



NATIONAL APEX CHAMBER

The road to 50

expediting business regulatory reforms in India



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Foreword

Will India sustain the momentum of Ease of Doing Business reforms? Previously a laggard which ranked consistently lower than its BRICS counterparts and among South Asian countries, the Indian elephant showcased a previously unseen agility as India scaled 30 ranks on the Doing Business Report, 2018 featuring amongst the most improved economies in last year's assessment. An event which made "Ease of Doing Business" a buzzword in the country.

This survey-based report on the prevailing business regulatory environment in the country was undertaken by PHD with the support of KPMG in India. The study focuses on few key parameters of 'Doing Business' such as starting a business, land acquisition, taxation and contract enforcement. The objective was to underscore the areas of business regulation that need attention; highlight some effective and efficient processes prevalent in some states that could be emulated by others; and advocate for adoption of more efficient and effective practices.

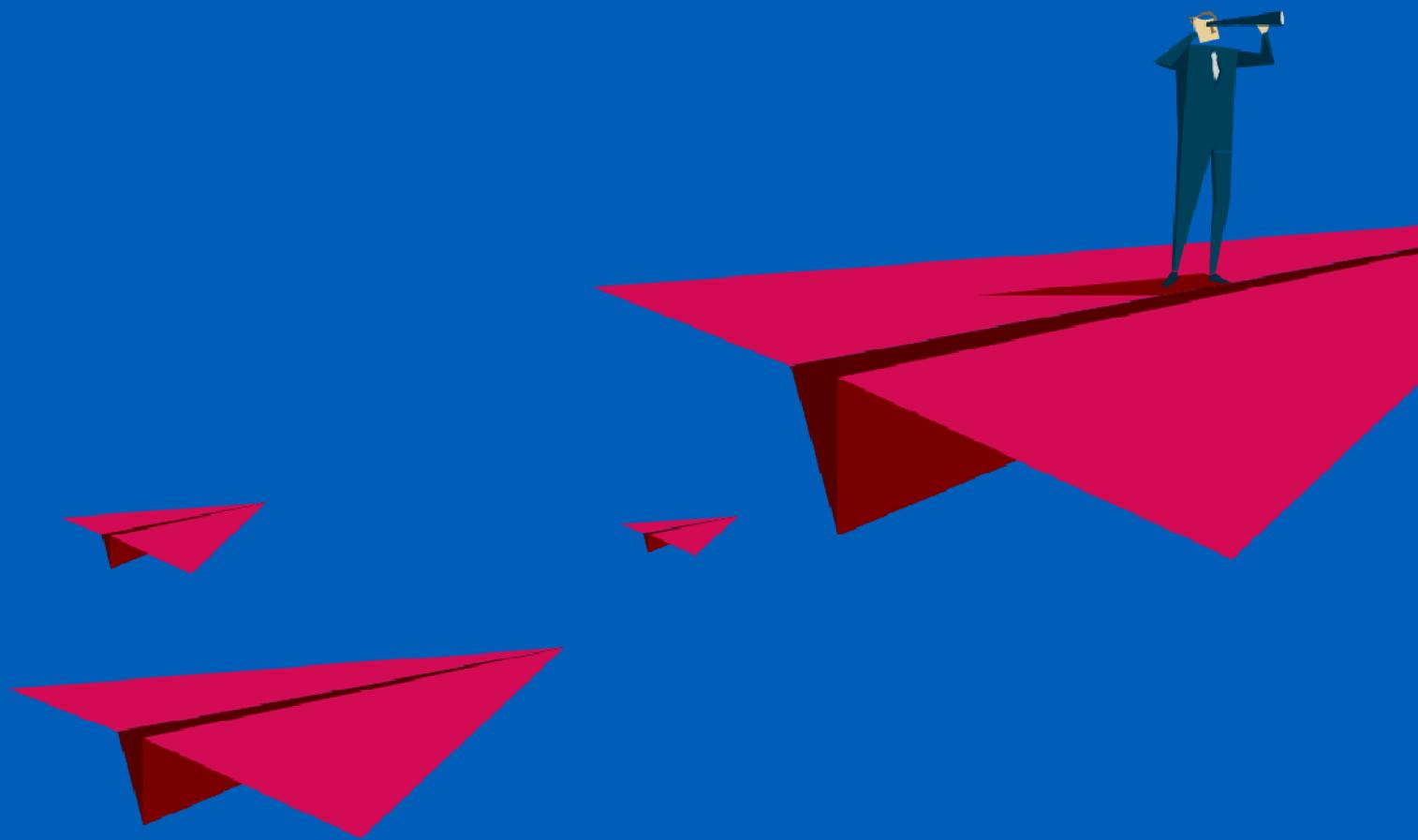
We take pleasure in presenting the joint KPMG-PHD report on 'Doing Business in India' to you.

We do hope that the findings of this report would help bring the issues to the fore and also serve as a reference point for the imminent need to pursue reforms in business practices and processes.

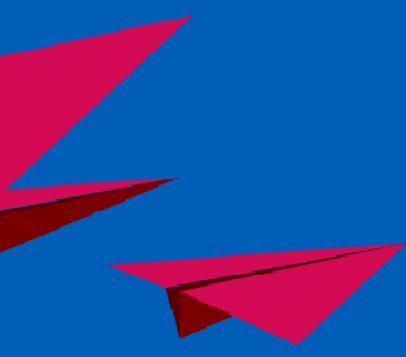
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Table of contents



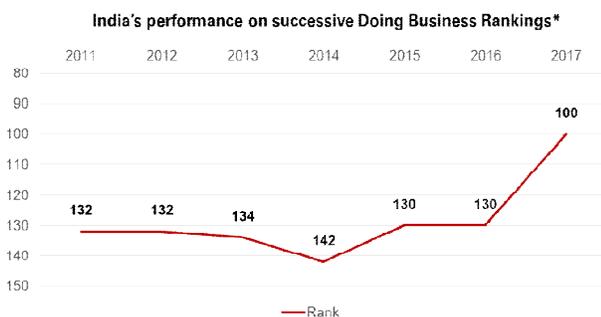
Executive Summary.....	6
The competitive landscape.....	8
Our projection for 2019.....	11
Construction Permits.....	16
Trading across borders.....	18
Starting a Business.....	21
State Business Reforms Action Plan.....	22
Conclusion.....	24
About PHD Chamber.....	25
About KPMG in India.....	26



