Progress of Make in India

Glass Half Full…

September 2015

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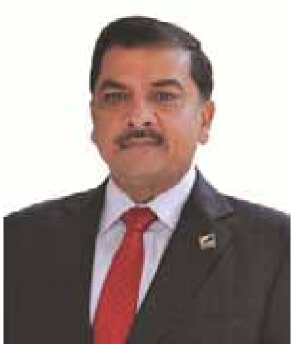

Mr. Alok B Shriram

From President's Desk

The Indian economy has recovered and the macroeconomic indicators have displayed an encouraging trend in the recent times. The manufacturing sector which was a cause of concern has also shown signs of recovery. This has been largely due to the 'Make in India' programme launched by the government last year.

Various reform measures have been announced since the past one year to facilitate ease of doing business in the economy. These reform measures are expected to foster a higher and sustainable growth trajectory of the economy in the coming times.

The Chamber conducted a survey to assess the progress of Make in India which has been initiated to attract investments flow in the economy and to bolster industrialization for the creation of employment opportunities for masses. This study is an attempt to know about the experiences of businesses in terms of changes brought about in the business environment after the launch of Make in India.

PHD Chamber is organizing a Seminar on **Progress of Make in India: The Way Forward for Scripting India's Growth Story** which aims to have meaningful discussions on accomplishments as well as issues and challenges faced by the businesses that are yet to be addressed by Make in India.

I wish all success to the Seminar and look forward to fruitful deliberations.

Mr. Mahesh Gupta

From Senior Vice President's Desk

"Make in India", the ambitious programme of the new government, covering 25 sectors was launched on 25th September 2014. It was aimed at taking manufacturing growth to 10% on a sustainable basis by eliminating unnecessary laws and regulations, making bureaucratic processes easier and making government more transparent, responsive and accountable.

Various initiatives have since been taken under this programme to facilitate ease of doing business. The recent measures undertaken by the government are inspiring and we believe that our rankings in Doing Business Index would improve in the coming times.

Though India ranks at 142nd out of 189 nations in Doing Business Index 2015, we believe that India's rank on Ease of doing Business Index could be raised to below 50 in the next three years.

But for "Make in India" to be a real game changer of economic development for the country, a lot depends on state of art infrastructure set up in the country. Thus apart from building more roads and ports, an overall re-hauling of transport system is needed urgently.

I am sure that the Seminar on **Progress of Make in India: The Way Forward for Scripting India's Growth Story** will facilitate meaningful discussions on improving India's ranking.

I welcome all the distinguished participants and wish all the best to the Seminar.

Mr. Gopal Jiwarajka

Vice President's Message

The Indian economy has been improving since the last many months. Various international agencies are upbeat on India's growth story. This can be attributed mostly to the reform measures of the new government. Going ahead, the "Make in India" is expected to bolster manufacturing sector in the coming times.

Measures such as improvement in the ease of doing business, manufacturing competitiveness, availability of power and land, reforms in labor laws, simplification of tax structure, conducive policy regime for SEZs and focus on massive skill development would be critical to make "Make in India" a success mantra to turnaround India's growth story.

R&D activity should also be promoted at large, as it helps in strengthening global competitiveness with productivity improvements and product innovations. Taxation of India is another area that needs structural, operational and administrative reforms. Implementation of well designed Goods and Services Tax (GST) will be critical for a leap in our growth story.

The Seminar on **Progress of Make in India: The Way Forward for Scripting India's Growth Story** is an attempt to organize meaningful interactions with stakeholders on reform measures to further improve the business environment in the country.

We look forward to momentous discussions in the Seminar.

Mr. Prabhat Jain

From Desk of Chairman, Economic Affairs Committee

India has a vast pool of entrepreneurs and some of the best management minds. Our budding entrepreneurs, if given encouragement to invest/start/grow businesses; can surely become competitive on the global stage.

