Kong SAR	Korea, Rep.	Hong Kong SAR	Korea, Rep.
6	Georgia	United States	Norway	United Kingdom	Norway
7	Norway	United Kingdom	United Kingdom	United States	United States
8	United States	Norway	United States	Sweden	United Kingdom
9	United Kingdom	Georgia	Sweden	Norway	Finland
10	Macedonia, FYR	Sweden	Macedonia, FYR	Finland	Australia
	2019 Rank	2018 Rank	2017 Rank	2016 Rank	2015 Rank
India	77	100	130	130	142

Source: PHD Research Bureau, PHDCCI, compiled from World Bank Doing Business Reports

⁸ World Banks's Ease of Doing Business Reports



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Some of the international best business regulatory practices are:

- New Zealand ranks number one among 190 countries in starting business parameter of the World Bank's ease of doing business. Number of procedures in starting a business in New Zealand is just one with no minimum capital required. It takes less than a day to start a business and just one day to register the property.
- In Georgia, only one procedure is required to start a business. Further, it just takes one day to register the property and no cost is involved in registering the property.
- In Singapore, it just takes 64 hours in a year to pay taxes with only 5 tax payments in a year. The total tax rate as percentage of profits is as low as 20.6%.
- Denmark ranks number one among 190 countries in trading across border parameter of the World Bank's ease of doing business. Roughly, around one hour is required for documentary compliances at the time of export and import. Also, negligible costs are involved in exporting and importing.
- India has established the best regulatory performance in extending the shareholder's rights which is one of the variables of protecting the minority investor parameter of the World Bank's ease of doing business.
- China has established the best regulatory performance in extent of disclosure index and corporate transparency index which are variables of protecting the minority investor parameter of the World Bank's ease of doing business.
- Hong Kong ranks number one in paying taxes parameter with only 3 tax payments required to be made in a year.
- Korea has established the best regulatory performance in getting electricity with only 3 procedures required and 13 days to obtain an electricity connection.
- United Kingdom has also established the best regulatory performance in getting electricity with only 3 procedures required to obtain an electricity connection. It made getting electricity faster by implementing several initiatives to expedite the external connection works performed by sub-contractors.
- The United Arab Emirates made getting electricity easier by eliminating all costs for commercial and industrial connections of up to 150 kilo-Volt-Amperes (kVA).
- Saudi Arabia has established the best regulatory performance in corporate transparency index which is one of the variables of protecting the minority investor parameter of the World Bank's ease of doing business rankings. It has strengthened minority investor protections by providing clear rules for the liability of directors and increasing the role of shareholders in major decisions.



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India's Position with Respect to the World

Few years ago, India was far behind in the ease of doing business ranking, with 142nd rank in 2015, but has gradually improved to 77th position in 2019 due to several reforms undertaken by the Indian government such as cutting delays, promoting paperless transactions, among other measures.

On an average, entrepreneurs across the world require 20 days to start a business, however, in India entrepreneurs require just 16 days to start a new business. Similarly, in India, it takes 69 days to get a property registered which is lower than the world average of 48 days and world's best practice is of 1 day (in Georgia and New Zealand).

Chart 3: Time (days) required to Start a Business

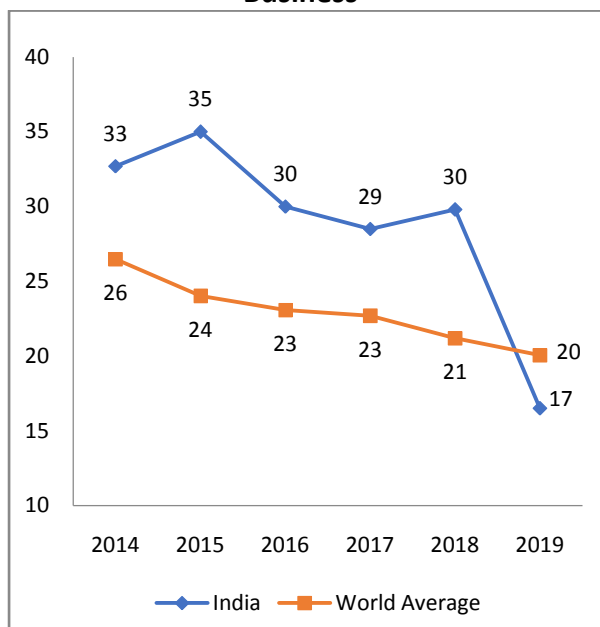
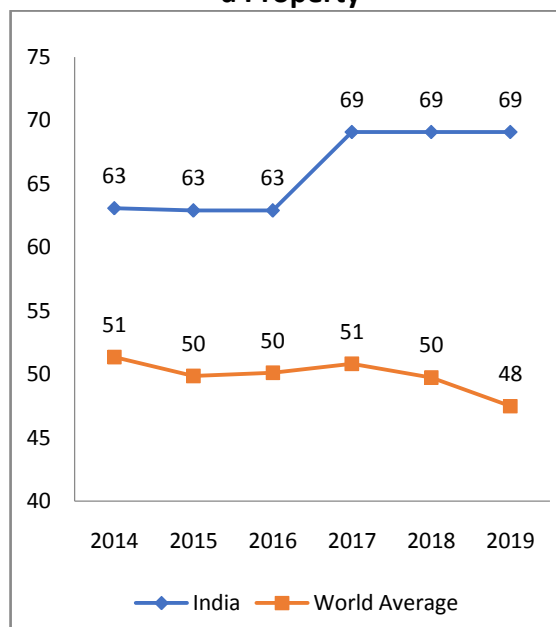


Chart 4: Time (Days) Required to Register a Property



Source: PHD Research Bureau, PHDCCI, compiled from World Bank Database

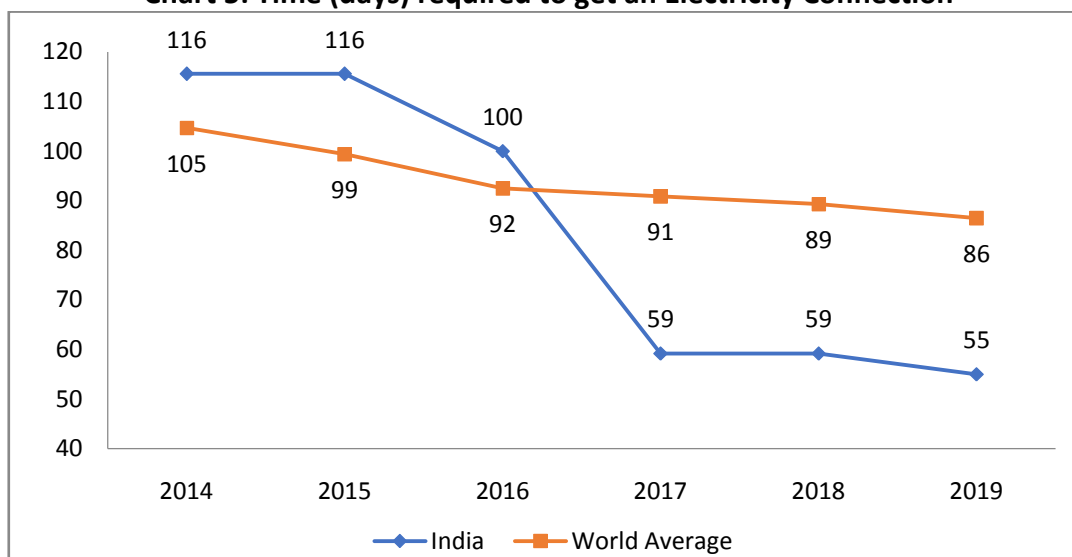
Further, globally average number of days to obtain an electricity connection is 86 while the number of days in obtaining an electricity connection in India is 55 which is lower than the world average but higher than South Korea, where only 13 days are required.



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Chart 5: Time (days) required to get an Electricity Connection



Source: PHD Research Bureau, PHDCCI, compiled from World Bank Database

It takes 275 hours in a year to pay taxes in India which is significantly higher than Singapore which has the world's best regulatory practice in the time required to pay taxes (64 hours a year). In India, it takes around 4 years to resolve insolvency, whereas in countries like Singapore and Denmark insolvency can be resolved in less than a year.

As per World Bank's Doing Business Report, 2019, eight of the top 20 economies on ease of doing business rankings were from the developing countries (namely- Malaysia, Hong Kong, South Korea, Taiwan, Lithuania, Estonia, Latvia, Mauritius and UAE). India is improving significantly and though it has a long way to achieve the level of its counterparts in the world economic system, the efforts made in the past are highly appreciable.



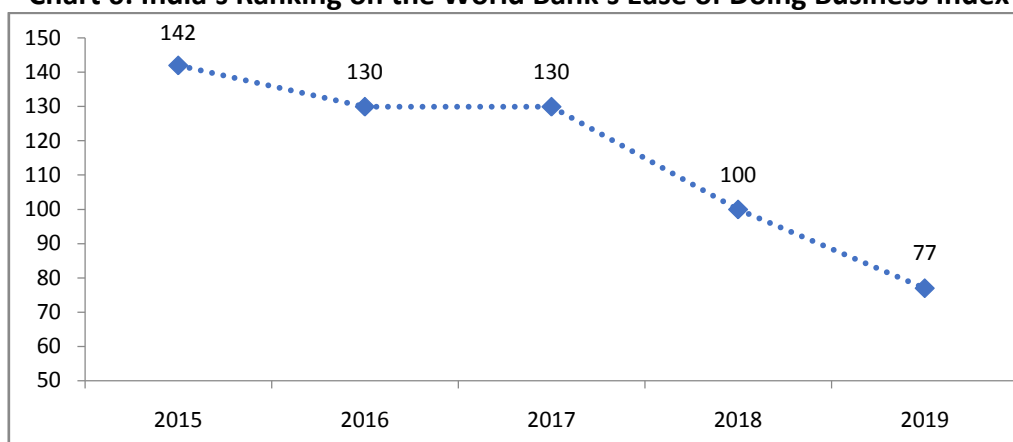
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4. Ease of Doing Business: World Bank Rankings

Over the past five years, India's performance on the World Bank's Ease of Doing Business Index has improved at a remarkable pace from 142nd rank in the year 2015 to 77th rank in the year 2019 on the back of implementation of robust reform measures such as removing regulatory burdens, cutting delays, introduction of Goods and Services Tax (GST), promoting paperless transactions, among others. India has improved notably in the areas of getting electricity, dealing with construction permits, protecting minority investors, getting credit, paying taxes and trading across borders in 2019 rankings as compared to 2015.

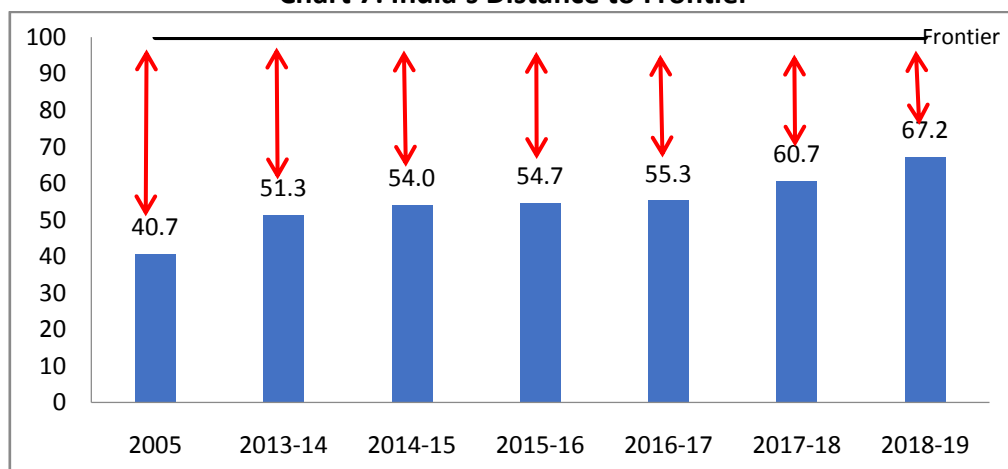
Chart 6: India's Ranking on the World Bank's Ease of Doing Business Index



Source: PHD Research Bureau, PHDCCI, compiled from Doing Business Reports, World Bank

India's performance has improved at a remarkable pace on distance to frontier score/ease of doing business score from 40.7 in 2005 to 67.2 in 2019 on the back of strategic reform measures undertaken by the government.

Chart 7: India's Distance to Frontier



Source: PHD Research Bureau, PHDCCI, compiled from World Bank's Doing Reports



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India was among the top 10 economies which made remarkable improvement in performance on the Doing Business indicator in 2017-2018. During this period, India implemented a total of seven business regulation reforms across different areas measured by Doing Business. It ranked impressively in protecting the rights of minority investors (7th rank) and established the best regulatory performance in extending the shareholder's rights (one of the variables of protecting the minority investors index).

Table 3: India's Ranking on Various Parameters of World Bank's Ease of Doing Business Index

Parameter	Rankings				
	2019	2018	2017	2016	2015
Overall Ranking	77	100	130	130	142
1. Starting a business	137	156	155	155	158
2. Dealing with construction permits	52	181	185	183	184
3. Getting electricity	24	29	26	70	137
4. Registering property	166	154	138	138	121
5. Getting credit	22	29	44	42	36
6. Protecting minority investors	7	4	13	8	7
7. Paying taxes	121	119	172	157	156
8. Trading across borders	80	146	143	133	126
9. Enforcing contracts	163	164	172	178	186
10. Resolving insolvency	108	103	136	136	137

Source: PHD Research Bureau, PHDCCI, compiled from Doing Business Reports 2015-2019, World Bank

Getting Electricity: In India, cost associated with getting electricity has reduced significantly from 219.6% (% of income per capita) in 2015 to 29.5% in 2019, number of procedures in obtaining construction permits have been reduced from 6 in 2015 to 4 in 2019 and the number of days required in obtaining construction permits have also reduced from 116 days in 2015 to 55 days in 2019. Further, the price of electricity has been lowered from 22.9 US cents per kwh in 2015 to 17 US cents per kwh in 2019.

Table 4: India's performance in Getting Electricity Parameter

Variables	2019	2018	2017	2016	2015
Cost to get electricity (% of income per capita)	29.5	46.6	53.2	198.3	219.6
Number of procedures in getting electricity*	4	4	4	4	6
Price of electricity (US Cents per kwh)	17.0	17.6	20.6	22.0	22.9
Time in getting electricity (days)	55	59	59	100	116

Source: PHD Research Bureau, PHDCCI compiled from World Bank's Doing Reports 2015-2019 (Note: * figures are rounded off)

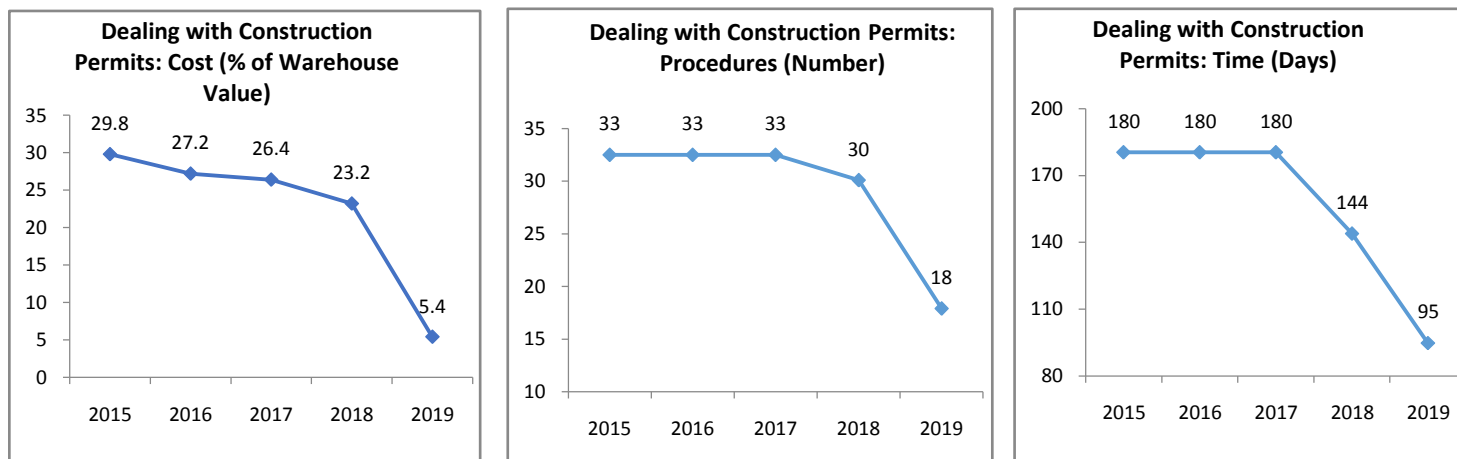


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Dealing with construction permits: Cost associated with obtaining construction permits has reduced from around 30% in 2015 to 5% in 2019, number of procedures in obtaining construction permits have been reduced from 33 in 2015 to 18 in 2019 and the number of days required in obtaining construction permits have also reduced from 180 days in 2015 to 95 days in 2019.

Chart 8: India's performance in Dealing with Construction Permits



Source: PHD Research Bureau, PHDCCI, compiled from World Bank's Doing Reports

Protecting minority investors- India ranked impressively in protecting the rights of minority investors (7th rank in 2019) and established the best regulatory performance in extending the shareholder's rights (one of the variables of protecting the minority investors index).