Executive Summary

India's 30 rank improvement last year marked India's best ever performance on the World Bank's Doing Business index. A sizeable feat considering economies the size of India rarely evidence such exponential improvement in the World Bank's assessment. Over the past few years, several groundbreaking regulatory changes have been introduced including GST, the Insolvency and Bankruptcy Code and several other regulatory and procedural changes which have made it easier to do business in India. India's new found focus is a consequence of the realization that complexities of regulatory compliance are an impediment to economic development of the nation, a status quo questioned by the Prime Minister, aptly at the launch of Make In India. Three years hence, 2017 marked a watershed year for business regulatory reforms in India, as the 15th edition of the Doing Business report recorded a thirty rank improvement. The exponential improvement in rank was vindication of the union government's decisive approach towards tangible reforms. A credible achievement considering the Doing Business index is one of the key indices used by foreign investors to assess a country's suitability for investment.

¹The improvement in rank marked a clear signal to the investor community, **India was now serious about competing as a preferred place to do business globally.** Historically, the country had a notorious reputation for red tape, our rank on the Doing Business index dwindled below 130 in recent years.



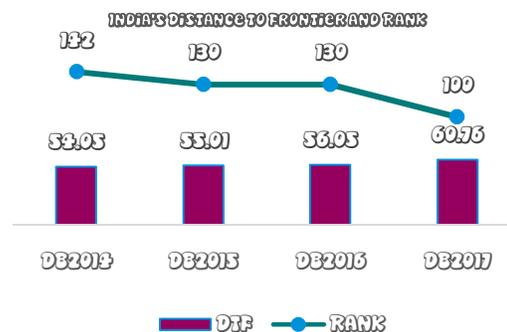
India had its task cut out. The Department of Industrial Planning and Promotion (DIPP), Ministry of Commerce & Industry responded to the Prime Minister's clarion call and spearheaded the cause of Ease of Doing Business with a two pronged

¹ <http://www.doingbusiness.org/Reforms/Overview/Economy/india>

*Year mentioned in this graphic is the same as the release year of the report and measures corresponding June-May period. For e.g. Year 2017 is report released in 2017 and measures period of June 2016-May 2017. However, World Bank nomenclature would call this Doing Business Report, 2018 and likewise for previous years. Figures represented above are as published at the time of assessment in their respective years and may be subject to correction.

approach. Firstly, DIPP acted as a fulcrum bringing cohesion to the complex multi-stakeholder environment which required shepherding towards improving on the World Bank's Doing Business report. Secondly, there was a need to broad-base the Department's learning's beyond the two cities assessed by the World Bank in its global assessment. The latter was achieved with the launch of the innovative State Business Reforms Action Plan (BRAP). Launched in 2014, the BRAP initiative adopted a pan-India ranking on the lines of the Doing Business report, ranking states on their compliance with defined action points.

For the global assessment, implementation of reforms was perceivably an uphill task from the word go considering the multitude of central and state agencies involved in regulation of the 10 areas assessed by the World Bank. DIPP's dogged pursuit of the reform agenda is commendable, given it did not exercise direct control over any single assessment area. The magnitude of effort is best appreciated when one factors that **India recorded nearly half of the 37 reforms recorded over 15 years of the Doing Business publication in the preceding four years.**²



Last year's 30 rank jump can be attributed to extensive reforms across eight of the 10 indicators assessed. Major improvements last year can be attributed to improvements in tax administration (excluding GST) and insolvency regulation, along with other relatively smaller measures, helped India improve its Distance to Frontier³ score (a relative

² <http://www.doingbusiness.org/Reforms/Overview/Economy/india>

³ Distance to Frontier is measured on a scale of 0 to 100, where 100 is the best practice in the world, and 0 is the worst performer. It is measured for every sub-indicator, and then averaged to calculate the country's rank on the indicator as well as the overall rank.

measure which denotes the distance to the global best practice) and consequently our overall rank.

While India is poised to breach the double digits on the assessment, the path ahead will be incrementally harder. To illustrate, if India's DTF this year were to increase by the same amount as last year's assessment, India's rank would improve by 22 versus the 30 rank improvement in 2017.⁴Deductively, the amount of effort required to sustain the momentum of reform to the top 50 will only get harder.

The questions now before us are how can India sustain the pace of reform and ensure the 30 rank improvement is not a flash in the pan? Will the introduction of the Goods and Services Tax (GST) impact this year's assessment? Is the Insolvency and Bankruptcy code a stitch in time? How will India fare in this year's assessment? Our outlook

for India's performance on this year's ranking by the World Bank rank is optimistic as India continues to implement multiple regulatory and process improvements driven by Central and State authorities over the past year.



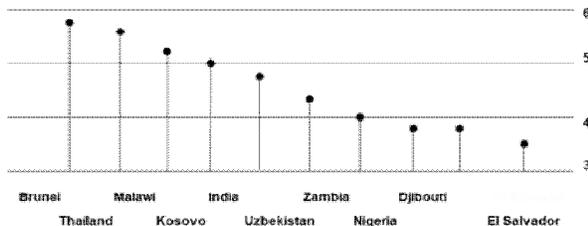
⁴(Assuming none of the top 100 countries implement any reforms in the same period.)

The competitive landscape

The Doing Business assessment covers 10 parameters which span the lifecycle of a business from inception to insolvency. The assessment utilizes a measure termed as Distance To Frontier (DTF) to depict the relative distance of an economy from the international practice (aka the frontier). Ranked on a scale of zero to 100, 100 represents the frontier/ best practice, while zero represents the worst performance of an economy. The ranking of 190 economies is determined by sorting the aggregate DTF scores, rounded to two decimals. To enable an apples to apples comparison a standardized case study is used across each indicator. The case study illustrates circumstances of a domestic medium sized company.