The Make in India is a commendable program of the Government of India. It is expected to establish India as a major manufacturing hub that will generate millions of employment opportunities and put India prominently on the global manufacturing map.

However, for this initiative to become a success, it is imperative to Skill India, i.e. to develop our industry-education linkages so that the industry may derive maximum benefits from R&D activities.

Thus, the pace of growth in workforce and the level of skill development in the economy should go hand in hand to meet the industrial demand and requirements of an overall growth.

Going forward, we should set up a mission for 'Study in India' and take adequate steps to empower and improve our existing educational institutions as well as pave the way for setting up of world class educational institutions with investments coming from India and different corners of the world.

The Seminar on 'Progress of Make in India: The Way Forward for Scripting India's Growth Story' shall address the issue of Skilling India to achieve Make in India. I wish all the success to the Seminar.

Mr. Akhil Bansal

From Desk of Co-Chairman, Economic Affairs Committee

For the economic growth of any nation, the business sector should flourish as it is the driving force for accelerating the pace of industrial growth. For industrial sector to flourish, a favourable ease of doing business in the economy is a pre-requisite. Unfortunately, India ranks 142nd out of 189 nations in "Doing Business Index 2015" of World Bank and International Finance Corporation (IFC).

Thus, there is a need to emphasize on state of the art solutions which will improve the ease of doing business, viz., single window clearances i.e., effective coordination between centre and state governments. Digitization of all the departments of the Government of India with electronic filing should be widely enhanced where all the businesses should have access and all approvals should be done electronically.

We believe that if these basic solutions are adopted, costs of doing business would decrease which would attract global investors to come and invest in India.

For a nation such as India, which has a fundamentally strong financial and economic foundation, the need of the hour is to introspect, draw a clear action plan for the coming times and make goals for short, medium and long term towards an unified, all-encompassing aim of making India's growth story an exceptional one both economically and socially. The Seminar on 'Progress of Make in India: The Way Forward for Scripting India's Growth Story' shall address these issues.

I wish grand success to the Seminar!

Mr. Saurabh Sanyal
Secretary General

Acknowledgments

PHD Chamber has come up with a report on "Progress of Make in India: Glass Half Full". The present study is an attempt to know about the progress of "Make in India" with respect to the facilitation provided to the businesses and the extent to which there has been improvement in the ease of doing business in the economy in the last one year.

We take this opportunity to express our gratitude and respect to our office bearers Shri Alok B Shriram, President, Shri Mahesh Gupta, Senior Vice President and Shri Gopal Jiwarajka, Vice President for their continuous support.

We express our sincere thanks to Mr. Prabhat Jain, Chairman of Economic Affairs Committee, PHD Chamber and Mr Akhil Bansal, Co-Chairman of Economic Affairs Committee, PHD Chamber for their profound suggestions.

I commend and appreciate the tireless efforts of PHD Research Bureau team led by Dr. S P Sharma, Chief Economist & Director- Research and Ms. Megha Kaul, Associate Economist, Ms. Ekta Goel, Research Associate & Ms. Huma Saif Qazi, Research Associate for producing this analytical study.

Last but not the least, we would also like to place on record the support of respondents for sharing their views on the captioned theme and the services of Mr. Hariom Kuthwaria, Graphic Designer, PHD Chamber who collaborated in producing this work.

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Executive Summary

The Indian economy has recovered and the macroeconomic indicators have displayed an encouraging trend in the recent times. The manufacturing sector which has been a cause of concern in the recent past, also showed signs of recovery. This can be attributed to the bolder initiatives of the government, the most prominent being the **"Make in India"** programme, aimed to take manufacturing sector to a growth rate of 10% on sustainable basis. With the initiatives of the government in the last one year under "Make in India", the growth rate of the manufacturing sector has increased from 5.3% in 2013-14 to 7.1% in 2014-15 and 7.2% in 2015-16 Q1.

Against this backdrop, PHD Chamber conducted a survey with an objective to gauge the facilitation in the business environment since the launch of Make in India, during the last one year. Around 200 business leaders were surveyed from the micro, small, medium and large enterprises across the sectors and states.