Getting credit- India ranks comparatively good in getting credit parameter of ease of doing business index. India's rank in getting credit has improved from 36 in 2015 to 22 in 2019.

Paying taxes- The number of tax payments per year in India have reduced from 41 in 2015 to 12 in 2019 and total tax rate as a percentage of profit has reduced from 55.5% in 2015 to 52.1% in 2019.

Table 5: India's performance in Paying Taxes Parameter

Variables	2019	2018	2017	2016	2015
No. of payments per year	12	14	33	41	41
Time in paying taxes (hours per year)	275	216	251	253	253
Total tax rate (% of profit)	52.1	56.2	56.2	55.5	55.5

Source: PHD Research Bureau, PHDCCI, compiled from World Bank's Doing Reports 2015-2019



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Trading across borders- Cost of exporting associated with border compliances and documentary compliances measured in US dollars has reduced from USD 413 in 2015 to USD 252 in 2019 and from USD 102 in 2015 to USD 78 in 2019, respectively. Similarly, cost of importing associated with border compliances and documentary compliances measured in US dollars has reduced from USD 574 in 2015 to USD 331 in 2019 and from USD 145 in 2015 to USD 100 in 2019 respectively.

Table 6: India's performance in Trading across Borders Parameter

Variables	2019	2018	2017	2016	2015
Cost to export: border compliance (USD)	252	382	413	413	413
Cost to export: documentary compliance (USD)	78	92	92	102	102
Cost to import: border compliance (USD)	331	543	574	574	574
Cost to import: documentary compliance (USD)	100	135	135	145	145

Source: PHD Research Bureau, PHDCCI, compiled from World Bank's Doing Reports 2015-2019

Major reforms undertaken by the Indian government over the past five years (2015-2019) to make doing business easier are briefed below:

❖ **Reforms implemented in 2013- 2014 are:**

1. Starting a business:

India made starting a business easier by considerably reducing the registration fees.

2. Getting electricity:

In India the utility in Mumbai made getting electricity less costly by reducing the security deposit for a new connection.

3. Protecting minority investors:

India strengthened minority investor protections by requiring greater disclosure of conflicts of interest by board members, increasing the remedies available in case of prejudicial related-party transactions and introducing additional safeguards for shareholders of privately held companies.

❖ **Reforms implemented in 2014- 2015 are:**

1. Starting a business:

India made starting a business easier by eliminating the minimum capital requirement and the need to obtain a certificate to commence business operations.



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2. Getting electricity:

The utility in Delhi made the process for getting an electricity connection simpler and faster by eliminating the internal wiring inspection by the Electrical Inspectorate. The utility in Mumbai reduced the procedures and time required to connect to electricity by improving internal work processes and coordination.

❖ **Reforms implemented in 2015-2016 are:**

1. Getting electricity:

India made getting electricity faster and cheaper by streamlining the process of getting a new commercial electricity connection.

2. Paying taxes:

India made paying taxes easier by introducing an electronic system for paying employee state insurance contributions.

3. Trading across borders:

India made exporting and importing easier by launching the Indian Customs Electronic commerce Gateway (ICEGATE) portal and simplifying border and documentary procedures.

4. Enforcing contracts:

India made enforcing contracts easier by creating dedicated divisions to resolve commercial cases.

❖ **Reforms implemented in 2016-2017 are:**

1. Starting a business:

India made starting a business faster by merging the applications for the Permanent Account Number (PAN) and the Tax Account Number (TAN) and by improving the online application system. Mumbai also made starting a business faster by merging the applications for value added tax and the Profession Tax (PT).

2. Dealing with construction permits:

India reduced the number of procedures and time required to obtain a building permit by implementing an online system that has streamlined the process at the Municipality of New Delhi and Municipality of Greater Mumbai.

3. Getting credit:

India strengthened access to credit by amending the rules on priority of secured creditors outside reorganization proceedings and by adopting a new law on insolvency that provides a time limit and clear grounds for relief to the automatic stay for secured creditors during reorganization proceedings.

4. Protecting minority investors:

India strengthened minority investor protections by increasing the remedies available in cases of prejudicial transactions between interested parties.



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5. Paying taxes:
India made paying taxes easier by announcing that payments to be made electronically to the Employees Provident Fund and introducing a set of administrative measures easing compliance with corporate income tax.
6. Trading across borders:
India reduced import border compliance time in Mumbai by improving infrastructure at the Nhava Sheva Port. Export and import border compliance costs were also reduced in both Delhi and Mumbai by eliminating merchant overtime fees and through the increased use of electronic and mobile platforms.
7. Enforcing contracts:
India made enforcing contracts easier by introducing the National Judicial Data Grid, which makes it possible to generate case management reports on local courts.
8. Resolving insolvency:
India made resolving insolvency easier by adopting a new insolvency and bankruptcy code that introduced a reorganization procedure for corporate debtors and facilitated continuation of the debtor's business during insolvency proceedings.
9. Labour market regulation:
India increased the mandatory length of paid maternity leave.

❖ Reforms implemented in 2017-2018 are:

1. Starting a business:
 - India made starting a business easier by fully integrating multiple application forms into a general incorporation form.
 - India also replaced the Value Added Tax (VAT) with the nationwide Goods and Services Tax (GST) for which the registration process is faster and compliance is easier.
 - Mumbai abolished the practice of on-site inspections for registering companies under the Shops and Establishments Act.
2. Dealing with Construction permits:
 - India streamlined the process of obtaining a building permit and made it faster and less expensive to obtain a construction permit.
 - A single window clearance system is now implemented in Delhi.
 - An online building permit approval system was introduced in Mumbai during the second half of 2017.
 - It also improved building quality control by introducing decennial liability and insurance.



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3. Getting credit:

- India strengthened access to credit by amending its insolvency and bankruptcy law.
- Secured creditors are now given absolute priority over other claims within insolvency proceedings.

4. Getting electricity:

- The Delhi Electricity Regulatory Commission reduced charges for low voltage connections. It also ensures that electrical connections be completed within 15 days of the application's acceptance. To comply with this regulation, Tata Power Delhi Distribution deployed more personnel as well as tracking tools and key performance indicators to monitor each commercial connection.
- Getting electricity is also made easier in Delhi through a reduction in the time for the utility to carry out the external connection works.

5. Paying taxes:

- India made paying taxes easier by replacing many indirect taxes with a single indirect tax i.e. the Goods and Services Tax (GST) for the entire country.
- India also made paying taxes less costly by reducing the corporate income tax rate and the employee's provident funds scheme rate paid by the employer.

6. Trading across borders:

- India has introduced the National Facilitation Action Plan (2017-2020). Under this plan it has implemented several initiatives that has improved the efficiency of cross border trade and reduced the documentary compliance time and cost for both exports and imports.
- Enhanced risk-based management now allows exporters to electronically seal their containers at their own facilities.
- Only 5% of shipments may undergo physical inspections.
- India has also invested in the upgradation of port infrastructure and allowed electronic submission of supporting documents with digital signatures.

7. Labour market regulation:

- Mumbai eliminated restrictions on weekly holiday work and introduced a 100% wage premium for work on the weekly rest day.
- Mumbai also changed regulations pertaining to overtime hours and paid annual leave.

❖ Reforms implemented during 2018-19

India is striving to attain a ranking among top 50 in Ease of Doing Business across the world. The country has been undertaking major reforms, which have successfully cut cost, time, documentation and procedures for the conduct of business in the country. The reforms include an easy procedure for filing Goods and Service Tax returns, the elimination of incorporation fees for small businesses, increase in the recovery rate under the Insolvency



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and Bankruptcy Code 2016, among others. These reforms have brought a significant amount of efficiency and transparency in doing business in the country.

Several reforms have been implemented to improve the trade experience of companies. These reforms include introduction of a single window for all import and export transactions, integration of all stakeholders such as port and terminal operators at a common platform and fast tracking clearances of consignments at ports. The government has launched 'PCS1x', an upgraded version of the e-commerce portal for Port Community System (PCS), which intends to integrate 27 maritime stakeholders at a common platform. In the trading Across Borders, the government has reduced the time and cost of exports and imports through various initiatives, including the implementation of electronic sealing of containers, upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures.

The Central Board of Indirect Taxes and Customs has implemented ICEDASH, an ease of doing business dashboard to monitor daily clearances at each port in real time. The customs department has also started a 24x7 facilitation centre at Jawaharlal Nehru Port Trust (JNPT), which acts as a single window for clearing consignments expeditiously. A drive-through scanner scans 100 containers per hour, compared to 8-10 containers per hour done through mobile scanners. This has speeded up the clearance of consignments as containers do not need to be opened. Further initiatives taken by the government to improve ease of doing business in the country include relaxed norms for company incorporation, and removing requirement of a bank account for GST registration. This is expected to help India improve further its ease of doing business ranking in the coming times.

Some other steps which have been taken by the government include clubbing of several forms into one; removal of company seal or rubber stamp; and combined registration for EPFO and ESIC. Under 'Paying Taxes', the process of filing GST returns has been simplified and hence made faster; instead of filing three returns, a GST taxpayer has to now file only two returns. In addition, the Ministry of Corporate Affairs has eliminated the incorporation fee for companies with authorised capital of up to Rs 15 lakh for ease of starting a business.

In a nutshell, the government has been initiating significant reforms to improve ease of doing business in India. Several initiatives have been taken by the government across different parameters to support the growth of ease of doing business environment in the country. Some of the initiatives that have experienced improvement over the years are trading across borders, simplification of filing GST returns, ease of paying taxes, starting a business, getting credit and dealing with construction permits, among others. A consistent progress made across different parameters is likely to expedite India's ranking in top 50 countries in ease of doing business in years ahead.



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5. Ease of Doing Business at the State Level

The government, over the past few years has implemented several reforms at the national level to ease and rationalize the business regulatory processes accompanied by the introduction of information technology as enabler to make governance more efficient and effective. Though government's measures for improving India's ranking in the Ease of Doing Business Index cover certain regulatory policies affecting the state governments, a lot more is still required to be done by the respective States and Union Territories (UTs) to make India's business environment easy and lucrative for both domestic businesses and foreign investors.

Need for monitoring business reforms at the State/Union Territory level

- India being a federal economy, businesses, besides the central government regulations also have to comply with several rules, laws and procedures enforced by the respective State governments in the form of obtaining large number of licenses, registrations, among others which add to the compliances.
- Further, World Bank's Ease of Doing Business Index ranking of India is based on the reforms undertaken by only two major States/UTs of India namely Mumbai and Delhi. Ranking is not based on reforms undertaken by other states and UTs.

In the light of the above arguments, it is necessary to assess and monitor the performance of other states and UTs on business reforms undertaken by them.

Reasons for monitoring business reforms at the State/UT level





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Business Reforms Action Plan (BRAP)

Keeping in mind the vision to make India an easy place to do businesses, Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, Government of India in association with the World Bank, commenced a dynamic national level exercise in 2014 to rank all the Indian States and Union Territories on the basis of the reforms undertaken by them on selected parameters. In December 2014, under the 'Make in India' initiative, the representatives of the State Government identified and shared a 98-Point Business Reform Action Plan (BRAP) to be implemented by them for improving the regulatory framework for business as part of easing the doing business in the country.

The aim of this exercise was to create conducive business environment by streamlining regulatory structures and creating an investor-friendly business climate by cutting down red tape. The aim of the BRAP was to lay out the first of a series of recommendations targeted at increasing transparency and improving the efficiency and effectiveness of various government regulatory functions and services for business in India as well creating an investor-friendly business climate by cutting down red tape. Subsequently, a report titled "Assessment of State Implementation of Business Reforms" was released in September 2015 assessing the reforms implemented by States between the period 1st January 2015 to 30th June 2015. States and UTs were ranked on a total of 8 reform areas namely:

- Starting up a business
- Allotment of land and obtaining construction permits
- Environmental compliances
- Labour compliances
- Obtaining infrastructure related utilities
- Registering and complying with tax procedures
- Inspection reforms
- Enforcing contracts.

In 2015 BRAP rankings, Gujarat held the 1st rank, with the score of 71.1%, followed by Andhra Pradesh at 2nd rank, with the score of 70.1% and Jharkhand occupied the 3rd rank, with the score of 63.1%.

Table 7: Top performers on the basis of BRAP 2015

Rank	States
1	Gujarat
2	Andhra Pradesh
3	Jharkhand
4	Chhattisgarh
5	Madhya Pradesh
6	Rajasthan
7	Odisha
8	Maharashtra
9	Karnataka
10	Uttar Pradesh

Source: PHD Research Bureau, PHDCCI, compiled from Department of Promotion of Industry and Internal Trade



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To give this exercise momentum, 18 joint workshops were conducted in partnership with the World Bank Group to help States/UTs to better understand the essence of these reforms. Such an assessment promoted both competitive and cooperative federalism among the States and Union Territories (UTs).

In October 2015, DPIIT circulated a 340-point BRAP to all the states and UTs which included recommendations on 58 regulatory processes spread across 10 reforms namely:

- Construction permit enablers
- Environmental enablers
- Labour regulation enablers
- Obtaining electricity connection
- Online filing of tax returns
- Inspection reform enablers
- Access to information and technology enablers
- Single window system
- Availability of land
- Commercial dispute resolution enablers.

Consequently, an online portal (www.eodb.dipp.gov.in) showcasing dynamic real time rankings was developed and launched in April 2016 which was the first such platform for knowledge sharing on regulatory compliance requirements across States/UTs in the country.

Final rankings of States/UTs on implementation of the 340 points were released on 31st October, 2016.

Table 8: Top performers on the basis of BRAP 2016-2017

Rank	States
1	Andhra Pradesh
1	Telangana
3	Gujarat
4	Chhattisgarh
5	Madhya Pradesh
6	Haryana
7	Jharkhand
8	Rajasthan
9	Uttarakhand
10	Maharashtra

Source: PHD Research Bureau, PHDCCI, compiled from Department of Promotion of Industry and Internal Trade

In 2016-17 report, the ranking of Gujarat slipped to 3rd from 1st position in 2015 and the 1st position was taken by Andhra Pradesh and Telangana. The national implementation average stood at 48.93% significantly higher than 2015's national average of 32% and 12 States achieved more than 90% implementation score. The results of the assessment demonstrate

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that states have increasingly risen to addressing the challenge of making it easier to do business.

In April 2017, DPIIT released the BRAP, 2017 which included 405 recommendations across 12 reform areas namely:

- Labour regulation enablers
- Contract enforcement
- Registering property
- Inspection reform enablers
- Single window system
- Land availability and allotment
- Construction permit enablers
- Environmental registration enablers
- Obtaining utility permits
- Paying taxes
- Access to information and transparency enablers
- Sector specific reforms.

However, BRAP 2017-18 was subsequently updated to 372 action points with addition of new sectors such as Healthcare and Hospitality, Central Inspection system, Trade License, Registration under Legal Metrology, and Registration of Partnership Firms & Societies. An important addition to methodology under BRAP 2017-18 was the inclusion of feedback exercise where feedback was sought on 78 reform points from actual users of new system. The respondent data in various categories was provided by the States/UTs.