The ten most improved economies

Distance to Frontier score (DTF)



Source: Doing Business database

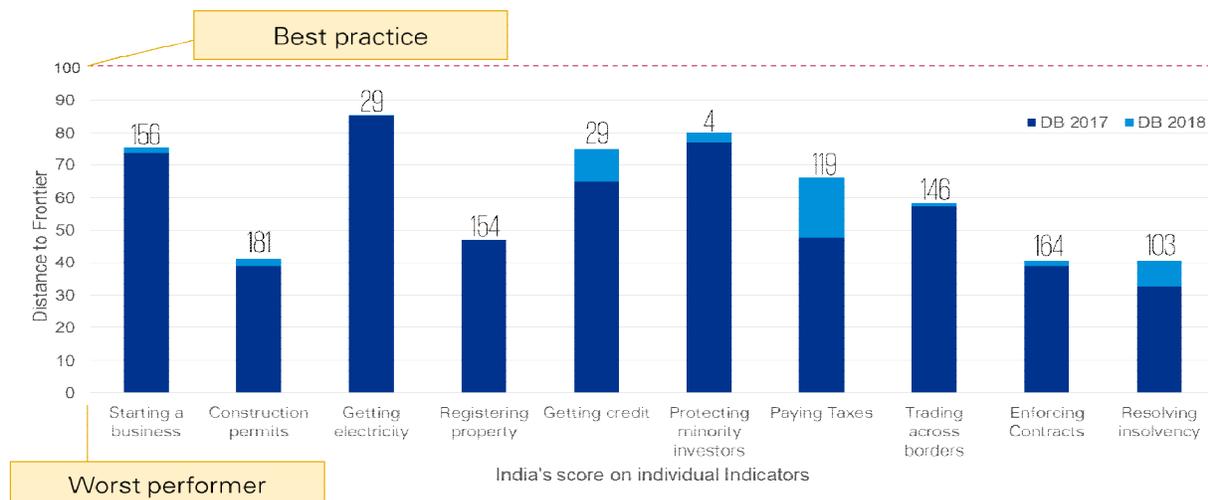
Despite the exponential improvement in ranking, and being the only large economy to feature on the list India ranks poorly when sized up with comparator economies, a sign of the long road ahead. Among BRICS economies, excluding Brazil (125) other BRICS nations are placed well ahead of India. In the

Asian context, China ranks 78 while other major Asian economies feature among the top 50 countries for doing business. Take the case of South Korea (4), Hong Kong (5), Taiwan (15), Thailand (26), and Japan (34). Relatively smaller economies such as Mongolia (62), Vietnam (68), and Indonesia (72) currently outrank India on the assessment.

While India inched closer to the global best practice on all 10 indicators in the Doing Business Report 2018, a closer look at indicators wise rank reveals a stark variance in India's performance across assessment areas. **At one extreme, India features amongst the top 30 economies on three indicators (Protecting Minority Investors, Getting Credit and Getting Electricity.) At the other extreme the country features amongst the worst performing economies on dealing with construction permits, along with crisis stricken economies including Sierra Leone, Afghanistan, Liberia, Syrian Arab Republic etc.**

Overall EODB Rank	
Economy	Rank
Guatemala	97
Dominica	98
Dominican Republic	99
India	100
Fiji	101
Trinidad and Tobago	102
Jordan	103

To realize New India's aspiration of featuring among



the top 50 economies, it is imperative to address this disparity among indicators. Reforms related to contract enforcement (164) and property registration (154) in India will require sustained long term efforts to resolve on account of institutional issues. India performs well on Getting Credit (29), Getting Electricity (29) and Protecting Minority Investors (4). India would do well to focus on business entry regulation aka Starting a Business (156), Dealing with Construction Permits (181), Paying Taxes (119), Trading Across Borders (146) and Resolving Insolvency (103) in the short to medium term. Most efforts to improve on these indicators would require business process re-engineering, augmentation of capabilities and infrastructure.

Other areas are likely to reap fruit in the short to medium term. However, the road to 50 will require strong political commitment will be critical to ensure an upward trajectory on the Doing Business index.

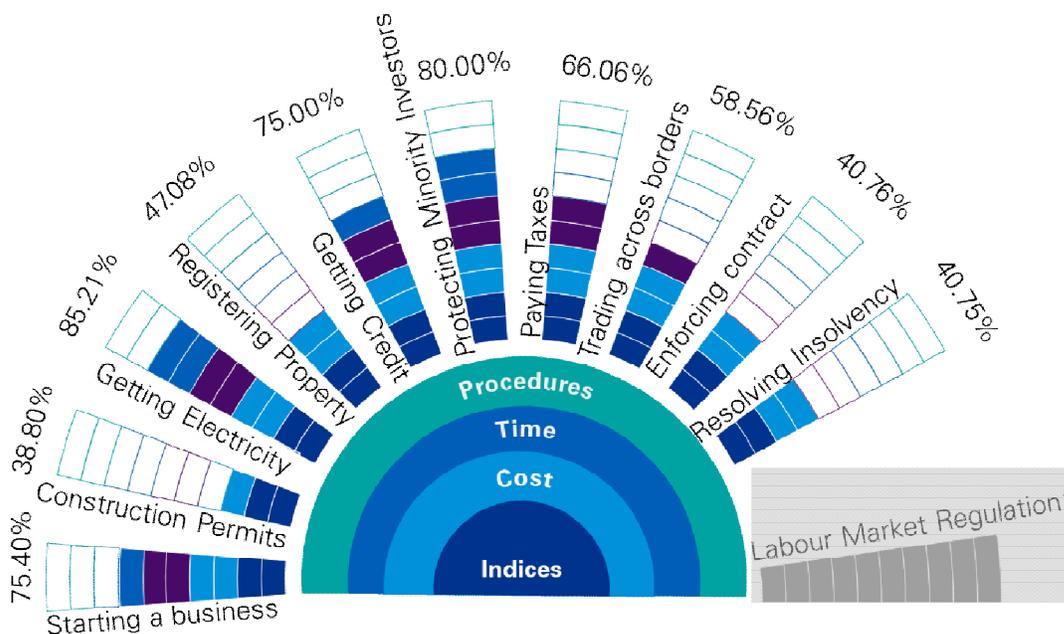
Given Russia's sustained improvement on the index since 2012 to date wherein Russia improved from 118th to 35th India would do well to borrow a leaf from their book. In coming years, Russia has announced a target to feature among the top 20 economies by 2020. The sustained improvement is attributable to the institutionalization of business regulatory reform within Russia's Agency for Strategic Initiatives (ASI). Inter-departmental commitment is enabled through the working group and follow through ensured through a quarterly reporting mechanism to the highest echelons of the Government. Given the multiplicity of stakeholders in the Indian context a programme

approach is likely to loose steam with time. It will be relevant to institutionalize the goal setting and monitoring mechanism to ensure inter-agency coordination, timely follow through and accountability.