According to the survey, 52% of the respondents are optimistic that "Make in India" programme has facilitated ease of doing business in the economy and will place economy on the higher and sustainable growth trajectory in the coming times. However, 48% of the respondents have stated that although the programme is appreciable but the reforms are not yet visible at the ground level. Going ahead, government needs to do a lot for the implementation of the reforms at the ground level for visible outcomes in terms of increased industry growth and its value added in GDP along with creation of employment opportunities for the masses.

The survey revealed that there are few obstacles that still affect the businesses; the most severe being administrative bottlenecks (Rank1) followed by Government regulations (Rank2), delays in environmental clearances (Rank 3), power and Water shortages (Rank 4 and Rank 5 respectively). The other major problems faced by the businesses that need to be addressed are infrastructural bottlenecks (Rank 6), Corruption (Rank 7) and high capital cost (Rank 8). Further, taxation problems (Rank 9), access to land (Rank 10), increasing borrowing and labour cost (Rank 11 and Rank 12 respectively) are the other issues that need to be addressed to facilitate ease of doing business. Unskilled workforce (Rank 13), stringent custom and trade regulations (Rank 14), stringent and inflexible labour regulations (Rank 15), inadequate R&D activity (Rank 16) are the other issues that confronts the industry. Also, high cost of raw materials(Rank 17), poor access to raw materials(Rank 18), currency volatility(Rank 19) and lack of financial resources (Rank 20) are the other problems that that needs to be addressed to push the manufacturing sector's growth rate in the higher growth trajectory in the coming times.

Further, the New Companies Act 2013 is not synchronous with the growth of the businesses as the compliance is extremely high. The most crucial reform with regard to the Inspection Laws is not in the interests of the businesses. The Act mandates that a number of annexure to be attached with the Balance Sheets which has made the entire process very tedious. A few challenges also arise from lack of clarity in interpreting the new Companies Act at certain places where it is not worded with sufficient clarity. Thus, the Act must be revisited with significant amendments that are conducive to the growth of not just large enterprises but micro, small and medium enterprises also.

The study pertains to assess the business environment on ten parameters that are used by the World Bank in its Doing Business Report to gauge the business environment in different countries. There is a scope on improvement on each of the parameters which should be adopted by the government such as introduction of single window clearance mechanisms, simplification of labour laws, upgradation of technology and strengthening of high capacity national transmission grid, improving the flow of credit to infrastructure sector and implementation of GST.

Going ahead, we believe that with these reforms and several measures announced by the government to facilitate ease of doing business, India will achieve ranking in “ease of doing business” at the upper level under 50 **in the next five years.**

The problems faced by businesses and industry demand some common solutions. Removal of licence requirements, reduction in number of stages for approval, removal of verification and cross verification process at each stage, introduction of self certification by individuals through Aadhar, PAN, Driving Licence and Voter ID are the steps that need to be taken by the government to facilitate starting a new business. Simplification and reduction of tax laws, earliest implementation of GST to remove multiple taxation and rationalization of tax system and Labour reforms will make laws simpler and more progressive to facilitate ease of doing business.

It is also required that the process of land acquisition should be made easier and simpler it is required that the process of land acquisition should be made easier and simpler. Going ahead, the un-used land should be re-allocated to industries. Further, un-utilized land of PSUs should be allocated to private sector for easing the process of acquiring land.

In conclusion, the time is most opportune for Make in India to turnaround India’s growth story as India's economy is majorly domestic demand driven which is still intact and is likely to remain stronger in the coming times too. The recent global economic developments such as decline in international commodity prices will increase price cost margins of entrepreneurs and attract international investors’ to invest in India.