Table 9: Top performers on the basis of BRAP 2017-2018

Rank	States
1	Andhra Pradesh
2	Telangana
3	Haryana
4	Jharkhand
5	Gujarat
6	Chhattisgarh
7	Madhya Pradesh
8	Karnataka
9	Rajasthan
10	West Bengal

Source: PHD Research Bureau, PHDCCI, compiled from Department of Promotion of Industry and Internal Trade

Again, Andhra Pradesh was the best performer in the implementation of BRAP 2017-2018 followed by Telangana and Haryana. Gujarat dropped to 5th place from 3rd in the previous year. On 11th October 2018, the 80-action point BRAP2019 based on 12 reform areas was circulated by DPIIT to states and UTs. DPIIT has also initiated a new reform wherein it will

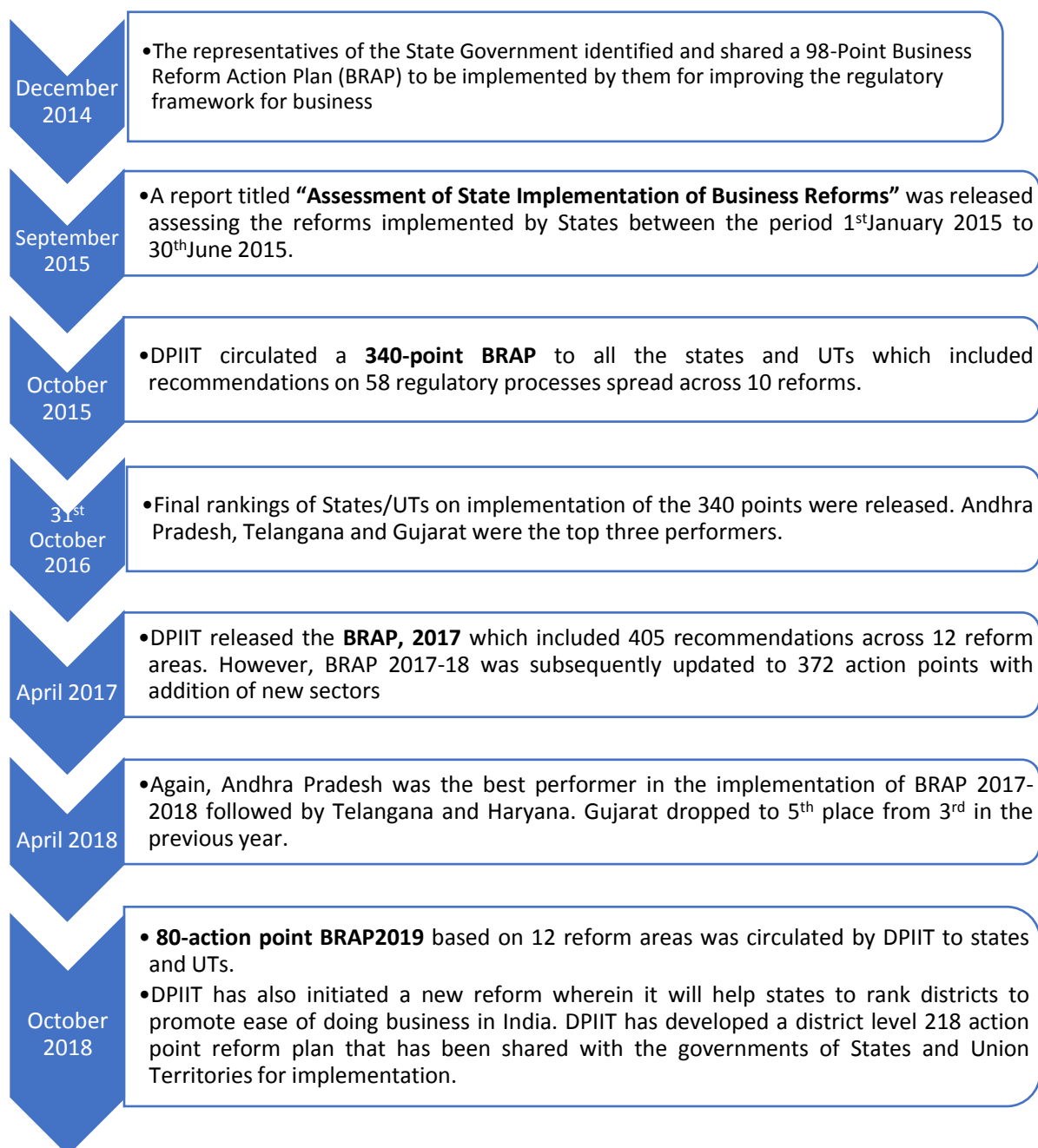


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help states to rank districts to promote ease of doing business in India. DPIIT has developed a district level 218 action point reform plan that has been shared with the governments of States and Union Territories for implementation. States will evaluate their districts based on achievements in implementation. This exercise is important as companies set up manufacturing base in some districts and therefore it is fundamental to make business environment investor friendly.

Business Reform Action Plan (BRAP) Timeline





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Table 10: Rankings of the States and Union Territories on the basis of the implementation of the Business Reform Action Plan (BRAP)

	Rank			Score (percentage)		
State/UT	2017-2018	2016-2017	2015	2017-2018	2016-2017	2015
Andhra Pradesh	1	1	2	98.4	98.8	70.1
Telangana	2	1	13	98.3	98.8	42.5
Haryana	3	6	14	98.1	96.9	40.6
Jharkhand	4	7	3	98.1	96.6	63.1
Gujarat	5	3	1	98.0	98.2	71.1
Chhattisgarh	6	4	4	97.3	97.3	62.5
Madhya Pradesh	7	5	5	97.3	97	62
Karnataka	8	13	9	96.4	88.4	48.5
Rajasthan	9	8	6	95.7	96.4	61
West Bengal	10	15	11	94.6	84.2	46.9
Uttarakhand	11	9	23	94.2	96.1	13.4
Uttar Pradesh	12	14	10	92.9	84.5	47.4
Maharashtra	13	10	8	92.9	92.9	49.4
Odisha	14	11	7	92.1	92.7	52.1
Tamil Nadu	15	18	12	90.7	62.8	44.6
Himachal Pradesh	16	17	17	87.9	65.5	23.9
Assam	17	24	22	84.7	14.3	14.8
Bihar	18	16	21	81.9	75.8	16.4
Goa	19	21	19	57.3	18.2	21.7
Punjab	20	12	16	54.4	91.1	36.7
Kerala	21	20	18	44.8	26.9	22.9
Jammu & Kashmir	22	31	29	32.7	0.3	5.9
Delhi	23	19	15	31.7	47.6	37.4
Daman & Diu	24	23	-	28.7	14.6	-
Tripura	25	22	26	22.5	16.7	9.3
Dadra & Nagar Haveli	26	25	-	21.9	1.8	-



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Puducherry	27	26	20	15.7	1.5	17.7
Nagaland	28	26	31	14.2	1.5	3.4
Chandigarh	29	31	24	11.5	0.3	10
Mizoram	30	29	28	3.7	0.9	6.4
Andaman & Nicobar Islands	31	31	25	1.2	0.3	9.7
Manipur	32	27	-	0.3	1.2	-
Sikkim	33	30	27	0.1	0.6	7.2
Arunachal Pradesh	34	31	32	0	0.3	1.2
Meghalaya	34	31	30	0	0.3	4.4
Lakshadweep	34	31	-	0	0.3	-

Source: PHD Research Bureau, PHDCCI, compiled from Assessment of State Implementation of Business Reforms, Department for Promotion of Industry and Internal Trade.

Business reforms undertaken by the States over the last few years

Over the years, states/UTs have introduced several reforms as a part of BRAP to improve their business regulatory environment and attract investments. Some of the reforms undertaken by the Indian states over the last few years to improve their business regulatory environment and attract investments are as follows:

Table 11: Various Reforms Undertaken by the States

Reforms	States implementing reforms	Best Practices
Single window clearance systems	Andhra Pradesh, Maharashtra, Rajasthan, Gujarat, Haryana, Jharkhand, Chhattisgarh, Madhya Pradesh, Telangana, Punjab and Uttarakhand	<ul style="list-style-type: none"> Andhra Pradesh and Telangana have the best single window mechanism Telangana government has enacted the "Telangana State Industrial Project Approval and Self Certification System (TS-iPass) Act, 2014" Punjab government has implemented the one stop clearance system which provides one stop office for all new and expansion projects
Tax reforms	All the states and Union Territories	<ul style="list-style-type: none"> In July 2017, Indian states and UTs have implemented the State/Union Goods and Services Tax (SGST/UTGST) subsuming various state level indirect taxes such as VAT, CST, Entry tax, etc. making the compliance easier for businesses.
Construction permits	Chhattisgarh, Uttarakhand, Andhra Pradesh, Haryana, Gujarat, Madhya Pradesh, Rajasthan, Telangana and	<ul style="list-style-type: none"> Online applications and uploading of building plans for obtaining automated construction permit approval.



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	Maharashtra	Majority of the States and UTs have defined clear timelines for construction permitting
Environment and labour reforms	Andhra Pradesh, Karnataka, Uttar Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Bihar, West Bengal, Haryana, Jharkhand, Odisha, Punjab, Rajasthan, Tamil Nadu, Maharashtra, Telangana and Uttarakhand	<ul style="list-style-type: none"> Gujarat government launched an online e-governance system known as XGN. Jharkhand government has implemented a single simplified online integrated return for all the 14 applicable labour laws.
Inspection reforms	Andhra Pradesh, Rajasthan, Haryana, Telangana, Jharkhand, Chhattisgarh, Uttarakhand, Madhya Pradesh, Odisha, Karnataka, Punjab, Gujarat and Uttar Pradesh	<ul style="list-style-type: none"> Jharkhand government has implemented an online inspection and compliance monitoring mechanism. Computerised allocation of units of inspectors for joint synchronised inspection
Judicial proceedings	Rajasthan, Chhattisgarh, Gujarat, Jharkhand, Andhra Pradesh, Madhya Pradesh, Maharashtra, Telangana and Haryana	<ul style="list-style-type: none"> Chhattisgarh government has constituted a judicial bench and commercial/district courts in each district for speedy resolution of disputes. Every commercial dispute greater than Rs. 1 crore fall under the jurisdiction of commercial court.

Source: PHD Research Bureau, PHDCCI, compiled from Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India



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6. Ease of Doing Business for MSMEs

The previous sections talked about the reforms undertaken by the central and state governments to improve the business regulatory environment in the country and in their respective states. These section talks about the ground realities i.e. whether the reforms undertaken by government at both the levels have been implemented properly and their benefits have reached the small and medium scale businesses which are the backbone of the Indian economy.

India's continuous rank improvements at World Bank's Ease of Doing Business Ranking from 130th rank in 2017 to 100th rank in 2018 and 77th rank in 2019 as well as continuously increasing State governments' score (%) of BRAP implementation over the last three years speaks volume on the government's credibility and its efforts to make India a better place to do business.

Importance of MSMEs in the India

Over the last few decades Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a prominent sector of the Indian economy contributing significantly towards socio-economic development through the rapid expansion of entrepreneurial activities and employment generation.

Over the years, MSMEs have broadened their domain by spreading activities across various sectors of the economy. They are producing wide range of goods and providing services to meet both domestic and overseas demand. There were 634 lakh non-agricultural MSMEs in the country out of which 197 lakh are engaged in manufacturing, 230 lakh in trade and 207 lakh in other services. Out of the total number of estimated MSMEs- 51% are located in rural areas and 49% in urban areas. Micro enterprises account for 99% of the total estimated MSMEs whereas small and medium sectors accounted for 0.5% and 0.01% respectively.

Table 12: Estimated Number of MSMEs (Activity and Enterprise Category Wise)

Type of Activity/Enterprise	Estimated Number of Enterprises (in lakhs)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.1	82.5	196.6	31
Trade	108.7	121.6	230.3	36
Other services	102.0	104.8	206.8	33
Electricity	0.03	0.01	0.03	0
Total	324.9	309.0	633.9	100
Share (%)	51	49.0	100	-----



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Micro enterprises	324.1	306.4	630.5	99.5
Small enterprises	0.8	2.5	3.3	0.52
Medium enterprises	0.01	0.04	0.05	0.01
Total	324.9	309.0	633.9	100

Source: PHD Research Bureau, PHDCCI, compiled from Annual Report, 2018-2019, Ministry of Micro, Small and Medium enterprises (Note: data pertains to 2015-16)

The number of MSMEs increased to 634 lakh in 2015-16 as compared to 362 lakh MSMEs in 2006-07. Over a period of 10 years from 2006-2007 to 2015-2016, total number of MSMEs have grown at an annual compounded growth rate of 6.4%. The number of manufacturing MSMEs and services MSMEs have registered an annual compounded growth rate of 6.1% and 6.6% respectively over the same period.

Table 13: Growth Rate of MSMEs

	2015-2016	2006-2007	Annual compound growth rate (%)
Total number of MSMEs (in lakhs)	633.9	361.8	6.4
Manufacturing	196.6	115	6.1
Services	437.2	246.8	6.6

Source: PHD Research Bureau, PHDCCI, compiled from Annual Report, 2018-2019, Ministry of Micro, Small and Medium enterprises

Maximum number of MSMEs are located in Uttar Pradesh (90 lakhs) followed by West Bengal (89 lakhs), Tamil Nadu (50 lakhs) and Maharashtra (49 lakhs). The state wise distribution of MSMEs shows that top 5 states account for 50% of the total number of MSMEs in the country.

Table 14: State wise distribution of MSMEs- top 5 States (2015-2016)

S.No.	State	Number of MSMEs (in lakhs)	Share (%)
1.	Uttar Pradesh	89.9	14
2.	West Bengal	88.7	14
3.	Tamil Nadu	49.5	8
4.	Maharashtra	47.8	8
5.	Karnataka	38.3	6

Source: PHD Research Bureau, PHDCCI, compiled from Annual Report, 2018-2019, Ministry of Micro, Small and Medium enterprises

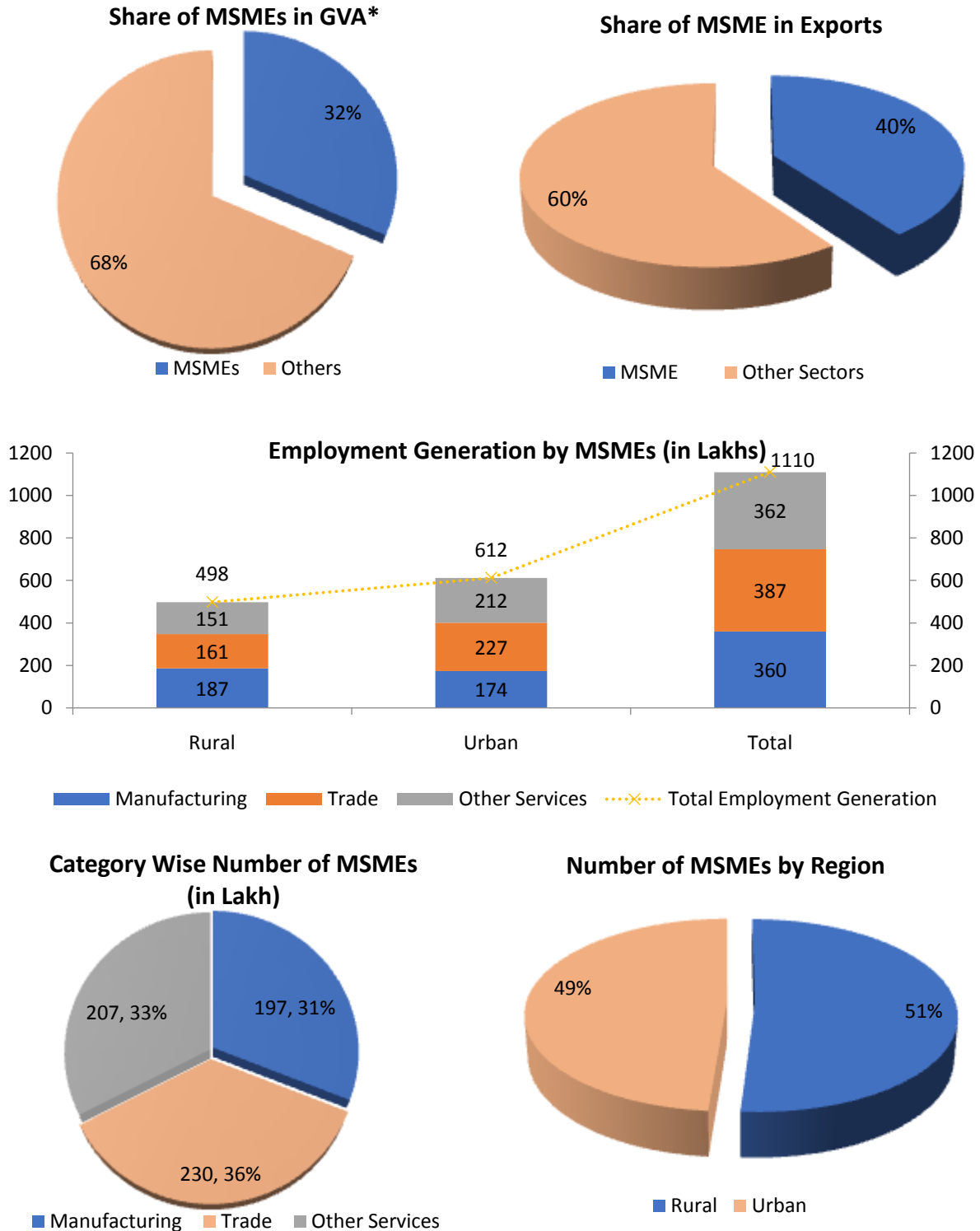
MSMEs are pillars of economic growth as they contribute around 32% in gross value added and 29% towards GDP, employ around 111 million people (36.2 million in manufacturing, 38.71 million in trade and 36.28 million in other Services) and contribute around 40% towards exports. Further, MSMEs contribute significantly in overcoming regional disparities and balancing distribution of wealth by running businesses in remote/backward areas as well. They also aid in the success of 'Make in India' project of the Indian government.



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Chart 9: Snapshot of MSME Sector



Source: PHD Research Bureau, PHDCCI compiled from MSME Annual Report 2018-19. Note: All of the above data pertains to 2015-16. (Note:* Data pertains to 2016-17)

Table 15: Union Budget Announcements for MSMEs (2019-20)



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S. No.	Announcement	Impact
1.	An amount of Rs. 350 crore allocated for FY2020 for 2% interest subvention for all GST registered MSMEs on fresh or incremental loans.	This will provide ease of access to credit for MSMEs.
2.	Creation of Payment platform for MSMEs by the Government.	This will enable MSMEs to file bills and receive payment thereof on the platform itself.
3.	Extension of the pension benefit to about three crore retail traders & small shopkeepers whose annual turnover is less than Rs 1.5 crore under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme.	This will promote old age protection and social security of workers in the MSMEs sector.
4.	The stand-up India scheme has been provided extension for the entire period coinciding with the 15 th finance commission period of 2020-2025	This will provide assistance to entrepreneurs to set up their businesses and industry with capital provided under this scheme
5.	'Angel Tax' issue has been resolved by introducing e-verification, speedy assessments of start-ups and redressal of their grievances and relaxing some of the conditions for carry forward and set-off of losses for start-ups	This will strengthen the start-up campaign in the economy
6.	The government has also proposed to start a Television programme with Doordarshan bouquet of Channel exclusively for Start-ups	This will serve as a platform for promoting start-ups, discussing issues affecting their growth, match-making with venture capitalists for funding and tax planning
7.	The proposal to streamline multiple labour laws into a set of four labour codes	This will provide more room for deployment of workforce in the factories.
8.	The government has proposed to set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators in 2019-20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors by consolidating the Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE).	This will help in unleashing the entrepreneurial spirit in rural India and stimulate the growth of the MSMEs in rural economy
9.	Non-Banking Financial Companies (NBFCs) have been given Rs 1 lakh crore in the current financial year with the government's promise to bear the first loss of upto 10% of the high-rated pooled assets purchased by state run banks	This will inject liquidity in the system and break the logjam thereby giving a push to economic growth. And since, NBFCs have been significant credit providers to MSMEs, increased liquidity would ease the credit availability for MSMEs.