In an Indian context, the Niti Aayog would be the ideal agency to house this institutional mechanism given its strategic role and penchant to promote out of the box solutions. It would ensure the highest level of political commitment, while delivering on its function of evolving a shared vision of national developmental strategies in sync with State governments. The role of an institutionalized body should encompass 8 broad functions:

- i. Identification of potential areas for reform
- ii. Prioritization and assignment of reforms
- iii. Identify solutions (technological, procedural or regulatory)
- iv. Track & Monitor results
- v. Reform implementation support
- vi. Coordinate reforms having inter-agency dependencies and resolution of inter-agency disputes
- vii. Escalate implementation issues
- viii. Stakeholder feedback to ensure tangibility of reforms

What gets counted, gets done and till agencies are given tangible time-bound targets, improvement of the business regulatory climate will be limited to piece meal efforts.



Data regarding labour market regulation is collected by the World Bank but not utilised for purposes of the assessment.

Forecast for Doing Business 2019



Our projection for 2019

The cut-off date for this year's evaluation was 1st May. Given the cut-off date, certain reforms such as the amendment to the commercial courts act, to reduce the pecuniary value of the courts are unlikely to be factored in this year's assessment. Similarly, the paying taxes indicator evaluates data pertaining to the calendar year. Accordingly, India's performance on GST will only be evaluated for the period ending December, 2017. **In this background, an electronic survey and in-person interviews of select PHD members was conducted to identify areas where the industry perceived improvement. Cumulatively, we forecast India to break into the late 80s or early 90s this year.** The table below summarizes a conservative estimate of our forecast for India's performance in the next edition of the World Bank's Ease of Doing Business report.

#	Indicator	Current DTF	Current rank	Projected DTF	Projected rank	Traction
1.	Starting a Business	75.40	156	80.8	130	↑
2.	Construction Permits	38.80	181	48.59	172	↑
3.	Paying Taxes	66.06	119	69.30	105	↑
4.	Trading Across Borders	58.56	146	63.12	124	↑
5.	Registering Property	47.08	154	47.08	154	-
6.	Getting Electricity	85.21	29	85.21	29	-
7.	Getting Credit	75	29	75	29	-
8.	Protecting minority investors	80	4	80	4	-
9.	Enforcing Contracts	40.76	164	40.76	164	-
10.	Resolving Insolvency	40.75	103	40.75	103	-
	Overall	60.76	100	63.06	91	↑

The survey and subsequent interactions indicate that the maximum impact of reforms is perceived in the following four areas:

1. **Starting a Business**
2. **Dealing with Construction Permits**
3. **Paying Taxes**
4. **Trading across borders**

1. Starting a business:

Reforms claimed by India this year include:

- i. Dispensing with the requirement of a separate application for allocation of Director Identification Number (DIN) for first time directors of newly incorporated companies.
- ii. Combined application for company incorporation and allocation of PAN & TAN.
- iii. Dispensing with the regulatory requirement for issuance of physical PAN cards and allocation of PAN and TAN number on certificate of incorporation.
- iv. Launch of a new name reservation process which simplifies the application procedure.
- v. Inspections associated with registration under the Mumbai Shops & Establishments Act have been dispensed with, inspections are now only done on the basis of specific complaints. The issuance of registration under the act, is now processed well within one day.
- vi. GST registration within 3 days

The survey suggests that the reduction of procedures associated with applications for DIN, PAN and TAN have been felt by industry members. The name reservation process, however may require further tweaks as users complain of a high rejection rate and non-standard decision making process. While India has replicated the global best practice in terms of having a name reservation system similar to the New Zealand Companies Office, the rule book in India does not reflect the simplicity of New Zealand. The introduction of GST has also lead to an increase in applicable procedures as Professional Tax registration (in Maharashtra) has now decoupled from the erstwhile VAT regime and will once again become an independent process. Accordingly, it is forecast that India will get the benefit of reduction in two procedures and approximately 10 days.

	Procedure	DTF	Time	DTF	Cost	DTF	Paid-in min, capital	DTF	Overall DTF
Current	11.5	38.41	29.77	70.59	14.79	92.61	0.00	100	75.40
Delhi	11.00	41.18	30	70.35	12.33	93.84	0.00	100	
Mumbai	12.00	35.29	29.5	70.85	17.57	91.22	0.00	100	
Projected	9.5	50.18	20	80.4	-	-	-	-	80.8

2. Dealing with construction permits:

Reforms claimed by India include:

- i. Implementation of an end to end process for construction permit approvals
- ii. Replacing multiple inspections with a single joint inspection
- iii. Reducing applicable procedures to 8 in Delhi and Mumbai
- iv. Requirement of physically signed affidavits has been replaced with an e-undertaking in Delhi

Feedback from members suggests that while a larger number of processes are processed electronically, the entire exercise is not processed electronically with physical interactions required prior to closure. Joint inspections are a relatively new phenomenon and the efficacy of the same remains to be gauged. The claimed reduction in applicable procedures discounts multiple interventions required by an applicant. It is expected that the number of applicable procedures in the best case will reduce by 5 and associated timelines will reduce about 18 days.