PHD Chamber strongly believes that the Government so far has been successful in pursuing reforms in various segments of the economy including agriculture, industry & manufacturing, services and financial sectors, among others. The crucial reforms such as targeted subsidies, transparent allocation of mineral resources, better allocation of Government spending and improving efficiency and accountability among various departments have improved business confidence significantly. Going ahead, while sustainable long-term growth would require continuation of bolder reforms especially in the land, labour and taxation sectors, the increased transparency and stability in policy environment would be crucial for the extended confidence of domestic and foreign investors.

In a nutshell, the reform measures taken by the government are highly appreciable and the industry is highly optimistic about it. The businesses and firms look forward to more such reforms and greater penetration, thereof; this would benefit the industry and spur economic growth with immense employment opportunities in the coming times.

1. Make in India

Make in India, the ambitious programme of the new government, covering 25 sectors was launched on the 25th September 2014. It was aimed primarily to take the manufacturing growth to 10% on a sustainable basis while eliminating the unnecessary laws and regulations, making bureaucratic processes easier and making government more transparent, responsive and accountable.

The programme focuses on new ideas and initiatives such as First Develop India and then Foreign Direct Investment, Look-East on one side and Link-West on the other, Highways and 'I-ways, facilitate investment, foster innovation and protection of intellectual property rights. It further aims to create new employment opportunities, boost skill formation, reduce supply-side bottlenecks and develop best-in-class manufacturing infrastructure

Major initiatives undertaken

- Process of applying for Industrial License & Industrial Entrepreneur Memorandum have been made online on 24×7 basis
- Services of all Central Government Departments & Ministries will be integrated with a single window IT platform
- Online filing of returns and a check-list of required compliances to be placed on Ministry's/Department's web portal
- Single electronic registeration for businesses

Objectives of Make in India

- To make investing in manufacturing more attractive to domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To development infrastructure
- To invite latest technologies
- To generate employment and skill formation

Various initiatives have since been taken under this programme to facilitate ease of doing business such as de-licensing and deregulation measures to reduce complexity, 24×7 basis online applications for Industrial Licence & Industrial Entrepreneur Memorandum, asking state governments to introduce self-certification, launch of e-Biz portal[1], replacement of multiple registers maintained by various departments by single electronic register and online environmental clearances. These initiatives offer immense opportunities to domestic and international investors to come and make in India in the coming times.

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[1] The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry launched 11 Central Government Services on e-Biz portal on 19th February 2015.

2. Progress of Make in India: A Survey

Against the backdrop of completion of one year of "Make in India", PHD Chamber conducted a survey to know the feedback of the industry on the progress of "Make in India"; whether there has been a significant improvement in the business environment in terms of obstacles that they faced earlier have been cleared or not and what can the government do to further improve the business environment in the economy.

2.1 Research Methodology

The present study is an attempt to know about the progress of "Make in India" with respect to the facilitation provided to the businesses and the extent to which there has been improvement in the ease of doing business in the economy in the last one year.

The PHD Chamber conducted a survey covering 205 firms from MSMEs and Large enterprises, operating in different states and sectors of the country. The survey was an attempt to find out whether government through "Make in India" has been effective, in giving significant impetus to the manufacturing sector.

The industries surveyed are broadly from sectors[2] viz. Automobiles, Aviation, Chemicals, Construction, Defence manufacturing, Electrical Machinery, Food Processing, Leather, Mining, Oil and Gas, Pharmaceuticals, Railways, Roads and Highways, Textile and Garments and Tourism and Hospitality.

2.2 Issues faced in running an Enterprise

The survey has revealed that 52% of the respondents are optimistic that "Make in India" programme has facilitated ease of doing business in the economy and will place economy on the higher and sustainable growth trajectory in the coming times. However, 48% of the respondents have stated that although the programme is appreciable but the reforms are not yet visible at the ground level. Going ahead, government needs to do a lot for the implementation of the reforms at the grassroots level for their visibility.