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Recent Reforms for MSMEs

- Announcements made by Hon'ble Minister of Finance for MSMEs- All pending GST refund due to MSMEs shall be paid within 30 days and in future all GST refunds shall be paid within 60 days from the date of application; TReDS to use GSTN system in medium term to enhance market for bill discounting for MSMEs; Amendment to MSME Act to move towards single definition to be considered; on line tracking of loan applications by customers of MSME to increase transparency, reduce harassment and improve turnaround time for customers; Banks to issue improved transparent One Time Settlement (OTS) policy to benefit MSME and retail borrowers in settling their over-dues.
- Reserve Bank of India has notified and approved banks' lending to NBFCs for further on-lending to MSMEs under the Priority Sector Classification. Borrowers of the MSMEs segment will be able to avail credit up to Rs 20 lakhs at concessional rate.
- Hon'ble Prime Minister launched a **Support and Outreach Programme for the MSME sector**, including 12 key initiatives:
 1. Loans upto 1 crore within 59 minutes through an online portal.
 2. Interest subvention of 2% for all GST registered MSMEs on fresh or incremental loans.
 3. All companies with a turnover of more than 500 crores to be mandatorily on TReDS platform to enable entrepreneurs to access credit from banks, based on their upcoming receivables, thus, solving the problems of cash cycle.
 4. All PSUs to compulsorily procure 25% from MSMEs instead of 20% of their total purchases.
 5. Out of the 25% procurement mandated from MSMEs, 3% reserved for women entrepreneurs.
 6. All CPSUs to compulsorily procure through GeM portal.
 7. 100 Technology Centres to be established at the cost of Rs 6000 crore.
 8. Government of India to bear 70% of the cost for establishing Pharma clusters.
 9. Returns under 8 labour laws and 10 Union regulations to be filed once in a year.
 10. Establishments to be visited by an Inspector will be decided through a computerised random allotment.
 11. Single consent under air and water pollution laws. Returns will be accepted through self-certification and only 10% MSME units to be inspected.
 12. For minor violations under the Companies Act, entrepreneurs no longer have to approach court but can correct them through simple procedures.
- **Prime Minister's Employment Generation Programme (PMEGP)** is a major credit-linked subsidy programme, aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector. The Cabinet Committee on Economic Affairs approved the continuation of (PMEGP) beyond 12th Plan for three years from 2017-18 to 2019-20. Allocation of Rs 2327 crore has been made in budget 2019-20.
- The **launch of web portal** www.psbloansin59minutes.com to enable principle approval for MSME loans up to Rs. 1 crore within 59 minutes from SIDBI and 5 Public Sector Banks (PSBs).



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- Establishment of **Export Promotion Cell** (December 2018) with an aim to create a sustainable ecosystem for entire MSME development and :
 - Evaluate readiness of MSMEs to export their products and services
 - Recognize areas where improvements are required in order to be able to export effectively and efficiently
 - Integration of MSMEs into Global Value Chain.
- Major decisions regarding MSMEs in the **GST Council** Meetings:
 - Increase in Turnover Limit for the existing Composition Scheme to Rs 1.5 crore.
 - Two Threshold Limits for exemption from Registration and Payment of GST for the suppliers of Goods i.e. Rs 40 lakhs and Rs 20 lakhs.
 - A Composition Scheme shall be made available for Suppliers of Services (or Mixed Suppliers) with a Tax Rate of 6% (3% CGST +3% SGST) having an Annual Turnover in the preceding Financial Year up to Rs 50 lakhs.
 - Rate Rationalisation: Major changes in the Tax rates of various items whereby 28% items pulled to 18%, 18% items pulled to 12% & 12% items pulled to 5%. Further various essential goods were made tax free. Mostly goods are unbranded and manufactured by MSMEs.
- To facilitate meaningful restructuring of MSME accounts that have become stressed, RBI decided to permit a one-time restructuring of existing loans to MSMEs that are in default but 'standard' as on January 1, 2019, without an asset classification downgrade.
- In order to **promote the Ease of Doing Business**, the Ministry of MSMEs introduced various initiatives including:
 - Online filing of Udyog Aadhaar Memorandum (UAM)
 - MSME SAMADHAAN Portal- for empowering micro and small entrepreneurs across the country to directly register their cases relating to delayed payments.
 - MSME SAMBANDH Portal- to help in monitoring the implementation of public procurement policy for micro and small enterprises.
 - MSME SAMPARK Portal – A digital platform wherein jobseekers (passed out trainees/students of MSME Technology Centres) and recruiters get connected.
 - Digital Payments- to pass on the benefits of the schemes of Ministry of MSME through digital payment gateway.
- Launched in 2015, Pradhan Mantri Mudra Yojana (PMMY) aims to provide formal access of financial facilities to non-corporates and small businesses. Under MUDRA Yojana, 16.8 crore loans have been disbursed amounting to Rs 7.8 lakh crore till March 2019.

However, despite being regarded as 'the engine of economic growth' MSMEs in India are still facing several issues like infrastructural bottlenecks, lack of proper market linkages, and challenges in terms of flow of institutional credit among others, discussed below:

- Infrastructure bottlenecks are major issue being faced by them. The MSMEs lack adequate and reliable state of infrastructure including power, roads water etc.
- Lack of proper market linkages.

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- Access to timely and adequate credit as well as bank finance is difficult for the sector on account of high interest rates, unreasonable demand for collateral, conditional working capital limits and high procedural transaction cost. It has been found that it takes more than 15 days and so for the MSMEs to obtain finance. Majority of the respondents (42%) said that it takes 46-60 days to obtain finance. While 27% of the respondents said that it takes around 31-45 days for the same. Further, 16% of the respondents said that it takes more than 60 days to get finance and 15% of the respondents said that it takes around 15-30 days to obtain finance.

Table 16: Average days to obtain finance by MSMEs (% of responses)

MSMEs	Less than 15 days	15-30 days	31-45 days	46-60 days	More than 60 days
% of responses	-	15%	27%	42%	16%

Source: PHD Research Bureau, PHDCCL, Survey on Ease of Doing Business for MSMEs, April-June 2019

- Difficulty in opening new businesses due to complex and overlapping procedural and documental requirements, which cause investments to lie idle and reduce the competitiveness of MSMEs in international market.
- Difficulty in complying with excessive formalities under various laws. Registration process of exporters, obtaining license, custom and port handling procedures to hamper operations and are time consuming.
- Excessive laws relating to taxation, labour and environment are rigid, complex and time consuming that creates unnecessary problems to the functioning of MSMEs.
- Difficulty in complying with clearances like Centre level clearances, State level clearances, statutory clearances, sector specific clearances, environmental clearances, among others. This increases the source of doing business.
- Complex GST structure in India- 5-rated slab system and increased GST compliance cost, lock-in of working capital requirement under GST, difficulties in claiming GST refunds by exporters, exclusion of certain goods and services from GST.
- There is a lack of coordination among the various organization involved in the promotion of MSMEs, including organisations of the State/UT Governments and inadequate linkages with the institutional stakeholders in the private sector.

Thus, there is an urgent need to focus on the Ease of Doing Business for MSMEs and implementation aspect of reform measures at the ground level.



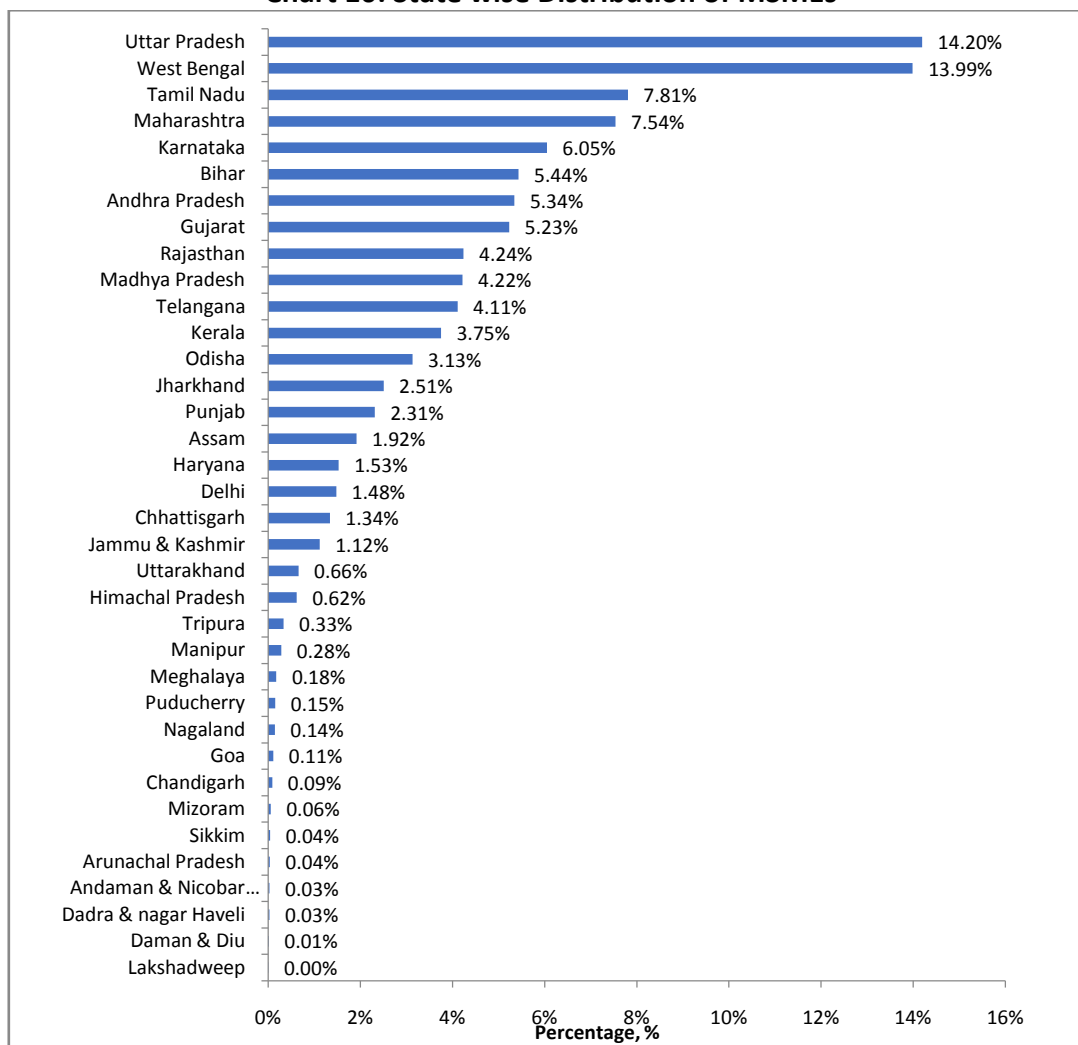
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7. Role of States in Promotion of MSMEs and Ease of Doing Business

MSMEs cater to the vital needs of the economy and are expected to foster the next level of growth in the coming times. The MSMEs complement as ancillary units to the established big organizations in India and provide employment to a large chunk of the population. Further, they play a crucial role in the process of economic development by value addition, equitable distribution of income as well as through export earnings. Each state's MSMEs provide a vast untapped potential which can be explored and harnessed with attractive investments that could eventually provide huge gainful employment. Considering the immense potential of the MSMEs, the states may focus on providing a conducive environment to MSMEs, to accelerate growth and overall socio-economic development, going forward. The distribution of MSMEs varies in each state. Uttar Pradesh has the largest share (14%) of MSMEs in India as compared to other states, followed by West Bengal and Tamil Nadu.

Chart 10: State wise Distribution of MSMEs



Source: PHD Research Bureau, PHDCCI, Compiled from Annual Report 2018-19, Ministry of MSMEs



Ease of Doing Business for MSMEs

The states form the core of the federal structure in India and for any development initiative to succeed; the role played by states assumes immense significance. In order to improve the ease of doing business in the country, the states' may aim at boosting the competitiveness of MSMEs across the manufacturing and service sector such as the ESDM, textiles, IT and ITeS, food processing, packaging, chemicals, finance and credit, transportation, logistics, telecom, hospitality, tourism, education, defence, among others through the creation of state of the art infrastructure, supporting the adoption of modern technologies, fostering innovation and making them aware of e-commerce that has enough potential to boost their growth.

MSMEs have a potential to contribute significantly in the inclusive industrial development of the country. The states may encourage the cluster development approach for MSMEs as an effective strategy for their development. This is cost-effective, inclusive, sustainable and would enable competitiveness among the service sector MSMEs. The state governments may make interventions in providing required support in the field of infrastructure, capacity building of human resources, technology adoption, market development assistance and product diversification. For promoting employment in the MSMEs, the states may work towards extensive skill development, skill trainings, technology adoption, branding and marketing support.

Each state may dedicatedly promote setting up of incubation centres in each and every district for encouraging employment generation, inculcating the spirit of entrepreneurship, skill training and research and development facility. The skill training body setup in each state may target to exploit the potential of the skilled manpower as per the requirements of the MSME enterprises; could expedite the growth of state's economy. The skill training body should also maintain a database that is accessible to the enterprises and provide a direct interface with the skilled manpower available for ready employment.

Each state may focus on setting up of state level MSMEs Facilitation Centre that would provide guidance and support to new investors for one-stop information about investment opportunities, access to market, access to credit institutions, among others. The MSMEs shall be facilitated in seeking credit from financial institutions by providing them with detailed information and guidance in documentation. Special support in credit facility be made to women and specially-abled entrepreneurs in all the states of India.

It is important to brand and market the MSMEs. Therefore, the state governments may create business opportunities for MSMEs and establish linkage between the vendors and anchor units that market events for MSMEs. Further, the state governments may provide support for quality improvement to MSMEs in each state. The states' may encourage MSMEs to attain international quality benchmarks and also provide part of capital cost for setting up of laboratories or institutions.



Ease of Doing Business for MSMEs

In a nutshell, the states may provide policy initiatives that are expected to encourage investments in the MSMEs. The measures that would smoothen the functioning of MSMEs are summarized as under:

- Streamlining procedures and regulations for ease of doing business in manufacturing and service sector MSMEs
- Strengthen single window system for the access to credit and loan under 59 minutes for manufacturing and service sector MSMEs
- Setting up of facilitating mechanism for guidance to new investors and support to the existing investors.
- Fostering innovation through enhanced focus on research and development
- Focusing on thrust areas in the manufacturing and services sector
- Providing marketing and branding support to the MSMEs
- Promoting the entrepreneurship environment and incubation centres
- Focusing on skill development and training
- Supporting technology adoption among the MSMEs

7.1 Role of states crucial to achieve Ease of Doing Business

Indian economic development has been scripted by the development of the grass roots: the states. Since national development is an aggregation, the failure in one state undermines the success in others, in turn retarding the overall growth of the total. The role of the states in shaping the economic environment of India has been immense, despite globalization and liberalization of the Indian economy. Though the states are quite diverse in terms of area, population or governance, they are operating under similar policy environment and hence endowed with almost equal opportunity to grow and prosper.

Post economic reforms, the states have been empowered by increased autonomy and that has given rise to the level playing field among them. The performance at sub-national level is thus predominantly governed by several economic parameters, which are all directed by the quality of governance. Although, traditionally most of the states' economies were largely dependent on agriculture, the recent expansion of the service sector and consequent robust economic growth in the states is indeed a major development. The service sector has contributed to massive employment generation in most of the states. However, high dependency on agriculture remains a challenge as a large proportion of the population in these states draws its livelihood from the sector.

Thus, it becomes imperative for the states to develop the manufacturing sector which can absorb excess labour from agriculture. The business firms would be willing to set up their industrial units in states where there is a conducive business environment and ease of doing business. Hence, states may work towards reducing the cost of doing business by developing state of the art infrastructure, providing basic amenities and quality services and single window clearances, among others. The most important ingredient- the availability of

land should also be at the top of reforms agenda of the state to facilitate industrial development and to create manufacturing excellence for the promotion of employment.

7.2 Growth of states and the implementation of Business Reforms Action Plan

Improving India's regulatory framework for business is a key prerequisite for increasing investment in India and thereby creating jobs. Doing Business reforms will only address central regulations, and regulations in Mumbai and Delhi; the rest of the country may also improve simultaneously if improvement has to be made at the ground level.

It is with this objective that in December 2014, states agreed to a 98-point action plan to suggest potential reforms that should be undertaken to improve the regulatory framework for business nationwide. More importantly, this assessment allows us to generate a wide base of knowledge on how States have been addressing the task of reducing the regulatory burden on business, and identifying a series of good practices already underway in each State.

Implementation of Reforms scorecard is developed by the Ministry of Commerce, Government of India in partnership with the World Bank. It issues rankings of states based on states' implementation of the Department of Industrial Policy and Promotion's 406 point Business Reform Action Plan- which is comprehensive reform recommendations on spanning the life of a typical business. The following table provides a comparison between the average growth rates of GSDP of states, and their ranking on the Implementation Reforms Scorecard.