	Procedure	DTF	Time	DTF	Cost	DTF	Building quality control index (0-15)	DTF	Overall DTF
Current	30.11	12.72	143.87	66.03	23.21	0	11.47	76.47	38.80
Delhi	24.00	24.00	157.50	62.10	23.87	0	11.00	73.33	
Mumbai	37.00	-	128.50	70.46	22.46	0	12.00	80.00	
Projected	22.8	28.96	110.6	75.62	-	-	13.5	89.80	48.59

3. Paying Taxes:

Reforms claimed by India this year include:

- i. Implementation of GST has merged 17 indirect taxes leading to a reduction in associated compliances and payments
- ii. Reduction of corporate tax rate from 30% to 25% for companies with turnover up to INR 250 Crore
- iii. Reduction in EPFO contribution to 0.65% from 0.86%

Empirical data from previous years suggest that structural reforms tend to have a gestation period of 2-4 before the actual impact is perceived by end users. This may be attributable to teething troubles and the opportunity of an end user to experience the system. We forecast that the full impact of GST will take a few years before, users and

administrators have gotten over teething issues, both technology and regulatory. The implementation of GST while a welcome move has invited criticism, particularly on account of technological issues which made the process of filing returns complicated. It is expected that these technological issues faced by end users will take at least another year to be fully addressed. That being said the government's proactive effort to address concerns regarding GST has to an extent buffered the negative impact. We forecast that the 2020 ranking will see GST truly stabilize and reduce the time associated with filings. In the interim, India will benefit from reduction in the total number of payments and in the total tax rate.

	Payments (number)	DTF	Time (hours)	DTF	Total tax and contribution rate	DTF	Postfiling index (0-100)	DTF	Overall DTF
Current	13.00	83.33	214.00	74.50	55.27	57.08	49.31	49.31	66.06
Delhi	13.00	83.33	214.00	74.50	55.26	57.10	49.31	49.31	
Mumbai	13.00	83.33	214.00	74.50	55.29	57.06	49.31	49.31	
Projected	10	88.33	253	68.47	46.2	71.1	-	-	69.30

4. Trading across Borders:

Reforms claimed by India this year include:

- i. 24 x 7 customs clearance facility at major ports
- ii. E-Sanchit an application to enable electronic submission of export import documents has been rolled out
- iii. Majority shipping lines have adopted usage of e-Delivery orders
- iv. A Fourth Container Terminal has been inaugurated at Jawaharlal Nehru Port Trust
- v. New electronic Rubber Tyre Gantry Cars have been deployed at JNPT
- vi. Direct Port Delivery and Direct Port Entry has picked up at major ports

Adoption of technology for processing customs other government clearances is the best way to improve India's score on this rank. While e-Sanchit is a commendable initiative by Customs Authorities, it is unlikely to reap significant dividend this year, given it was implemented very close to the World Bank's cut off date. Considering the time government and users would take to acclimatize on the new system, the impact of the same is expected to be marginal. In practice, customs authorities and partner government agencies continue to prefer processing clearances in physical form. However, some efficiencies of time are expected with the infrastructure augmentation initiatives at major ports, particularly JNPT.

Export

	Time to export border compliance (hours)	DTF	Time to export document compliance (hours)	DTF	Cost to export border compliance (US \$)	DTF	Cost to export document compliance (US \$)	DTF	Overall DTF
Current	106.1	33.89	38.4	77.88	382.4	63.92	91.9	77.03	58.56
Delhi	125	22.0	21	88.17	413	61.04	90	77.50	
Mumbai	85	47.28	58	66.27	348	67.18	94	76.50	
Projected	85	47.17	-	-	-	-	-	-	63.12

Import

	Time to import border compliance (hours)	DTF	Time to import document compliance (hours)	DTF	Cost to import border compliance (US \$)	DTF	Cost to import document compliance (US \$)	DTF	Overall DTF
Current	264.5	5.54	61.3	74.77	543.2	54.73	134.8	80.74	58.56
Delhi	262	6.39	58	76.15	550	54.17	140	80.0	
Mumbai	267	4.58	65	73.22	536	55.37	129	81.57	
Projected	200	28.67	-	-	-	-	-	-	63.12

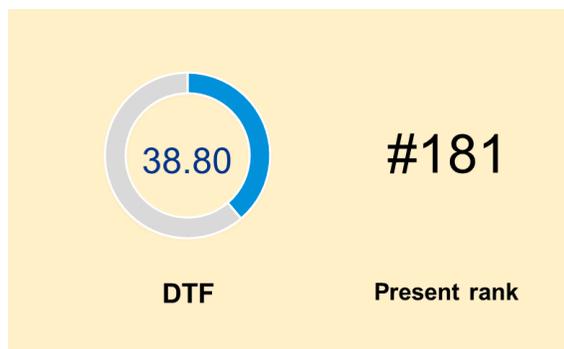
So close, yet so far...

Recent initiatives to improve EoDB and way forward



Construction Permits

Current rank



What does the indicator measure?

The indicator records procedures required for a business in the construction industry to build a warehouse, along with the time and cost to complete each procedure. It also examines quality control indices, evaluation the quality of building regulations, safety mechanisms and insurance regimes and professional certification requirements.

Pain points

The World Bank records 37 procedures requiring 128.5 days in Mumbai and 24 procedures and 157.5 days in Delhi for all building plan approvals. Comparatively South Asian economies average 16 procedures and OECD economies record 12.5. Time taken for obtaining approvals in both instances is significantly higher.

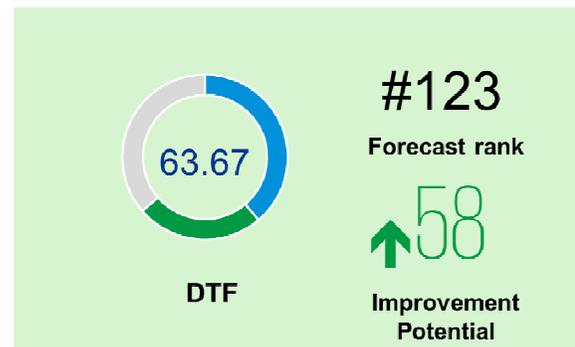
Main reforms claimed to have been implemented this year

Both in Mumbai and Delhi, India claims to have significantly reduced both applicable procedures and associated time. In Mumbai we claim to have dispensed with several procedures either by dropping them in entirety or by clubbing approval processes.

Forecasted impact on Doing Business 2018

The survey conducted amongst PHD members suggests minimal reduction in procedures on ground. Despite the implementation of Online Building Plan Approval Systems (OBPAS) in both Delhi and Mumbai, physical interactions with various government functionaries continue in practice. Accordingly, the scope for improvement on the indicator is likely to be negligible if at all.

The road to 50



If India were to ensure that (i) applicable procedures were reduced to 8 and (ii) all associated approvals were reduced to 60 days, India could scale 58 ranks on the Doing Business report, if all other things remain the same.