[2] The sectors selected for the survey are among the 25 sectors covered under "Make in India" initiative of the government

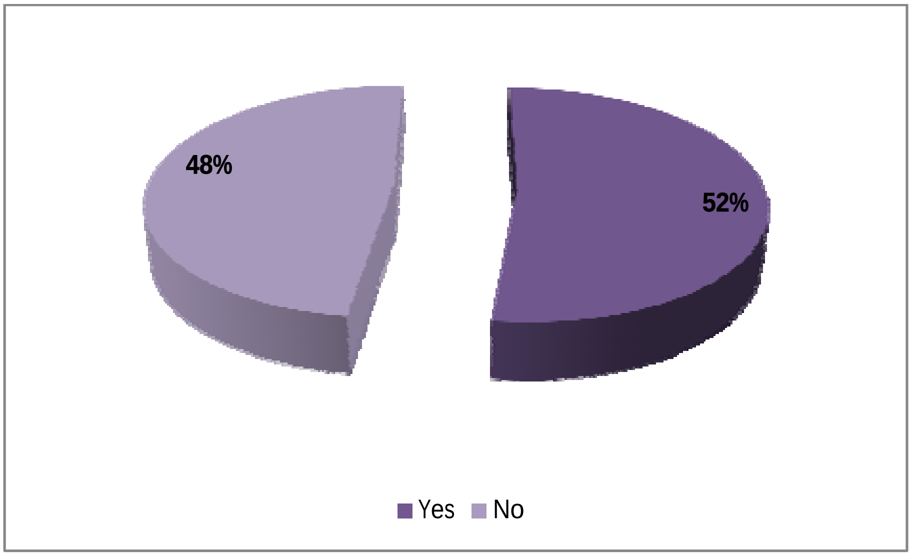
Macro-economy So Far

S.No	Parameter	FY2014	FY2015
1	Growth rate of GDP*	6.9%	7.4%
2	Headline Inflation (WPI)	6%	2.4%
3	Growth of Industry	5.3%	6.6%
4	Growth rate of Agriculture*	3.7%	1.1%
5	Growth rate of Services*	9.1%	10.6%
6	Growth rate of Construction*	2.5%	4.5%
7	Growth rate of Infrastructure (Core Infra)	4.2%	4.7%
8	Growth rate of Exports	3.9%	(-)1.2%
9	Current Account Deficit	1.7%	1.3%
10	Fiscal Deficit	4.5%	4%
11	Growth in Inflation	9.5%	6.4%
12	Foreign Direct investments	8%	27%
13	Foreign Institutional Investments	US$8.5 bn	US$45.4 bn
14	Gross Fixed Capital Formation (As %age of GDP at current prices)	29.7%	28.7%
15	Private Final Consumption Expenditure (As %age of GDP at current prices)	59.7%	60.1%
16	Government Final Consumption Expenditure (as %age of GDP at current prices)	11.3%	11.4%
17	Total Final Consumption Expenditure (as %age of GDP at current prices)	71%	71.5%

Source: PHD Research Bureau, compiled from various sources

Though various initiatives have been taken by the government under "Make in India" campaign, there are few factors impeding ease of doing business in India, such as, delays in land acquisition, municipal permission, supply of raw materials, award of work. Further, operational issues dragging down the implementation of the projects, movement of projects through multiple departments at the state and central levels, involvement of multiple agencies and requirement of various approvals across different stages of the project cycle are the other major problems faced by the businesses.

Effectiveness of the Government to clear obstacles faced by the manufacturing firms



Source: PHD Research Bureau, compiled from Progress of "Make in India"

To know the major obstacles hampering growth of manufacturing sector in the economy and level of improvement in the business environment after the launch of "Make in India", the survey focussed to understand about the extent to which the programme has been able to fulfil industry expectations. The obstacles faced by manufacturing firms have been rated on the scale of 20 on the basis of severity with point 1 being the least severe and point 20 being the most severe. The survey revealed that though there has been significant improvement in the business environment, still there are number of problems faced by industrial units that needs to be addressed.