Andhra Pradesh which ranks 1st on Business Reform Action Plan (BRAP) 2017-18 also registered double digit growth in GSDP during the last five years followed by Telangana which ranks 2nd and has a high growth of GSDP of 9.7% over the last five years. The state of Haryana ranks 3rd and has a high GSDP growth of around 9% in the last five years. Thus, the implementation of reforms for the growth of industry has facilitated these states to scale up their GSDP growth in the recent times.

Table 17: GSDP Growth and State Ranking on Implementation of Reforms Index

S. No	States/UT	Growth in Gross State Domestic Product (%)(2014-15 to 2018-19)	BRAP Ranking in 2017-18
1	Andhra Pradesh	10.82	1
2	Telangana	9.68	2
3	Haryana	8.66	3
4	Jharkhand	7.27	4
5	Gujarat*	10.39	5
6	Chhattisgarh	4.92	6
7	Madhya Pradesh	7.98	7
8	Karnataka	10.06	8



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9	Rajasthan	6.92	9
10	West Bengal	7.52	10
11	Uttarakhand	7.58	11
12	Uttar Pradesh	6.71	12
13	Maharashtra*	7.56	13
14	Odisha	8.09	14
15	Tamil Nadu	7.23	15
16	Himachal Pradesh	7.31	16
17	Assam*	9.25	17
18	Bihar	7.93	18
19	Goa	12.88	19
20	Punjab	5.84	20
21	Kerala*	6.51	21
22	Jammu & Kashmir*	6.3	22
23	Delhi	8.94	23
24	Puducherry	5.12	27
25	Chandigarh*	8.45	29
26	Andaman & Nicobar Islands*	9.67	31

Source: PHD Research Bureau, PHDCCI, sourced from Implementation Scorecard, Business Reforms Action Plan, Department of Industrial Policy and Promotion 23-04-2019. Note: Growth in GSDP of the states is an average of over a four year period, from 2014-15 to 2018-19; *depicts average growth in GSDP calculated from 2014-15 to 2017-18, as data unavailable for 2018-19; the table does not include North Eastern States

Among the North Eastern states, Tripura ranks best and has the GSDP growth of around 9% which is high commendable.

Table 18: GSDP Growth and State Ranking on Implementation of Reforms Index (North Eastern States)

S. No	States/UT	Growth in Gross State Domestic Product (%) (2014-15 to 2018-19)	BRAP Ranking in 2017-18
1	Tripura*	9.24	25
2	Nagaland*	4.09	28
3	Mizoram*	13.28	30
4	Manipur*	6.12	32
5	Sikkim	7.8	33
6	Arunachal Pradesh*	6.42	34
7	Meghalaya*	3.55	34

Source: PHD Research Bureau, PHDCCI, sourced from Implementation Scorecard, Business Reforms Action Plan, Department of Industrial Policy and Promotion 23-04-2019. Note: Growth in GSDP of the states is an average of over a four year period, from 2014-15 to 2018-19; *depicts average growth in GSDP calculated from 2014-15 to 2017-18, as data unavailable for 2018-19



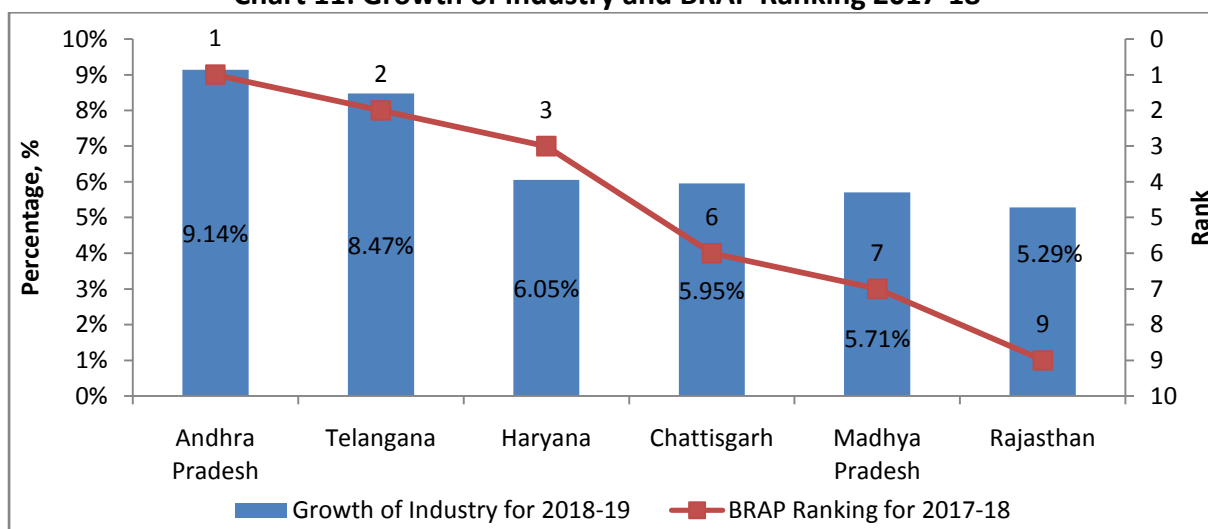
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7.3 BRAP rankings and growth of industry in few states

The analysis of industry growth and BRAP rankings reveal that the states with high industry growth also scores well on BRAP and ranks in top echelons. Among the top 10 states as per the business reform implementation index, Andhra Pradesh ranked 1st in 2017-18 with an industrial growth of 9.1%. Telangana ranked second with an industrial growth of around 8.5%. The chart depicts that the states' industrial growth rate and their ranking on the business reform index are in a harmony with the objective of their ease of doing business.

Chart 11: Growth of Industry and BRAP Ranking 2017-18



Source: PHD Research Bureau, PHDCCI compiled from various sources

In a nutshell, the states of India have been progressing steadily. Several states have been progressing rapidly on different indicators. The states are taking significant steps to promote the role of MSMEs along with contributing to their ease of doing business. States have an ever important and competitive role in contributing to the national product and they are seeking to expand their secondary sector and build infrastructure while balancing socio-economic growth.



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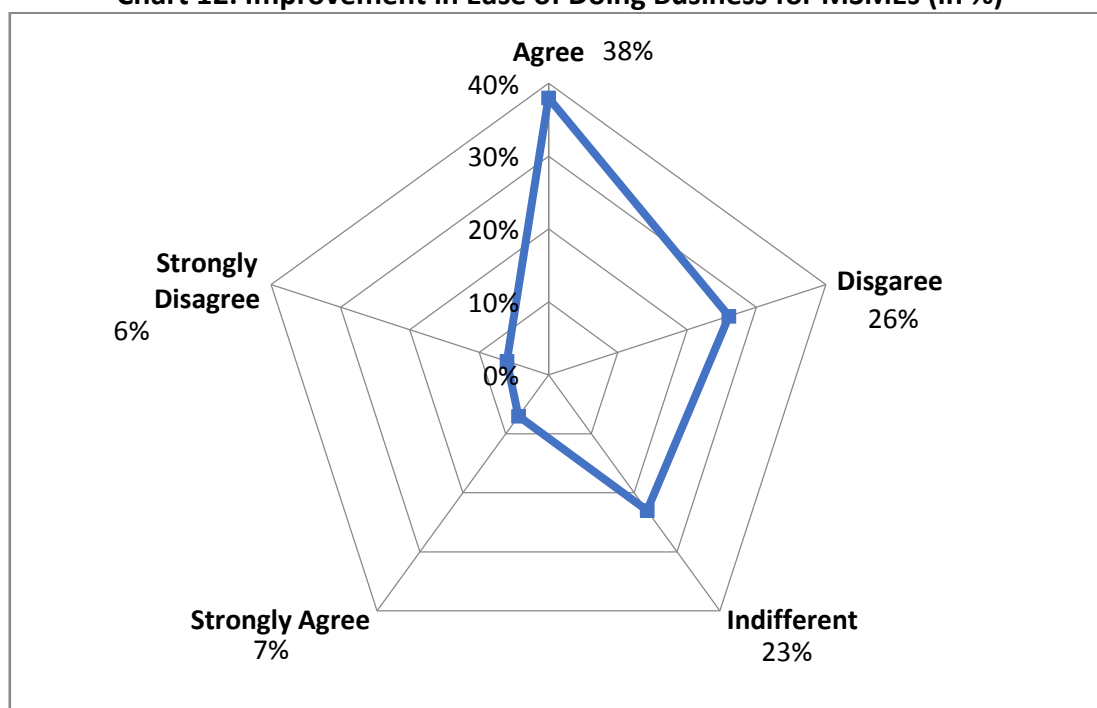
8. Ease of Doing Business for MSMEs: Survey Findings

During the last few years, India's rankings in the ease of doing business have become lucrative in terms of attractiveness for foreign investors and boosting the sentiments of domestic businesses. However, apart from the parameters taken in the World Bank rankings, there are certain other parameters that are crucial for the businesses at the MSMEs level that needs to be examined. Further, as the MSMEs sector has emerged as an engine of futuristic growth trajectory of the nation, it becomes essential to analyse the degree of ease of doing business for this sector.

At this background, a survey has been conducted to examine the ease of doing business for MSMEs. An extensive questionnaire pertaining to the select aspects of ease of doing business in India was prepared and distributed in the MSMEs across the country.

The survey revealed that 38% of the respondents agreed on improvement in the ease doing business at the ground level, followed by 26% of the respondents who disagreed on improvement in the ease doing business. Around 23% of the respondents were indifferent on improvement in the ease doing business, 7% of the respondents strongly agreed on improvement in the ease doing business and 6% of the respondents strongly disagreed on the same. This can be attributed to the fact that the survey was conducted in the month of April to June 2019 while lot of reform measures were undertaken by the government in the period July-August 2019. Thus, it is evident that there has been improvement in the ease of doing business and the reform measures of the government would give fruitful results when they percolate to the grassroots level.

Chart 12: Improvement in Ease of Doing Business for MSMEs (in %)



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

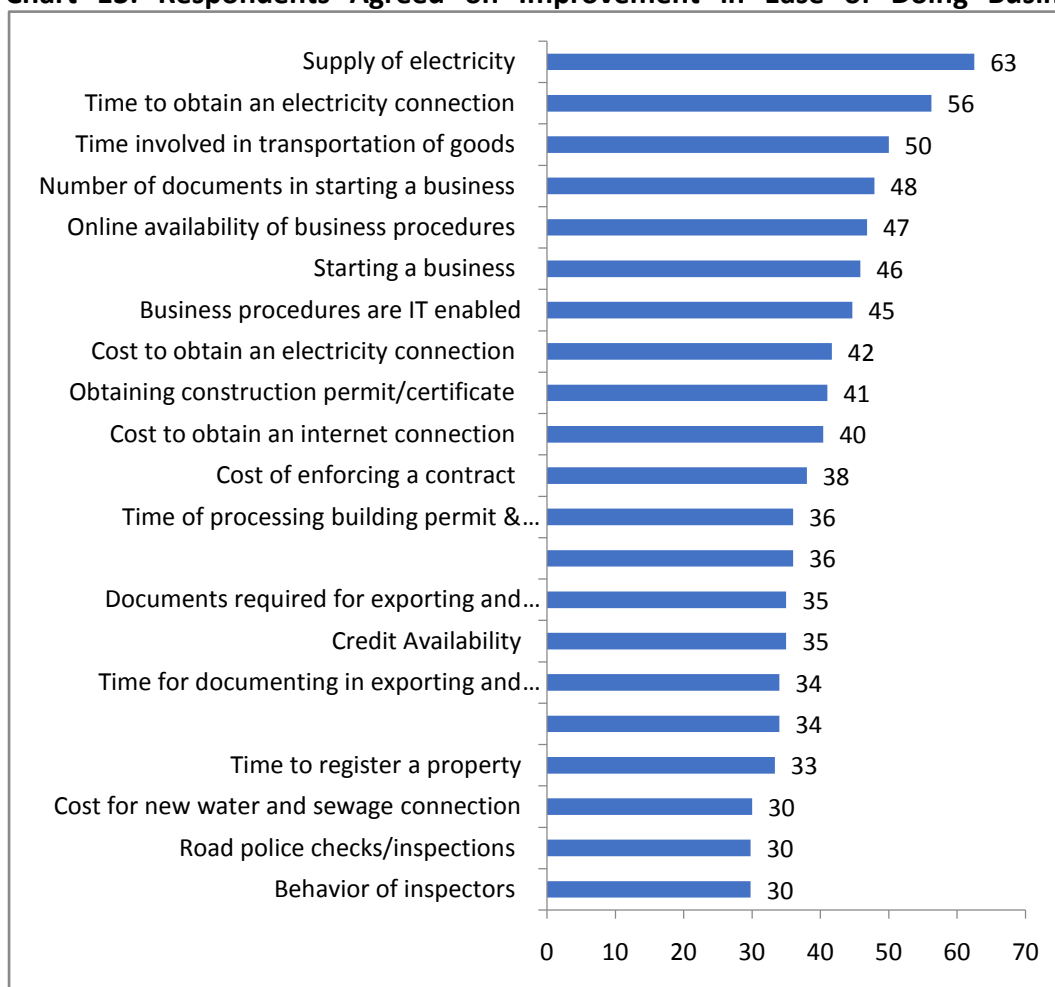


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According to the survey, the respondents agreed that there has been improvement in certain parameters of ease of doing business for MSMEs, such as improvement in supply of electricity; reduction in time taken to obtain electricity connection; reduction in time involved in transportation of goods; reduction in number of documents required in starting a business; online availability of business procedures; ease in starting a business; IT enabled business procedures; reduction in cost to obtain an electricity connection; ease in obtaining construction permit/certificate; improvement in cost to obtain an internet connection; cost of enforcing a contract; cost and time involved of documenting in exporting and importing; time involved in processing building permit & certificate; credit availability; documents required for exporting and importing; decrease in number of procedures for new water & sewage connection; reduction in time to register a property; reduction in cost for new water and sewage connection; behaviour of inspectors has become cooperative; reduction in road police checks/inspections while shipment is en route.

Chart 13: Respondents Agreed on Improvement in Ease of Doing Business (in %)



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

The survey showed that the respondents disagreed with the improvement in the following parameters of ease of doing business: reduction in the cost for starting a business; decline

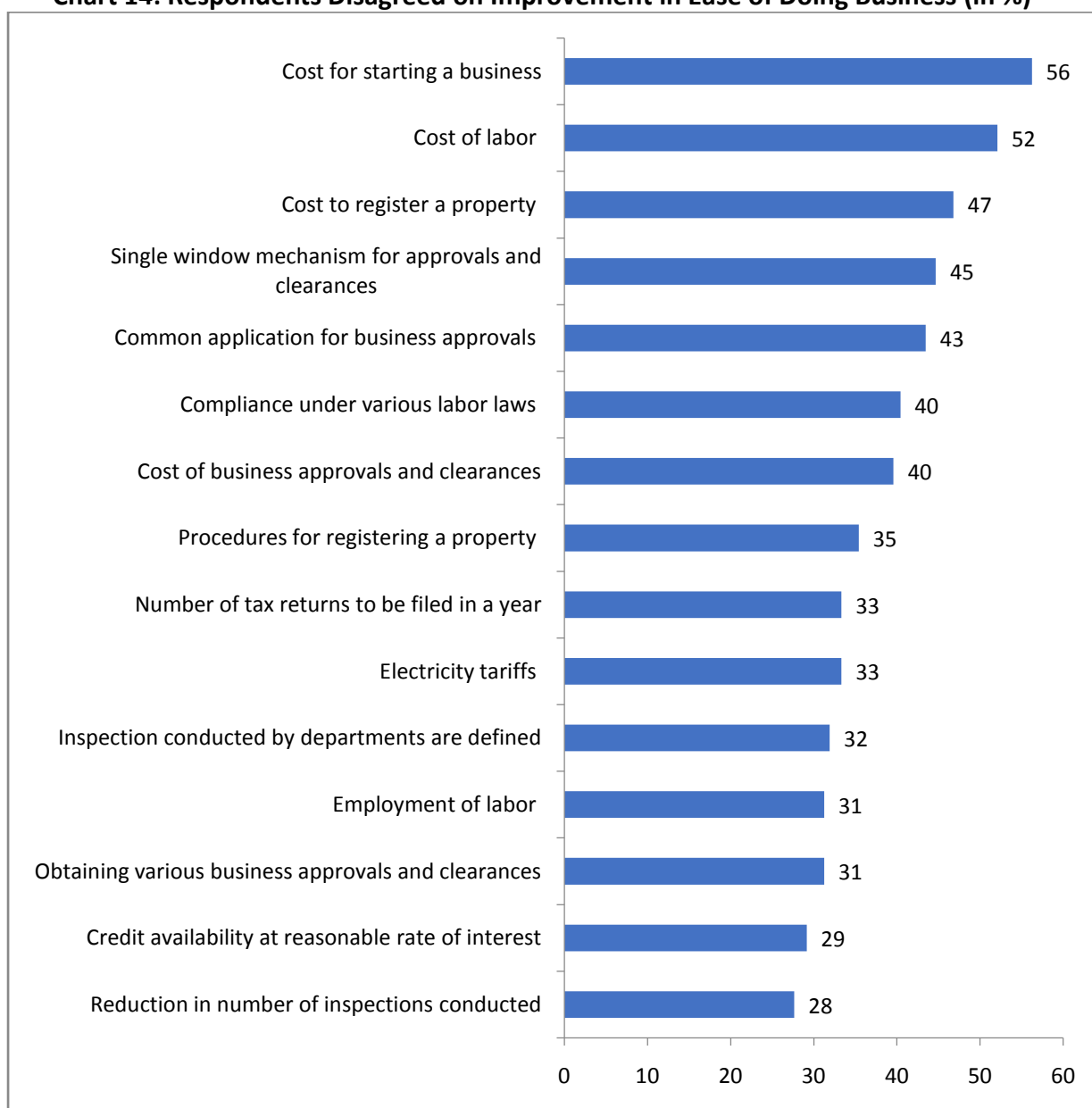


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in the cost of labor; decline in cost to register a property; presence of single window mechanism for approvals and clearances; availability of common application for business approvals; improvement in the compliance under various labor laws; reduction in the cost of business approvals and clearances; decline in the number of procedures required for registering a property; reduction in the electricity tariffs; dip in the number of tax returns to be filed in a year; inspection conducted by departments are objective & well defined; ease in obtaining various business approvals and clearances; ease in employment of labor; availability of credit at reasonable rate of interest; and reduction in the number of inspections conducted.