The total number of procedures associated with construction permits requires to be rationalized. On the basis of global best practices it is suggested that construction approvals be limited to:

1. Application for all clearances through online single window system sans any physical or manual intervention for NOCs.
2. Joint inspections, while implemented on paper are yet to be experienced by majority of users on ground, an operational mechanism for the same should be finalized.

3. Submit notice of plinth level completion or building completion through Single Window system
4. Final joint inspection by concerned authorities, if required, on basis of risk.
5. Receive final occupancy cum completion certificate through online Single Window System

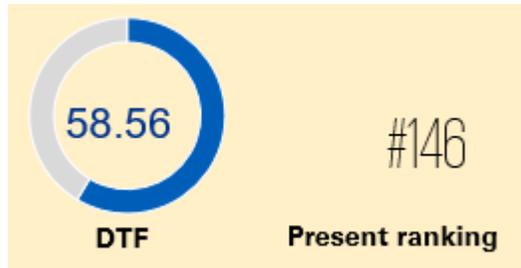
On cost the World Bank estimates cost as a percentage of warehouse value. In India's case the current cost is around 25 per cent of warehouse

value. It is suggested that all associated cost for obtaining building permit should be less than 2% of the total warehouse value.

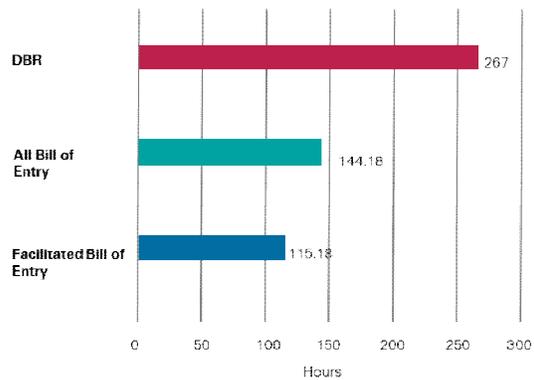
With regard to time, service level standards are required to be imposed on the approving authority to induce discipline and limit time overspill. All procedures should be completed within 30 days for commercial and warehouse construction.

Trading across borders

Current rank



Time Release (Imports) - Comparison



What does the indicator measure?

The indicator records time and cost associated with the process of exporting and importing goods with regard to documentary compliance, border compliance and domestic transport.

Cross border trade has received much attention from the central government since India ratified the World Trade Organizations (WTO) Trade Facilitation Agreement in April 2016. A national level committee National Committee on Trade Facilitation (NCTF) was



Impact of Challenges: Dwell Time



► Export
◄ Import

Pain points

formed under the chairmanship of the Cabinet Secretary to simplify border management processes. Despite a lot of attention from the central government, India has not evidenced any significant improvement on this indicator over the last 2 years. India's relatively lower rank on this parameter is attributed to the unduly high time attributed to import goods.

The reasons for low ranking of the country are the high cost and time involved in complying with documentary and border requirements. India's custom regulations and inspections that are mandatory for the shipment to cross the economy's border increases the time and cost at the border or port. The implementation of international best practices by some economies has resulted in their high ranks and the same should be adopted by India to improve its rank.

Interestingly, the World Bank's assessment on time is significantly higher than government estimates arrived at during a time release study in January, 2018. The Time Release Study (TRS) is conducted by India to comply India's commitments under the WTO's Trade Facilitation Agreement. The findings of the Jawaharlal Nehru Customs House (JNCH) TRS is arrived at from various system logs, this poses questions on the accuracy of the World Bank data which relies on a user's perception.

The average time for all bills of entry and facilitated bills of entry is almost half of the World Bank estimate. The TRS is based on universally established methodology (World Customs Organization guidelines.) This suggests that the user feedback provided to the World Bank may colored by users perception, or the methodology adopted in the Indian context is giving rise to an anomaly.

Technology adoption in context to cross border trade is still at a nascent stage. Given the multitude of public and private stakeholders including customs, port authorities, partner government agencies, shipping lines in addition to the trader manual processing of documents is a hindrance.

Crucial reforms implemented this year

This year Indian Customs authorities have been aggressively pushing for increased adoption of four initiatives which are at the core of their efforts to reduce release times. These include (i) promotion of advance filing of Bills of Entry, (ii) facilitation of consignments through Risk Management Systems (RMS) (iii) promotion of Direct Port Delivery (DPD) and Direct Port Entry (DPE) (iv) Promotion of AEO scheme. While these initiatives have been in existence for a while, adoption by traders has significant scope for improvement.

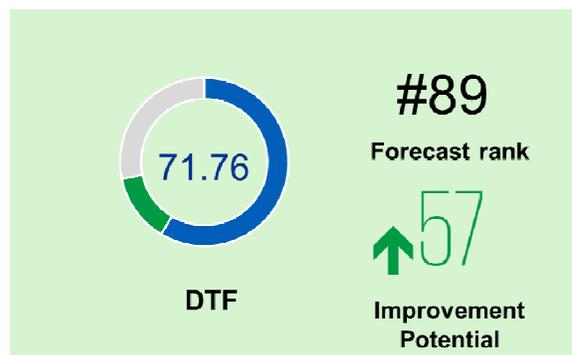
India inaugurated a Fourth Container Terminal (FCT) at Jawaharlal Nehru Port Trust (JNPT). The FCT, the first phase of which is now operational has increased JNPT's capacity by 50 per cent. JNPT is now the 33rd largest port in the World. In addition, India claimed to have implemented e-Sanchit to bolster paperless trade across export and import processes.

Forecasted impact on Doing Business 2018

In the absence of a fully functional single window portal it is estimated that radical change on the indicator is unlikely as user opinions will be coloured with the bureaucratic hassles associated with manual systems and multiple interactions with government agencies. To cite an example, while six of 14 partner government agencies have IT enabled approval systems, it has been observed that even these agencies, in practice require physical documents for approval. Thirdly, the implementation of e-Sanchit seems to have been hurried as reports on ground suggest that Customs officers on ground zero are in many cases not familiar with the technology interface and prefer to deal with physical documents.

Given the addition of the FCT and other infrastructure initiatives such as the new fleet of electronic Rubber Tyre Gantry Cars (RTGC) it is expected that some improvement on Time to import may be expected.