1. **Administrative bottlenecks-** Ranking the obstacles faced by manufacturing firms on the scale of 20, administrative bottlenecks is the severest problem faced by the industry. Bureaucratic hurdles, licensing requirements, problems with construction permits, registration of property are some of the administrative bottlenecks faced by the businesses.

2. **Government Regulations**- Stringent government regulations is the second major problem faced by the industry which leads to delay in implementation of the projects. Time consuming process involved in starting a business, inadequate regulatory framework and inefficiency in the approval process either delays the project or burdens the project with time and cost overruns.

3. **Delays in environmental clearances-** Delays in environmental clearances are the third major problem faced by the industry. Multiple stages involved in environmental and forest clearances make it a time consuming and complex process.

4. **Power shortages-** The respondents feel that power shortages adversely impact their production and thus have emerged as the fifth major problem faced by industry.

5. **Water shortages-** According to the respondents, water shortage is the fourth major problem faced by the industry. As water is one of the most important raw materials for the industry, its shortage hampers the production process.

6. **Infrastructural bottlenecks-** Poor infrastructural facilities is the sixth major concern for the industry; thus hampering the future investment in the manufacturing sector.

7. **Corruption**- Over the period of time, the problem of corruption has emerged as a major concern which needs to be addressed to push the manufacturing growth to a higher growth trajectory rate in the coming times.

8. **High capital costs**- According to the respondents, high cost of borrowings especially for the MSMEs significantly impact the businesses, thus making it eighth major problem faced by the industry.

9. **Tax rates**- Multiple taxation and high tax rates makes the tax structure complex which is the ninth major problem faced by the businesses.

10. **Access to land-** Complex and time consuming process of land acquisition makes it difficult for the industry to acquire land for the construction purposes. The land acquisition projects needs to be approved by multiple agencies at central and state level which not only escalates the cost but leads to delays in project implementation.

11. **Increasing borrowing cost-** High rates of interest on the loans makes the borrowing expensive for the industry thus impeding the future investment in the industry

12. **Rising labour cost-** High wages and increasing cost of training has emerged out to be the twelfth major problem faced by the industry.

13. **Unskilled/ Untrained workforce-** Poor productivity of workers due to lack of skilled and trained workforce has been responded as the thirteenth major problem faced by the businesses which not only leads to cost escalations but also adversely affects the quality of the product.