Chart 14: Respondents Disagreed on Improvement in Ease of Doing Business (in %)



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

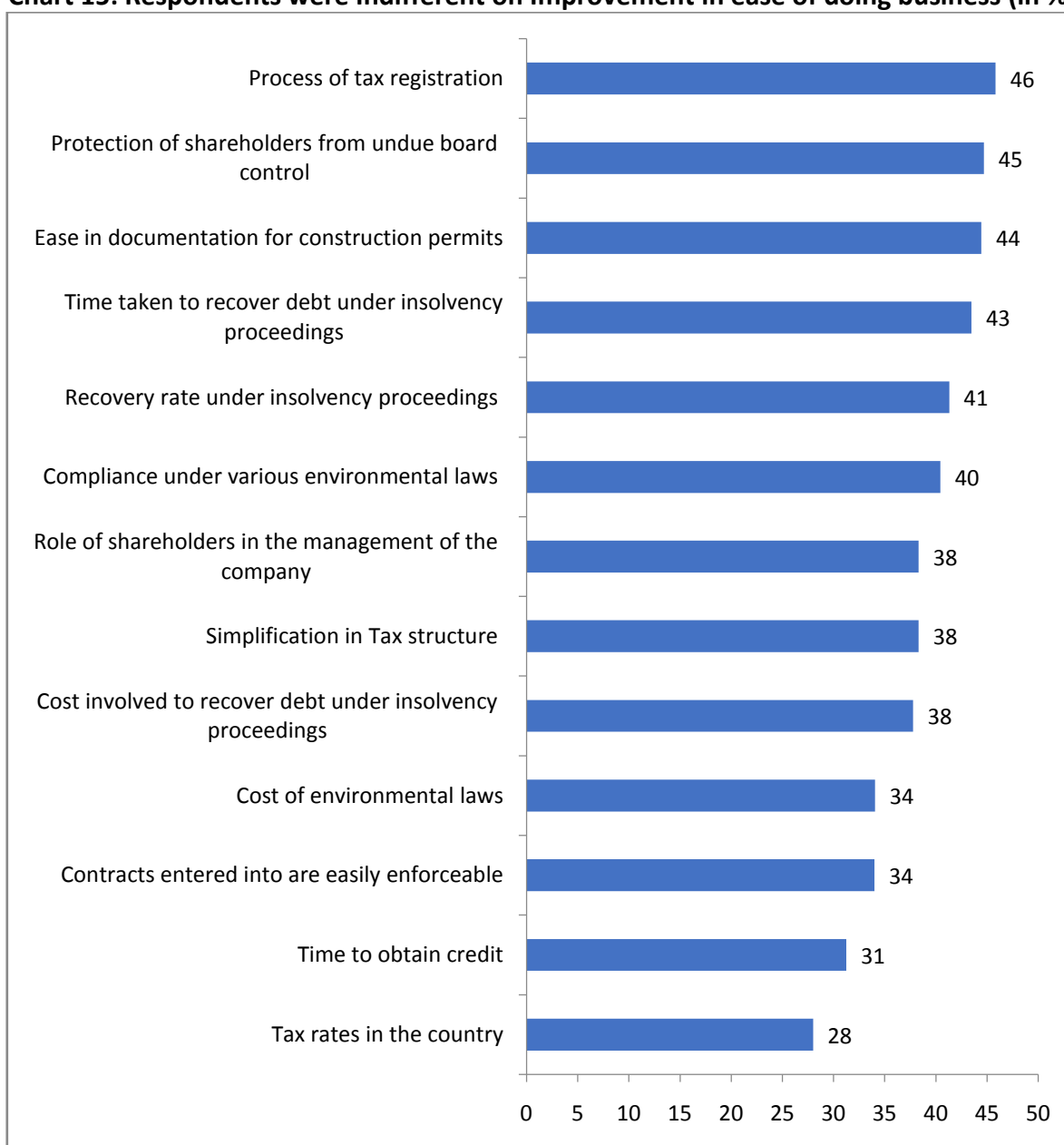


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According to the survey, respondents were indifferent about the improvement in parameters such as simplification of process of tax registration; increase in the protection of shareholders from undue board control; reduction in number of documents for construction permits; decline in the time taken and cost involved to recover debt under insolvency proceedings; increase in recovery rate under insolvency proceedings; ease in fulfilling compliance under various environmental laws and decline in cost; simplification of tax structure in the country; expansion of role of shareholders in the management of the company; contracts entered into are easily enforceable; decrease in the time to obtain credit; and reduction in the tax rates in the country.

Chart 15: Respondents were Indifferent on Improvement in ease of doing business (in %)



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

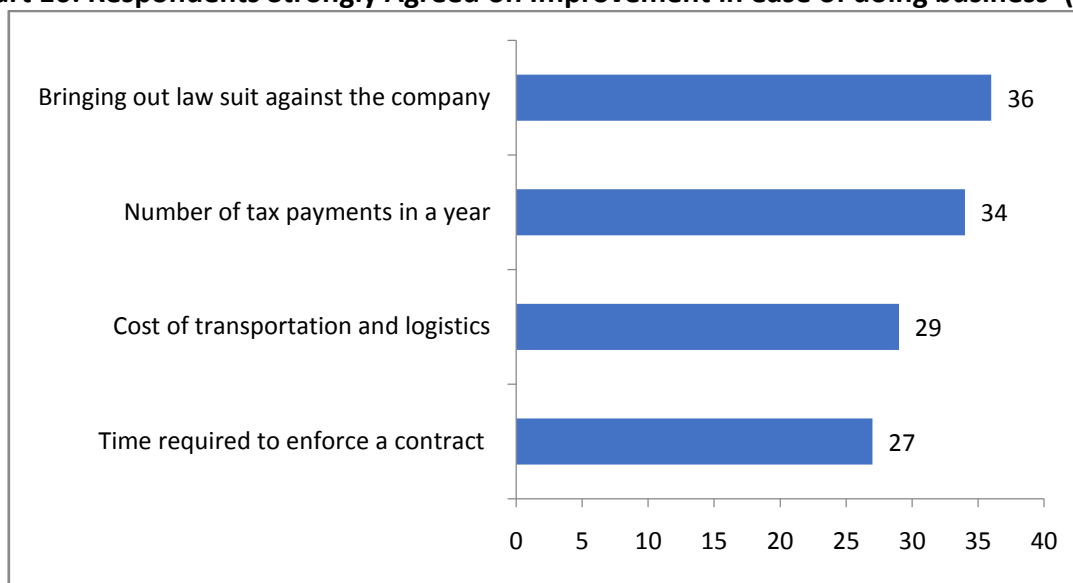


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As per the survey results, respondents strongly agreed that there has been improvement in ease in bringing out law suit against the company; decrease in the number of tax payments in a year; reduction in the cost of transportation and logistics; and decline in the time required to enforce a contract parameters of ease of doing business.

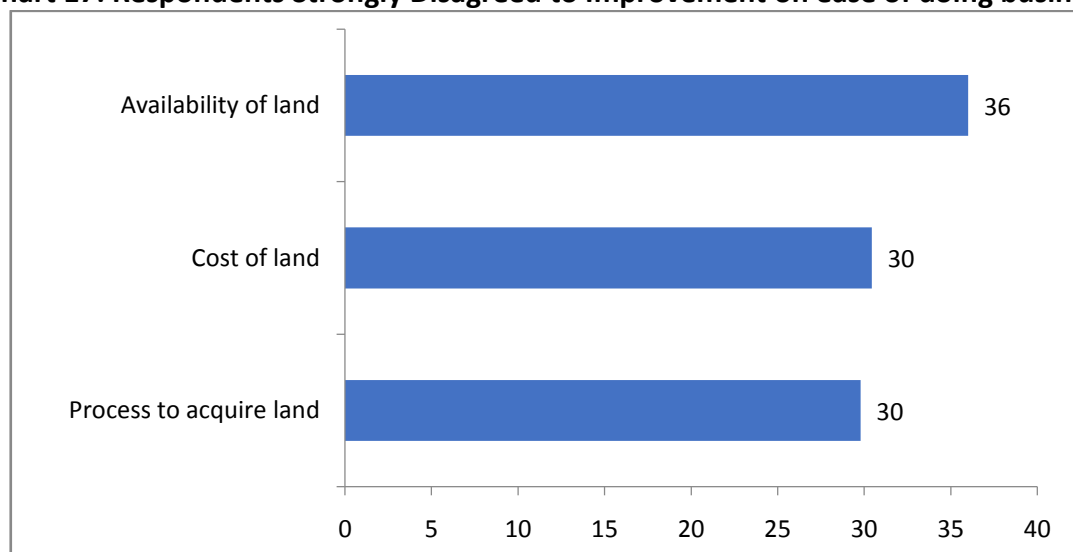
Chart 16: Respondents Strongly Agreed on Improvement in ease of doing business (in %)



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

Further, according to the survey, respondents strongly disagreed that there has been improvement in parameters of ease of doing business, such as easy availability of land; reduction in the cost of land; and process to acquire land is simple and less time consuming.

Chart 17: Respondents Strongly Disagreed to Improvement on ease of doing business



Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.



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Perception of MSMEs on Doing Business Reforms

- The **'starting a business'** in the ease of doing business for MSMEs has shown mixed results, as the survey revealed that starting a business has become easy and number of documents and procedures required for starting a business have decreased. However, cost incurred for starting a business needs to be reduced.
- Majority of the respondents (46%) agreed that starting a business in India has become easy. The reason could be attributed to the initiatives taken by the government such as, reduction in registration fees, elimination of minimum capital requirement, merger of the applications for the Permanent Account Number (PAN) and the Tax Account Number (TAN), improvement in the online application system, introduction of Goods and Services Tax (GST), among others. On the other hand, 27% of the respondents have disagreed that starting business has become easy, while 10% had a neutral stance.
- According to 56% of the respondents, the cost incurred for starting a business has not reduced significantly. The government has taken steps where the cost of starting/incorporation of a business, such as Ministry of Corporate Affairs has eliminated the incorporation fee for companies with authorised capital of up to Rs 15 lakh for ease of starting a business. However, the survey results show that there is still a lot to be done at the ground level.
- The survey showed that the number of documents/procedures in starting a business has reduced significantly, as 48% of respondents agreed to this. Recently, Ministry of Corporate Affairs has integrated five procedures for starting a business in one step. Using integrated e-Form SPICe (Simplified Proforma for Incorporating Company Electronically), stakeholders can apply for Company Name, Company Incorporation, DIN (Director Identification Number) of the directors, PAN and TAN for the newly incorporated company, and avail all five services simultaneously.
- **'Obtaining business approvals'** needs a lot of improvement as the majority of the respondents disagreed that obtaining various business approvals and clearances from the government department have become simpler and faster particularly for MSMEs. Similarly, survey revealed that cost of obtaining business approvals and clearances has not reduced for the MSMEs.
- The survey revealed that **'getting electricity'** of ease of doing business has improved significantly. Government has taken many steps to make getting electricity easier, faster and cheaper, such as procedures for internal wiring inspection by the Electrical Inspectorate (in Delhi) have been eliminated. In Delhi, service line charges have been capped to INR 25,000/- in electrified areas for Low Tension loads up to 150 KW. Administrative easing measures taken by government in this direction includes online application with no requirement of physical documents to be accepted, online



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approval system for obtaining Right of Way (RoW) permissions in Delhi, rationalised cost of obtaining electricity connection, among others. However, similar initiatives are required to be undertaken in tier 2 and tier 3 cities also, so that the effect could be felt by MSMEs. In this context, 56% of the respondents responded positively that the time (number of days) to obtain electricity connection has reduced significantly.

- The survey showed that while 42% of the respondents agreed that the cost to obtain an electricity connection has reduced, 21% of the respondents disagreed with the same. Further, more than 60% of the respondents agreed that the supply of electricity has improved significantly. Only 18% of the respondents responded positively that the electricity tariff has reduced significantly. However, majority (33%) of the respondents disagreed and suggested that tariffs need to be reduced, going ahead.
- The response on the '**getting credit**' has been mixed as the survey revealed that access to credit has improved but the cost of credit is high and the time taken to obtain credit has neither improved nor the time taken to obtain the credit for the MSMEs. According to the survey, credit availability parameter of ease of doing business has shown significant improvement. 35% the respondents agreed when asked about the improvement in credit availability. Similar was the case when asked about improvement in the time taken to obtain credit; 27% of the respondents agreed that improvement has been there (while 31% were indifferent on the same). 29% of the respondents disagreed that the credit is available at reasonable rate of interest. When an MSME approaches the bank for a loan, if total loan amount is greater than Rs1 crore, the CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) clause gets disregarded and the entire loan is treated as a normal loan. The benefit of interest and securitization relaxation is not given on the first Rs 1 crore amount. So, the CGTMSE clause may be reconsidered.
- No significant change witnessed in the '**paying taxes**' for the MSMEs. The survey revealed that the respondents were positive that the tax structure in India has been simplified and process of tax registration has become simple and fast. Implementation of Goods and Service Tax has made India attractive across the world and has created a common market for more than 133 core people. Implementation of GST was a historic move and it complemented India's move towards the fastest growing economy in the world and promoting ease of doing business in the country. At this backdrop, 38% of the respondents were indifferent that the tax structure prevailing in the country has simplified, 28% agreed that tax rates in the country have reduced significantly and 46% of the respondents were indifferent that the process of tax registration is simple and fast. However, on the other hand, majority (49%) of the respondents agreed (and strongly agreed) that the number of tax payments has reduced significantly. Nonetheless, with the continuous reform measures of the government to simplify and rationalise GST, it is expected that the tax structure would become much simpler in the coming times.



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- A lot of improvement is needed for the **'deployment of labour'** as the survey showed that situation of employment of labour in India has not improved in recent years in any aspect. 31% respondents disagreed that the employment of labour has become easy. In case of cost of labour parameter, 73% of respondents (52% disagreed and 21% strongly disagreed) believed that the cost of labour has not reduced. Similar was the case with improvement in compliance under various labour laws as 40% respondents disagreed on this aspect. Labour laws in India are restrictive in nature. Amendments are required in The Industrial Disputes Act (1947) because of its rigid provisions such as compulsory and prior government approval in the case of layoffs, retrenchment and closure of industrial establishments employing more than 100 workers. This clause applies even when there is a good reason to shut shop, or worker productivity is seriously low.
- According to the survey, nothing much has changed in context of the **environmental compliances** as 40% of the respondents were neutral about the easiness in compliance under environmental laws and 34% of the respondents were neutral about reduction in cost of complying with environmental laws.
- On one hand, the survey revealed **that cost incurred and number of procedures in registering a property** or transfer of title has not reduced. However on the other hand time taken to register a property has reduced significantly. According to the survey, 47% of the respondents disagreed that there has been improvement in the cost incurred in registering a property. 35% of the respondents disagreed that the number of procedures has reduced to register a property. The registration fee for property documents is 1% of the value of the property, subject to a maximum of Rs 30,000/-. Stamp duty is compulsory but different rates of stamp duty are payable in different states, depending on the legislation prevalent in that state. In this context, amendments need to be made in the Transfer of Property Act, 1886 to ensure that the cost, time and procedures involved in registering and transferring of title of the property is reduced further. However, 33% of the respondents agreed on the parameter that the time taken to register a property has reduced significantly.
- In the **'contract enforcement'** the general consensus is positive. According to the survey, 34% respondents remained neutral when asked whether the contracts entered into are easily enforceable, while 31% of the respondents disagreed on the same. Businesses find it difficult to operate in an environment characterised by lack of contract enforcement, as poor contract enforcement tends to increase the risk and reduce the returns (increased legal costs), thus affecting the overall risk to return ratio. Contrary to this, 44% and 42% responded that there has been much of improvement in the cost and time aspect of enforcing a contract in the court of law has reduced significantly, respectively. Focus is needed on ease of enforcement of contracts.