Empirical studies conducted by the World Bank evidence that economies which have completely implemented a single window system, bringing all stakeholder on-board evidence substantially lower release times.



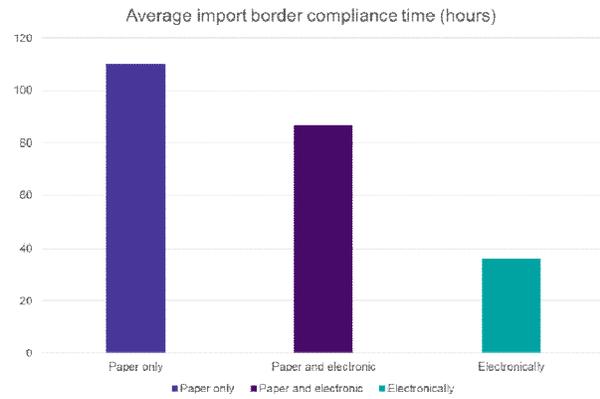
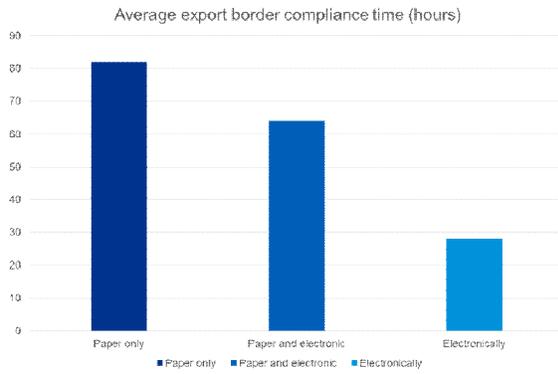
The road to 50

Measures must focus on improving time to import to 72 hours and limit export procedures to 48 hours. This can be achieved by India can improve its rank by 57 positions.

This would require up gradation of physical and digital infrastructure, which is the need of the hour with both systems requiring an overhaul. Empirical evidence from other economies suggest compliance time can be substantially improved by transiting to a pure play electronic compliance interface.

The current single window does not bring on board all agencies, and authorities continue to process approvals in paper as well as physical documents. An effective Single window irons the creases between Customs, Ports, Partner Government Agencies.

Trade digitization leads to efficiency gains for both exporters and importers

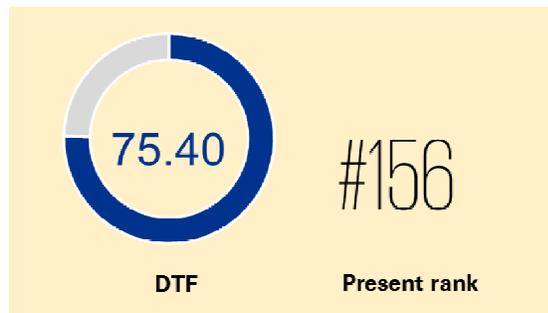


Source: *Doing Business database*

Note: The relationship is significant at the 1% level after controlling for income per capita. The three categories are: only paper submission of customs declaration is possible, both paper and electronic submissions are in use, and only electronic submission is possible. The sample includes 165 economies.

Starting a Business

Current Rank



What does the indicator measure?

The indicator records all procedure required to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures including any paid-up minimum capital requirements.

Pain points

Doing Business Report 2018 captured 12 procedures and 29.5 days in Delhi and 11 procedures and 30 days in Mumbai against a South Asian average of 7.9 procedures processed in 15.4 days.

India's relatively high DTF score and low rank indicate that the competition on this indicator is particularly high. This makes it particularly difficult to induce exponential improvement on the indicator.

Despite an amendment to the Companies Act, 2017 dispensing with the requirement of rubber stamps, the stamp continues to be mandated by banks and other business intermediaries in practice.

Crucial reforms implemented this year

India introduced a new name reservation process this Republic Day, built on the lines of New Zealand's name reservation service. India also completely dispensed with a separate application for first time directors of newly incorporated companies. An amendment to the finance act also tried to dispense with the requirement of physical issuance of PAN cards, however NSDL continues to print and provide the same in practice.

Forecasted impact on Doing Business 2018

In view of the already high distance to frontier score, it is expected that improvement on the indicator will be marginal. Furthermore India's claim of reduction in a procedure on account of the new name reservation process is less likely to be accepted by the World Bank given a variance in the procedure followed in New Zealand. In New Zealand a company which applies for name reservation is attributed a temporary number which it can use to continue processing subsequent procedures, thus making the process seamless.

In addition the introduction of GST will lead to an additional procedure being recorded in Mumbai for Professional Taxes. Previously, the same was clubbed with VAT registration in Mumbai.

The name reservation process requires further streamlining of rules as feedback suggests a high rejection rate since introduction of the new service. In view of the above facts, improvement on the indicator is forecast to be marginal.

The road to 50

If both applicable procedures and number of days taken were reduced to five, India could potentially jump 104 ranks on the assessment. Some ideas to reduce applicable procedures include clubbing GST, EPFO and ESIC registration with the Ministry of Corporate Affairs Simplified Proforma for Incorporating Companies Electronically (SPICE) form.



State Business Reforms Action Plan

In addition to the World Bank's Doing Business assessment, DIPP's effort to widespread reforms beyond Delhi and Mumbai by leveraging their experience in the Doing Business assessment is commendable. Being a federally structured nation, States Government's play a vital role in promoting investor confidence which is why a country wide reform exercise was initially conceptualized. Started in 2014, the Department spearheaded a dynamic reform exercise to rank all the States/UTs in the country basis implementation of identified reform parameters. The aim of this exercise was to create a conducive business environment by streamlining regulatory structures and creating an investor-friendly business climate by cutting down red tape.

This process of assessing State level reforms has been a journey of evolution as the process has matured with the passage of time and is an ongoing process. A 98 point action plan was finalised and shared in the National Workshop of "Make in India" held on 29th December 2014 which initiated a new measure of competitiveness among State Governments. This action plan has evolved over the years to include a much larger concerns. DIPP championed the cause of the Public Service Delivery Guarantee Act to ensure timely processing, setting up of a single window agency through legislation to serve as a single point of contact for all licensing required by businesses, mandating joint inspection under 10 labour acts, etc. Extensive work was done to streamline inspections and set the nation free from 'inspector raj'.

The reform exercise in 2016 saw 12 States achieved more than 90% implementation score and some noteworthy achievements include; 11 States scored 100% on the Access to Information and Transparency Enablers, 24 States had operational single window systems and a recommended single window system with all features exists in 10 States.⁵

In 2017, the reform exercise was updated to 372 action points with additions introduced such as Central Inspection system, Trade License, Registration under Legal Metrology, and Registration of Partnership Firms & Societies. Some notable achievements of the State BRAP exercise include:⁶

- 19 States/UTs designed an Information Wizard providing information for approvals, licenses, registration timelines, procedures to establish business/ industrial unit
- 21 States/UTs have designed and implemented online Single Window System
- 18 States/UTs have brought all compliance inspections conducted by Labour, Factories, Boilers Departments and Pollution Control Boards under Central Inspection Framework
- 21 States/UTs have implemented a GIS system to provide details about the land earmarked for industrial use across the State
- 16 States/UTs have established commercial courts at district level to resolve disputes

⁵<http://eodb.dipp.gov.in/data/State%20Assessment%20Report%202016.pdf>

⁶http://dipp.nic.in/sites/default/files/u2047_0.pdf

- 29 States/ UTs have actioned notifying a list of white category industries exempted from taking pollution clearances

In this year's edition of the State BRAP, DIPP augmented the assessment process by factoring respondent feedback when arriving at the implementation scores. This measure has enabled that reforms do not remain limited to paper but are actually perceived on ground. The assessment collected responses from 5,000 private sector users constituted of entrepreneurs and business intermediaries such as lawyers and chartered accountants. Andhra Pradesh and Telangana have continued to top the leader board for the second consecutive year.

Respondent type	Reform Areas Covered
New Business	License, Permits, Registrations and experience with Single Window systems
Existing Business	Business inspections
Architects	Construction permit approvals and inspections
Electrical contractors	Electricity connections
Lawyers	Commercial disputes and property registration

The feedback was collected on 78 of 372 reforms listed under BRAP 2017-18 exercise. An encouraging sign of the competitive federalism mechanism is the high uptake and increasing implementation scores pan India, with the exclusion of North Eastern states and Jammu & Kashmir. The national implementation average has witnessed significant improvement from 32 per cent to 60 per cent.

17 states achieved a reform evidence score greater than 90 percent and 15 states achieved a combined score of 90 percent and more. States which achieved 80 percent or more reforms evidence score represent 84 percent of the country's area, 90 percent of the country's population and 79 percent of India's GDP,

BRAP 2017-18		
RANK	STATE	SCORE (%)
1	Andhra Pradesh	98.30
2	Telangana	98.28
3	Haryana	98.06
4	Jharkhand	98.05
5	Gujarat	97.99
6	Chhattisgarh	97.31
7	Madhya Pradesh	97.30
8	Karnataka	96.42

Going forward, we propose the State BRAP ranking should transition to a primarily feedback based assessment to ensure tangibility of a larger number of reforms and necessary corrective action by State governments. The road ahead looks exciting and promising and with the right thrust on 'Reform, Perform and Transform', the country is hopeful to continue to reap benefits from the efforts in the ease of doing business exercise in the coming years.

Conclusion

The survey conducted across respondents in various business segments has highlighted a number of areas to improve the business climate in India – particularly around construction approvals, cross border trade, land administration, business entry regulation, taxation and contract enforcement.

The recommendations presented in this report highlight the need for:

Reform in Policy & Regulation

- Enhanced transparency in rules and processes around land acquisition, business approvals and taxation
- Strengthening the IT backbone of GST
- Consider expanding the ambit of the composition scheme to companies with turnover of up to INR 20 crore

Reform in Administration and Execution of policy

- Increased online processes for registrations and clearances in practice
- Introduction of single window clearance systems with time bound decision making for business approvals
- Introduction of coordinated clearance systems e.g. for construction permits, to facilitate information exchange between various line departments and industry
- Improving the judge to case ratio and augmenting the number of courts & tribunals as well as alternative dispute resolution mechanism to enhance contract enforcement

About PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. PHDCCI has been accredited with “Diamond Grade” by NABET(QCI), at national and international level. PHDCCI is a National Apex Chamber having its international office at Bahrain for 6 GCC countries, having 1,30,000 companies as its members base, has total focus on the development of small and medium businesses. PHDCCI has co-opted National and International Industry Associations and Organisations with over 100 MoUs signed between them. PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities. A staunch believer in strength of the Indian Industry and MSME segment, we have mobilized tie-ups with a network of 60 world-wide chambers of commerce for allowing a one-to-one interaction between the industry and Govt. peers across the borders. PHD represents the interests of all local, national, regional, bilateral and transnational industry and provides a platform for exchange to better serve and promote SME members worldwide

It is more than just an organization of the business community, as it lives by the chosen motto ‘In Community's Life & Part of It’ and contributes significantly to socio-economic development and capacity building in several fields. Industrial Development, Health, Education & Skill development, Housing, Infrastructure, Agriculture & Agri-business and Digital India are the seven key thrust areas of the Chamber.

PHD Research Bureau

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. Recently, the Research Bureau has undertaken various policy projects of Government of India including Framework of University-Industry Linkages in Research assigned by DSIR, Ministry of Science & Technology, Study on SEZ for C&AG of India and Study on Impact of Project Imports under CTH 9801 for C&AG of India.

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About KPMG in India

KPMG was established in India in September 1993, and has rapidly built a significant competitive presence in the country. The firm operates from its offices in Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Kochi, Kolkata, Mumbai, Noida, Pune and Vadodara, and offers its clients a full range of services, including financial and business advisory, tax and regulatory, and risk advisory services.

In India, KPMG has a client base of over 2700 companies. The firm's global approach to service delivery helps provide value-added services to clients. The firm serves leading information technology companies and has a strong presence in the financial services sector in India while serving a number of market leaders in other industry segments.

Our differentiation is derived from a rapid performance-based, industry-tailored and technology-enabled business advisory services delivered by some of the leading talented professionals in the country. KPMG professionals are grouped by industry focus and our clients are able to deal with industry professionals who speak their language. Our internal information technology and knowledge management systems enable the delivery of informed and timely business advice to clients.

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