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- As per the respondents, neither the **inspections conducted by various government departments and institutions** regarding business compliance of various laws, rules, regulations etc. have reduced nor the inspections conducted are objective and based on well- defined procedures. However, 30% of the respondents agreed on the parameter that the behaviour of inspectors have become cooperative over the time.
- A lot needs to be done for the improvement of business approvals and clearances as the **'getting business approvals'** as the survey revealed that 43% of the respondents disagreed that there is a common application for various business approvals and clearances and 45% of the respondents disagreed that there is one stop office or single window mechanism for obtaining all the approvals and clearances. It is assessed that the single window mechanism curtains multiple windows, which links to various diversified windows adding to the complexities for registering and delivering that in turn makes the portal ineffective in terms of time-bound delivery.
- The survey further showed that respondents strongly disagreed that there has been any improvement in the **availability of land, its cost and process to acquire it**. 36% of the respondents have strongly disagreed that the land is easily available and only 21% of respondents agreed (and strongly agreed) that the land availability has become easy over time. 30% of the respondents strongly disagreed that the cost of land has reduced and similarly 30% of the respondents strongly disagreed on the parameters that the process to acquire land has become simple and less time consuming.
- Respondents were neutral on improvement in the **'insolvency proceedings'** of ease of doing business. 43% of the respondents were indifferent that time taken to recover debt under insolvency proceedings has reduced, 38% respondents were neutral on cost involved to recover debt under insolvency proceedings has reduced. Majority of the respondents (41%) were indifferent on the increase in the recovery rate on insolvency proceedings. Although, India has implemented a new Insolvency and Bankruptcy Code, delays in admission of cases and judgement, along with infrastructural bottlenecks have affected the IBC mechanism.
- The survey revealed that various government initiatives towards digitisation have been successful, as respondents have responded positively in this direction. 47% of the respondents agreed and 13% strongly agreed that all the **information related to business procedures and compliances are available online**. 40% of the respondents agreed that the cost to obtain an internet connection has reduced significantly and 45% of the respondents agreed that various business procedures/compliances (like applications, approvals, tax payments, returns, clearances, etc.) under various laws and Acts are IT enabled/online.
- According to the survey results, improvement has been there in relation to **procedure and cost of obtaining new water and sewage connection**. 34% of the



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respondents agreed on the simplification of procedures for obtaining new water and sewage connection. Similarly, 30% of the respondents agreed that cost incurred for obtaining new water and sewage connection has reduced.

- The survey showed that there is a need to increase the **protection of shareholders'** interest as majority of the respondents were neutral on the improvement in the role of shareholders in the management of the company.
- Majority of the respondents are positive on the export and import procedures. 35% of the respondents agreed that the **number of documents and border compliances** (custom clearances and inspections) required for exporting and importing has reduced significantly. Further, the cost involved in documentary and border compliances in exporting and importing has also reduced, as 36% of respondents agreed on this, followed by 31% that disagreed with the same. 34% of the respondents agreed on the reduction in time required for documentary and border compliances in exporting and importing.
- The survey revealed that there is a positive view on the 'border compliance parameter'. Time involved in **transportation of goods** has reduced significantly and around 50% respondents agreed to this. This has been made possible by the improved logistics sector. To promote ease of doing business, the **road police checks** have reduced drastically and have led to free movement of goods & services across the states. Around 30% of respondents agreed that the inspections while shipment is en route have reduced significantly.
- In '**construction permits**', there has been positive consensus among MSMEs. Around 44% of the respondents were indifferent that documentation for obtaining construction permit has become easy. 41% of the respondents agreed that cost and 36% of respondents agreed that time involved in obtaining permits has reduced.

In a nutshell, the survey revealed that 45% (majority) of the respondents have responded in favour of improvement in the ease of doing business for MSMEs, followed by 32% of respondents that were not in favour, while 23% were neutral on the improvement. The analysis showed that over the years the ease of doing business environment has improved for MSMEs due to plethora of strategic reforms undertaken by the government. However, there are still certain challenges that need to be focussed upon to promote Ease of Doing Business for MSMEs. Implementation aspect of the reform measures at the ground level may be improved, going forward.



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9. Conclusions and Recommendations

Ease of doing business holds prime importance for the overall growth and development of trade and industry as it attracts foreign investors and provides boost to the domestic businesses. Over the last few years, India improved its Ease of Doing Business Ranking significantly, which can be attributed to the plethora of reforms undertaken, such as implementation of GST and Insolvency and Bankruptcy Code along with improvements in registering for new electricity connection, upgradation of port infrastructure, among others. The payment of all pending GST refunds to MSMEs within 30 days, withdrawal of Angel Tax provisions for Startups and their investors, and provisions for banks' lending to NBFCs for further on-lending to MSMEs up to Rs.20 lakh per borrower under the Priority Sector Classification have yielded positive results.

Over the years, states/UTs have introduced several reforms as a part of BRAP to improve their business regulatory environment and attract investments. Although many states have implemented reforms for improving business environment, further reforms are required owing to the high number of state level clearances required from various authorities like Industrial Development Authority, District Collector/Revenue Department, Town Planning Department, approval of building plan, among various others.

Though improving ease of doing business in general is of paramount importance, providing a high degree of ease of doing business of MSMEs becomes crucial as MSMEs are pillars of economic growth. MSMEs sector plays an important role in India's development in terms of contributing around 32% in gross value added (GVA), 33% in manufacturing GVA, employing around 111 million people and contribute around 40% in exports. However, despite being regarded as 'the engine of economic growth' MSMEs in India are still facing several challenges. At this juncture, it becomes imperative to assess the business environment for MSMEs in the country and to suggest measures to make it more conducive in the coming times.

With this objective, PHD Chamber of Commerce and Industry in collaboration with Department of Commerce, Delhi School of Economics conducted a survey of MSMEs across the sectors of the country. The survey revealed that at the aggregate level, 45% of the respondents opined that there is an improvement in the doing business environment for the MSMEs. Of the rest 55%, around 32% of the respondents opined that there is a need for improvement in the doing business climate for MSMEs while 23% were indifferent about improvement in the business environment.

Majority of the respondents agreed to a significant improvement in number of tax payments in a year, cost of transportation and logistics, time required to enforce a contract, bringing out a law suit against a company, supply of electricity, time to obtain an electricity connection, time involved in transportation of goods, number of documents in starting a business, online availability of business procedures, starting a business, IT enabled business



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procedures, cost to obtain an electricity connection and cost to obtain an internet connection, among others.

However 32% of the respondents disagreed on the improvement in availability of land, process to acquire a land, cost of land, cost for starting a business, cost of labour, cost to register a property, single window mechanism for approvals and clearances, common application for business approvals, compliances under various labour laws, cost of business approvals and clearances, procedure for registering a property, electricity tariffs and number of tax returns to be filed in a year, among others.

This can be attributed to the fact that the survey was conducted in the month of April to June 2019 while lot of reform measures were undertaken by the government in the recent months (July-August 2019). Going ahead, the ease of doing business for MSMEs is expected to improve significantly in the coming times with the percolation of economic and business reforms at the ground level. At this juncture, the role of states becomes exceedingly important. The state's role towards promoting ease of doing business is the key towards a competitive manufacturing sector for a strong and sustainable economic growth.

It may be mentioned that the states which have performed well on the BRAP have observed high growth of GSDP. Further, it has been observed in few states that the states with high rankings on BRAP witness high industry growth.

Going ahead, the overall smooth functioning and the quality of governance at state level can stimulate growth by making the policy environment more business friendly. Further reforms in ease of doing business at the ground level especially for the small and medium sized businesses along with desired reforms in labour laws would be crucial to strengthen the manufacturing sector, Make in India programme and create millions of employment opportunities for growing young workforce.

Key findings of the survey

Strongly Agree (7%)	
<ul style="list-style-type: none">• Bringing out law suit against the company• Number of tax payments in a year• Cost of transportation and logistics• Time required to enforce a contract	
Agree (38%)	
<ul style="list-style-type: none">• Supply of electricity• Time to obtain an electricity connection• Time involved in transportation of goods• Number of documents in starting a business• Online availability of business procedures• Starting a business• Business procedures are IT enabled	<ul style="list-style-type: none">• Time of processing building permit & certificate• Credit Availability• Documents required for exporting and importing• Procedures for new water & sewage connection• Time for documentary in exporting and importing



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<ul style="list-style-type: none"> • Cost to obtain an electricity connection • Obtaining construction permit/certificate • Cost to obtain an internet connection • Cost of documentary in exporting and importing 	<ul style="list-style-type: none"> • Time to register a property • Cost for new water and sewage connection • Behavior of inspectors • Road police checks/inspections
Indifferent (23%)	
<ul style="list-style-type: none"> • Process of tax registration • Protection of shareholders from undue board control • Documentation for construction permits • Time taken to recover debt under insolvency proceedings • Recovery rate under insolvency proceedings • Compliance under various environmental laws • Procedures for registering a property 	<ul style="list-style-type: none"> • Number of tax returns to be filed in a year • Inspection conducted by departments are defined • Obtaining various business approvals and clearances • Employment of labor • Credit availability at reasonable rate of interest • Electricity tariffs • Number of inspections conducted
Disagree (26%)	
<ul style="list-style-type: none"> • Cost for starting a business • Cost of labor • Cost to register a property • Single window mechanism for approvals and clearances • Common application for business approvals • Compliance under various labor laws • Cost of business approvals and clearances 	<ul style="list-style-type: none"> • Number of tax returns to be filed in a year • Inspection conducted by departments are defined • Obtaining various business approvals and clearances • Employment of labor • Credit availability at reasonable rate of interest • Electricity tariffs • Number of inspections conducted • Procedures for registering a property
Strongly Disagree (6%)	
<ul style="list-style-type: none"> • Availability of land • Cost of land • Process to acquire land 	

Recommendations

The analysis showed that over the years, the ease of doing business environment has improved for MSMEs due to plethora of strategic reforms undertaken by the government. However, to reach the desired level of ease of doing business, more focussed reforms are required to give a boost to the development of MSMEs sector and make India a best place to do business.

Some of the **specific recommendations for the ease of doing business for MSMEs:**

- **Reforms in labour laws-** Formulate flexible and uniform labour laws across the country. Flexibility is required in terms of freedom to hire contract labour, the freedom to retrench workers (based on Productivity, Quality and Discipline) and close down undertakings without prior government endorsement.



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- **Capital Gain Tax-** Growth of MSME industry generates employment, state revenue on a regular basis which is recurring revenue for the government whereas Capital Gain Tax is one time revenue. Reconsidering the applicability of capital gain tax on the capital (generated out of selling a property) invested would encourage the growth of MSMEs across the country. The section 54 of the Income Tax Act must be extended to cover the industrial sector.
- **Indirect Tax Benefits-** Indirect tax benefits could be provided under GST similar to that provided in VAT regime through Industrial Promotion Scheme. Lower rate of tax should be levied on products manufactured by MSME manufacturing industry. Incentive schemes can be launched in GST regime also as provided in the earlier VAT regime. Matching of Invoices both Inwards and Outwards must be done by GSTN without hiccups availing of Input Tax Credit (ITC) under GST.
- **Equal treatment for PSU and MSME entities-** There should be equal treatment for PSU and MSME entities and all government procurement agencies must accept supplies from PSUs and MSMEs against a guarantee certificate.
- **Coordination among states-** Coordination and cooperation among the states must be ensured so that there is no overlapping of business regulations. Best practices of top ranked states in BRAP rankings should be adopted by other states also.
- **New Bill of definition of MSMEs** - New Bill of definition of MSMEs should be passed as soon as possible in the Parliament. This will give a huge boost to investment and employment along with productivity.
- **Simplify land acquisition-** Simplification of land acquisitions is required as it remains complex, because of the difficulties in establishing legal ownership and a 'clean' holding for purchase.
- **Increase awareness among MSMEs-** Frequency of awareness campaigns for MSMEs sector need to be increased so that every industry can take optimum benefit of the Government schemes.
- **Speedy addressing of intellectual property rights-** Cutting the average time for addressing pending intellectual property rights applications from more than five years to 18 months.
- **Reduction in logistics cost-** Logistics cost should be reduce from 14% of invoice to 8% to make MSMEs competitive internationally.

Policy recommendations for the growth of MSMEs:

- **Immediate Release of Central Government Guarantee for Bank Loans to BSNL and other PSUs to enable payments to MSMEs-** The BSNL alone owes more than Rs.1000 crores to its MSME vendors who have made supplies against Bharat Net& other telecom projects of national importance. The Ministry of Finance may kindly permit Central Government Guarantee for BSNL and other central PSUs to enable them to raise bank loans specifically for making payments of the MSME vendors without any further delay and to instruct the PSUs to allow all the pending supplies from their



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vendors to be suspended without any levy of LD till they are able to pay past arrears and arrange funds for future purchases.

- **Reduction in the Performance Bank Guarantee/ security deposit requirement for government purchase scheme to one-tenth for Micro and one-fifth for Small Enterprises-** When a contract is awarded to the MSME it is required to put up the same value of Performance Bank Guarantee(PBG). However, MSMEs enjoy very small bank limits and mostly do not have sufficient Bank Guarantee limits. It is therefore recommended that the Government Purchase scheme should be amended so as to reduce the PBG/ security deposit requirement to One-tenth for Micro Enterprises, two-fifth for Small Enterprises and one-third for Medium Enterprises compared to the PBG required from non-MSMEs.
- **Rejuvenation of BSNL for positive impact on Telecom MSMEs-** Due to heavy competition, most of the private telcos are incurring substantial losses and the combined debt of private telcos is in excess of Rs. 4.8 lakh crores. BSNL is facing the brunt of the hard times in the telecom sector and is unable to pay for its CAPEX needs. With the current trend of fall in revenues, it is difficult for them to cover even their OPEX needs, some of which are actually for Bharat Net Project. Therefore, the fibre and tower assets of BSNL and other telecom PSUs may be spun-off into a National Fibre Authority and to monetize the same through InvITs or by raising infrastructure bonds.
- **Crucial Role of Infrastructure PSUs in sustaining MSMEs –Exim Bank of India funding for Make in India-** Most private sectors infrastructure projects prefer to buy imported capital equipment instead of Made in India – MSME products since almost all the imported capital goods come with concessional long-term finance at very low interest rates supported by the Exim Banks of the exporting countries. Therefore, the Exim Bank of India may be allowed to provide concessional long-term funding to Indian Infrastructure projects especially the central government PSUs on the same terms as those provided for project exports under Make in India scheme.
- **Deemed NSIC registration renewal in case of delay-** When the renewal application is submitted by an MSME to NSIC, it sometimes takes a very long period say up to 2- 3 months in completion of the renewal process. But the delay in renewal of the registration sometimes causes a vacuum for the MSMEs due to expiry of their earlier registration until the receipt of renewed registration and the MSMEs face problems during this period when they have to submit tenders to the Government organizations. It is suggested that NSIC should fix a maximum time frame for completing the entire renewal process and issuance of the renewal registration certificate say maximum within a period of two weeks from the date of submission of the renewal application. However, keeping in view the other exigencies etc., in case, the renewal registration certificate is not issued even in a maximum period of 30 days it should be treated as ‘Deemed Renewed’ and a provisional renewal registration certificate should be issued automatically by NSIC to the applicant unit so that there is no hindrance faced by the MSME in submitting the tenders etc. This procedure will also help NSIC to sharpen its renewal procedures in order to avoid the renewals in default.



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- **Reduction in the High primary security and collateral security demanded by Banks-** The current bank norms result in double securitization by banks, where in the first place they demand primary security of 133% of the fund based limit and, in addition collateral security worth 125% of the proposed limit is required in order to sanction the case, bringing the security requirement to 258% of the finance provided by the bank. It is recommended that the total of primary security and collateral security for loan limits given by banks should be brought down to maximum 75% for MSMEs.
- **Delays in Realisation of Bills/Receivables-** The working capital cycle of MSMEs keeps prolonging due to delays in realization of their bills/receivables. Due to such delays MSMEs find it extremely difficult to service their debt instalments or interest obligations in a timely fashion, leading to their classification into NPAs. It is therefore, recommended that the 90 days limit fixed by RBI for classifying overdues of MSMEs should be increased to 180 days so that MSMEs are not constrained to divert their working capital towards servicing of their loan-instalments and clearing of their overdues at the cost of their normal business operations. This improvement in the RBI guidelines will save a large number of MSMEs from turning sick or getting closed resulting in loss of economic activity and loss of employment, and further preventing avoidable classification of bad debts and unwarranted litigation by banks thereby saving the banks from losses.
- **Modification in the Restructuring Scheme for MSMEs announced by RBI-** The Reserve Bank of India announced the policy for restructuring of existing loans to MSMEs up to Rs. 25 crore that are in default as on 01-01-2019 but classified as 'Standard'. This restructuring facility has been opened for standard accounts only which may become NPAs later but not for those MSME accounts which have already become NPAs before 1st January 2019. As a result of this, the restructuring will cover only a small fraction of the MSME default accounts- say only about 5% or so and not the bulk of NPAs in the MSME Sector. It is therefore recommended that at-least one-year period should be considered for eligibility of MSMEs' stressed and NPA accounts for eligibility under the restructuring scheme. All such accounts which turned into defaults or became NPAs after 1st January, 2018 should be covered under the policy of RBI for being eligible for restructuring.
- **Violation of CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) norms-** When an MSME approaches the bank for a loan, if the total loan amount is greater than Rs1 crore, the CGTMSE clause gets disregarded and the entire loan is treated as a normal loan. The benefit of interest and securitization relaxation is not given on the first Rs 1 crore amount. The loans of Rs 1 crore must be extended by banks without any collateral and at reduced rate of Interest to the MSMEs. The CGTMSE clause must be reconsidered and regarded, particularly when the MSME approaches the bank for a loan.
- **Delayed Payment of Bills and Receivables of MSMEs-** Large number of MSMEs undertake their operations as vendors to Government Organizations including Public Sector Undertakings and Private companies or work as ancillaries to big companies as their suppliers of components. Payment of bills and receivables from buyers of MSMEs are generally delayed. As a result of these delays, MSMEs face financial



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hardships and liquidity constraints which lead to severe pressure on their working capital management and many of them turn into 'Non-Performing Assets' (NPAs). It is therefore recommended that punitive measures should be introduced against the habitual defaulters who do not meet their payment obligations as per agreed terms maximum in 45 days. For example, their accounts can be classified as defaulters as it happens in case of non- payment of bank dues. In addition, stringent regulations should be introduced for dishonour of cheques against the issuers of such cheques in addition to the existing provisions.

Specific suggestions for improvement of doing business for the service sector MSMEs:

The services sector is a people driven sector and investments in the sector MSMEs can lead to higher employment generation. The availability of developed infrastructure, advanced technology, access to capital, skilled manpower, among others have a huge potential to bolster the growth and competitiveness of service sector MSMEs. Such factors would strengthen the functioning and growth of service sector MSMEs and would bring them at par with international benchmarks. Incubation and handholding MSMEs by the government could play an eminent role in transforming service sector MSMEs into a backbone of Indian economy.

Few areas where thrust needs to be given include, developing market access for service sector MSMEs, effectively addressing financing needs, reforms in the area of IPRs, skill development of human capital, employment generation and studying international practices with respect to ease of doing business in the services sector, among others. E-commerce has enough potential to boost the growth of service sector MSMEs. An intelligence generation cell needs to be setup that could make several small businesses and MSMEs aware of national rules and regulations encompassing the e-commerce. These measures would foster the growth of service sector MSMEs and would make them competitive with MNCs in domestic and foreign markets.

In a nutshell, reforms in ease of doing business at the ground level especially for the small and medium sized businesses along with desired reforms in labour laws such as fixed term employment for flexibility in hiring by industry across the States would be crucial to strengthen the manufacturing sector, Make in India programme and create millions of employment opportunities for growing young workforce.



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Annexure

Table 19: Responses of Survey on Ease of Doing Business for MSMEs (in %)

S. No.	Parameter(s)	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
1	Starting a business has become easy	8	46	10	27	8
2	The cost incurred for starting a business has reduced significantly	8	25	6	56	4
3	Number of documents/procedures in starting a business have reduced significantly	8	48	6	23	15
4	Obtaining various business approvals and clearances from the government departments is simple and fast	8	27	21	31	13
5	Cost incurred for obtaining business approvals and clearances has reduced significantly	4	25	19	40	13
6	Time (in number of days) to obtain an electricity connection has reduced significantly	15	56	10	15	4
7	Cost to obtain an electricity connection has reduced significantly	8	42	23	21	6
8	Supply of electricity has improved significantly	15	63	17	2	4
9	Electricity tariffs have reduced significantly	8	10	25	33	23
10	Credit is available easily	6	35	32	10	17
11	Credit is available at reasonable rate of interest	8	27	19	29	17
12	Time taken to obtain credit has reduced significantly	6	27	31	19	17
13	Tax structure prevailing in the country is simplified	9	17	38	15	21
14	Tax rates in the country have reduced significantly	4	27	28	15	26
15	Process of tax registration is simple and fast	8	21	46	15	10
16	Number of tax payments in a year have reduced significantly	34	15	23	23	5
17	Number of tax returns to be filed in a year have reduced significantly	4	25	8	33	29
18	Employment of labor has become easy	8	15	29	31	17
19	Cost of labor has reduced significantly	6	6	15	52	21
20	Compliance under various labor laws has become easy	4	17	23	40	15
21	Compliance under various environmental laws has become easy	6	11	40	23	19
22	Cost of complying with environmental laws has reduced significantly	4	15	34	28	19
23	Cost (taxes and fees) incurred to register a property has reduced significantly	6	17	19	47	11
24	Time taken to register a property has reduced significantly	4	33	27	23	13
25	Number of procedures for registering a property or transfer of title have reduced significantly	6	25	25	35	8



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26	Contracts entered into are easily enforceable	4	17	34	31	13
27	Cost of enforcing a contract in the court of law has reduced significantly	6	38	30	17	9
28	Time required to enforce a contract in the court of law has reduced significantly	27	15	23	20	15
29	Inspections conducted by various government departments and institutions regarding business compliance of various laws, rules, regulations etc. have reduced significantly	6	23	26	28	17
30	Inspection conducted by various departments and institutions is objective and based on well-defined procedures	4	21	28	32	15
31	Behavior of inspectors is cooperative	6	30	28	19	17
32	There is a common application for various business approvals and clearances	4	20	22	43	11
33	There is one stop office or single window mechanism for obtaining all the approvals and clearances	6	13	21	45	15
34	Land is available easily	4	19	15	26	36
35	Cost of land has reduced significantly	9	15	17	28	30
36	Process to acquire land is simple and less time consuming	6	23	15	26	30
37	Time taken to recover debt under insolvency proceedings has reduced significantly	11	4	43	20	22
38	Cost involved to recover debt under insolvency proceedings has reduced significantly	7	13	38	29	13
39	Recovery rate under insolvency proceedings has increased	11	20	41	17	11
40	All the information related to various business procedures and compliances is available online	13	47	19	15	6
41	Cost to obtain an internet connection has reduced	38	40	15	2	4
42	Various business procedures/compliances (like applications, approvals, tax payments, returns, clearances etc.) under various laws and Acts are IT enabled/online	28	45	15	4	9
43	Procedure for obtaining a new water and sewage connection is simple and fast	15	34	23	19	9
44	Cost incurred for obtaining a new water and sewage connection has reduced significantly	13	30	25	23	9
45	Role of shareholders in the management of the company and major corporate decisions has expanded	11	28	38	19	4
46	Bringing out suit against the company or Board of Directors by investors for non-performance of duties has become easy	36	23	13	23	4
47	Protection of shareholders from undue board control and entrenchment has increased	9	21	45	21	4
48	Number of documents and border compliances (custom clearances and inspections) required for	11	35	19	24	11



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	exporting and importing have reduced significantly					
49	Cost involved in documentary and border compliances in exporting and importing has reduced significantly	7	36	13	31	13
50	Time required for documentary and border compliances in exporting and importing has reduced significantly	5	34	25	25	11
51	Cost of transportation and logistics has reduced significantly	29	20	19	18	14
52	Time involved in transportation of goods has reduced significantly	4	50	15	15	15
53	Road police checks/inspections while shipment is en route have reduced significantly	4	30	28	26	13
54	Documentation/procedure for obtaining construction permit is easy	7	20	44	16	13
55	Obtaining construction permit/certificate has become less costly	5	41	20	23	11
56	Time involved in processing of building/construction permit application and obtaining construction certificate has reduced significantly	7	36	23	20	14

Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.

Table 20: Survey Questionnaire

S. No.	Questions	Strongly Disagree	Disagree	Indiffer-ent	Agree	Strongly Agree
1.	Starting a business has become easy.	0	0	0	0	0
2.	The cost incurred for starting a business has reduced significantly.	0	0	0	0	0
3.	Number of documents/ procedures in starting a business has reduced significantly.	0	0	0	0	0
4.	Obtaining various business approvals and clearances from the government departments is simple and fast.	0	0	0	0	0
5.	Cost incurred for obtaining business approvals and clearances has reduced significantly	0	0	0	0	0
6.	Time (in number of days) to obtain an electricity connection has reduced significantly.	0	0	0	0	0
7.	Cost to obtain an electricity connection has reduced significantly.	0	0	0	0	0
8.	Supply of electricity has improved significantly.	0	0	0	0	0
9.	Electricity tariffs have reduced significantly.	0	0	0	0	0
10.	Credit is available easily.	0	0	0	0	0
11.	Credit is available at reasonable rate of interest.	0	0	0	0	0
12.	Time taken to obtain credit has reduced significantly.	0	0	0	0	0
13.	Tax structure prevailing in the country is simplified.	0	0	0	0	0



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14.	Tax rates in the country have reduced significantly.	0	0	0	0	0
15.	Process of tax registration is simple and fast.	0	0	0	0	0
16.	Number of tax payments in a year has reduced significantly.	0	0	0	0	0
17.	Number of tax returns to be filed in a year have reduced significantly	0	0	0	0	0
18.	Employment of labor has become easy.	0	0	0	0	0
19.	Cost of labor has reduced significantly	0	0	0	0	0
20.	Compliance under various labor laws has become easy.	0	0	0	0	0
21.	Compliance under various environmental laws has become easy.	0	0	0	0	0
22.	Cost of complying with environmental laws has reduced significantly	0	0	0	0	0
23.	Cost (taxes and fees) incurred to register a property has reduced significantly	0	0	0	0	0
24.	Time taken to register a property has reduced significantly.	0	0	0	0	0
25.	Number of procedures for registering a property or transfer of title has reduced significantly.	0	0	0	0	0
26.	Contracts entered into are easily enforceable	0	0	0	0	0
27.	Cost of enforcing a contract in the court of law has reduced significantly.	0	0	0	0	0
28.	Time required to enforce a contract in the court of law has reduced significantly.	0	0	0	0	0
29.	Inspections conducted by various government departments and institutions regarding business compliance of various laws, rules, regulations etc. have reduced significantly	0	0	0	0	0
30.	Inspection conducted by various departments and institutions is objective and based on well-defined procedures	0	0	0	0	0
31.	Behavior of inspectors is cooperative	0	0	0	0	0
32.	There is a common application for various business approvals and clearances	0	0	0	0	0
33.	There is one stop office or single window mechanism for obtaining all the approvals and clearances	0	0	0	0	0
34.	Land is available easily	0	0	0	0	0
35.	Cost of land has reduced significantly.	0	0	0	0	0
36.	Process to acquire land is simple and less time consuming	0	0	0	0	0
37.	Time taken to recover debt under insolvency proceedings has reduced significantly.	0	0	0	0	0
38.	Cost involved to recover debt under insolvency proceedings has reduced significantly	0	0	0	0	0
39.	Recovery rate under insolvency proceedings has increased	0	0	0	0	0
40.	All the information related to various business procedures and compliances is available online.	0	0	0	0	0



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41.	Cost to obtain an internet connection has reduced.	O	O	O	O	O
42.	Various business procedures/compliances (like applications, approvals, tax payments, returns, clearances etc.) under various laws and Acts are IT enabled/online.	O	O	O	O	O
43.	Procedure for obtaining a new water and sewage connection is simple and fast	O	O	O	O	O
44.	Cost incurred for obtaining a new water and sewage connection has reduced significantly	O	O	O	O	O
45.	Role of shareholders in the management of the company and major corporate decisions has expanded	O	O	O	O	O
46.	Bringing out suit against the company or the Board of Directors by investors for non-performance of duties has become easy	O	O	O	O	O
47.	Protection of shareholders from undue board control and entrenchment has increased.	O	O	O	O	O
48.	Number of documents and border compliances (custom clearances and inspections) required for exporting and importing have reduced significantly	O	O	O	O	O
49.	Cost involved in documentary and border compliances in exporting and importing has reduced significantly.	O	O	O	O	O
50.	Time required for documentary and border compliances in exporting and importing has reduced significantly.	O	O	O	O	O
51.	Cost of transportation and logistics has reduced significantly.	O	O	O	O	O
52.	Time involved in transportation of goods has reduced significantly	O	O	O	O	O
53.	Road police checks/inspections while shipment is en route have reduced significantly.	O	O	O	O	O
54.	Documentation/procedure for obtaining construction permit is easy.	O	O	O	O	O
55.	Obtaining construction permit/certificate has become less costly	O	O	O	O	O
56.	Time involved in processing of building/construction permit application and obtaining construction certificate has reduced significantly.	O	O	O	O	O

Source: PHD Research Bureau, PHDCCI, Survey on Ease of Doing Business for MSMEs, April-June 2019.



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Ease of Doing Business for MSMEs



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Shortly after independence, a group of visionaries led by Prof. V. K.R.V. Rao and supported by the then Prime Minister Pt. Jawahar Lal Nehru were driven by an ambition to create a center for advanced learning and research in social sciences comparable to the best in the world and worthy of an independent subcontinent. Thus, in 1948 the Delhi School of Economics (DSE) was conceived on the lines of the London School of Economics. Subsequently, when Prof. Rao became the Vice-Chancellor of the University, the process of setting up four new departments, namely, Sociology, Geography, Business management and Commerce, was initiated.

Guided by the vision of its founders, the school lays highest importance on maintaining excellence in teaching, both as an end in itself and as a basis for creativity and for sustaining excellence in research. The pioneering works of personalities like Prof. Amartya Sen, Prof. B.N. Ganguly, Prof. Jagdish Bhagwati, Prof. Sukhamoy Chakraborty, Prof. K.N. Raj, Prof. Manmohan Singh, Prof. P.K. Ghosh and Prof. L.C. Gupta have contributed to the social and economic development of the country.

The Department of Commerce, formally set up as a separate entity in 1967, has imbibed the DSE tradition of exploring new frontiers of knowledge and innovation in academics. In its history spanning over five decades, it has redefined commerce education in the country. The Department has the legitimate claim and pride of being the premier institution in India for course curriculum development, teaching and researches in Commerce discipline. The rapid growth of the Department of Commerce is reflected in its expansion as well as novelty in its academic programmes. This has led to the commencement of master level professional programmes, in addition to the traditional M. Phil., Ph.D. and their flagship M.Com. Programmes



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PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Global Economic Developments 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade and Investment Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> India's Economic Developments 	<ul style="list-style-type: none"> Forex and FEMA Newsletter 	<ul style="list-style-type: none"> Business Research and Consultancy: Innovative and customised research solutions for growth of Industry and businesses
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> States' Economic Developments 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> International Developments 	<ul style="list-style-type: none"> Trade & Investment Facilitation Services (TIFS) Newsletter 	
<ul style="list-style-type: none"> Releases on Economic Developments 	<ul style="list-style-type: none"> Financial Markets 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	
	<ul style="list-style-type: none"> Foreign exchange market 		
	<ul style="list-style-type: none"> Developments in International Trade 		



NATIONAL APEX CHAMBER

Ease of Doing Business for MSMEs

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry- 2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)



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41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)
54. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
55. Industry Perspective on Bitcoins (July 2017)
56. Senior Housing: A sunrise sector in India (August 2017)
57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
59. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
60. India-Israel Relations: Building Bridges of Dynamic Trade(October 2017)
61. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
62. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern between India and ASEAN(January 2018)
64. Union Budget 2018-19 – (February 2018)
65. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
66. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
67. Impact of GST on Business, Industry and Exporters (April 2018)
68. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
69. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy(May 2018)
70. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects(May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural Economy: Road to US \$5 Trillion Economy(September 2018)
73. Indian Economy on the Eve of Union Budget 2019-20 (Interim): Steady...strong...fastest moving economy (January 2019)
74. Interim Budget 2019-2020: A Dynamic, Inclusive & Pragmatic Budget (February 2019)
75. Women Entrepreneurship: Transforming from Domestic Households to Financial Independence (March 2019)
76. Prospects for Exports from India: Five Pronged Strategy to Achieve USD700 Billion Merchandise Exports by 2025 (March 2019)
77. India Towards Shared Prosperity: Economic Agenda for the Next five Years (March 2019)



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| 78. Job Creation: A Pan India Survey of Households (March 2019) | 98. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016) |
| 79. India Inc. Speaks Live: Wish List for the Next Five Years (May 2019) | 99. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016) |
| 80. Suggestive Roadmap for Revitalizing Economic Growth (June 2019) | 100. Rising Jharkhand: An Emerging Investment Hub (February 2017) |
| 81. Indian Economy on the Eve of Union Budget 2019-20 (July 2019) | 101. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017) |
| 82. Union Budget 2019-20: Road to US\$ 5 trillion economy (July 2019) | |

B: State profiles

- | | |
|--|---|
| 83. Rajasthan: The State Profile (April 2011) | 102. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017) |
| 84. Uttarakhand: The State Profile (June 2011) | 103. Kashmir: The way forward (February 2018) |
| 85. Punjab: The State Profile (November 2011) | 104. Analysis of State Budgets for 2018-19: Select Sates (March 2018) |
| 86. J&K: The State Profile (December 2011) | 105. Rising Uttar Pradesh One District One Product Summit (August 2018) |
| 87. Uttar Pradesh: The State Profile (December 2011) | 106. Rajasthan: Steady Strides into the Future- Emerging Growth Dynamics and the Way Forward (September 2018) |
| 88. Bihar: The State Profile (June 2012) | 107. Rising Jharkhand: Economic Profile (January 2019) |
| 89. Himachal Pradesh: The State Profile (June 2012) | 108. Rising Jharkhand: Skill Development to Spur Socio-Economic Growth (January 2019) |
| 90. Madhya Pradesh: The State Profile (August 2012) | 109. Progressive Haryana: Economic Profile (February 2019) |
| 91. Resurgent Bihar (April 2013) | 110. Progressive Haryana: The Agricultural Hub of India (February 2019) |
| 92. Life ahead for Uttarakhand (August 2013) | |
| 93. Punjab: The State Profile (February 2014) | |
| 94. Haryana: Bolstering Industrialization (May 2015) | |
| 95. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015), | |
| 96. Suggestions for Progressive Uttar Pradesh (August 2015) | |
| 97. State profile of Telangana- The dynamic state of India (April 2016) | |



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