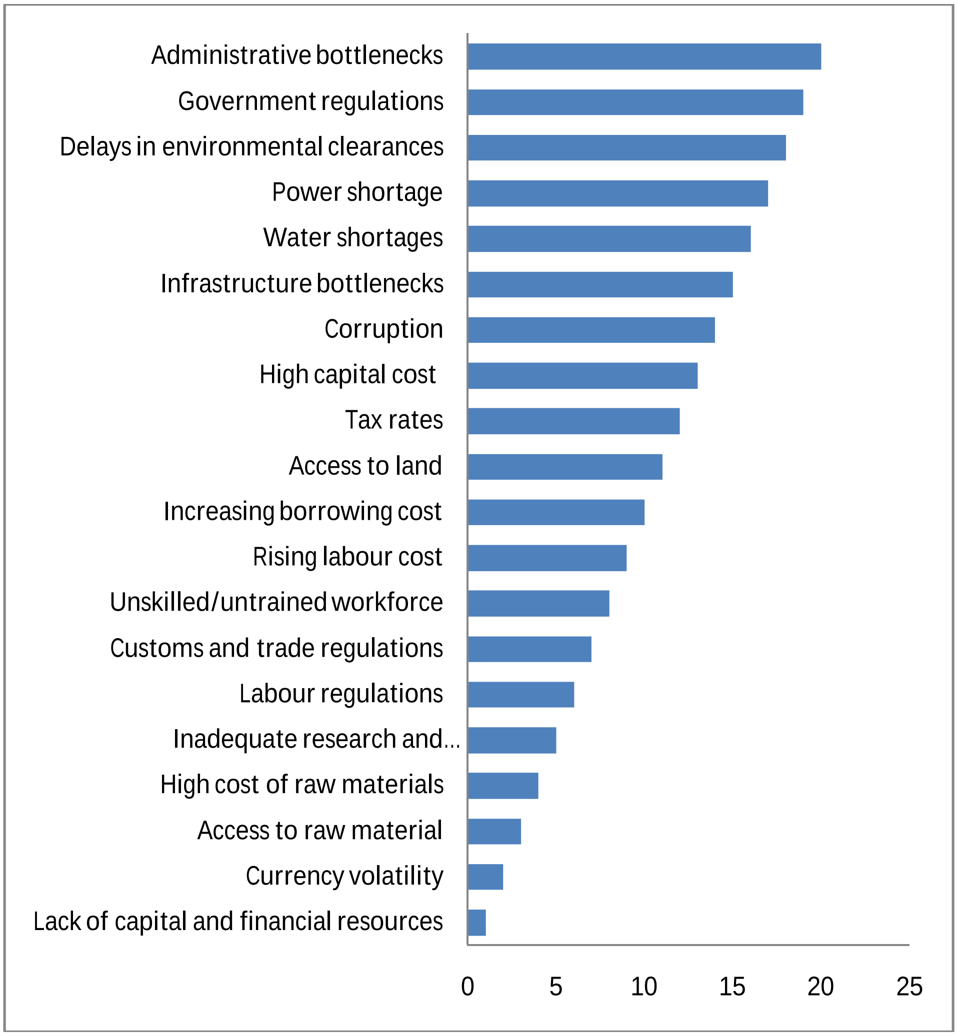
14. **Custom and trade regulations-** High custom duties and stringent custom and trade regulations has emerged as the fourteenth major problem faced by the businesses.

15. **Labour regulations-** Stringent labour regulations and inflexible and rigid labour laws have emerged out to be the fifteenth major problem faced by the industry hampering the future growth of manufacturing sector. Flexible labour laws are inevitable to address the sudden upsurge and downturn in the cyclic demands in the economy.

16. **Inadequate research and development activity**- Presently R&D constitutes less than 1% of the India's GDP and future growth of manufacturing sector depends upon strengthening of R&D activity in the economy.

17. **High costs of raw material-** High costs of production inputs increases the cost of production in the manufacturing sector**.**

Rating on the scale of 20 on the basis of severity



Source: PHD Research Bureau, complied from survey conducted during April- July 2015

18. **Access to raw material-** Poor access to raw materials and inverted duty structure which makes the raw material expensive has emerged out to be the eighteenth major problem faced by the businesses.

19. **Currency volatility-** Fluctuations in the exchange rate affects the export and import competitiveness of the manufacturing sector and thus has emerged as the nineteenth major concern for the industry

20. **Lack of capital and financial resources-** Poor access to finance at the affordable rates, and problems with the availability of the capital at competitive prices is also a concern of the industry especially the MSMEs.

Four Factors of Production need drastic reforms

Ingredients	Problems	Industry Expectations	Present Status	Suggestions
Land	Problems in Land Acquisition	**Easy** process for land acquisition	The Act has been deferred	**Re-allocate** un-used land to industries **Allot** PSUs' un-utilised land to private sector
Labour	Stringent labour laws	**Repeal** existing labour laws to reduce regulatory burden on businesses	**Proposal** to merge 44 Central labour laws into 4 codes **Launch** of Shram Suvidha Portal where employers can submit a single compliance report for 16 labour laws	**Labour** reforms[3] should take practical shape **Expand** labour intensive industries in rural segments
Capital	High costs of borrowings	**Reduction** in costs of borrowing **Revision** of MSMEs definition	India's real rate of interest (9.6%) at 10 year high	**Reduce** the rate of interest **Direct** banks for credit expansion to MSMEs
Entrepreneur	Un-ease of doing business	**Single** window clearances **Speedy** environmental clearances **Uninterrupted** power supply **Simplification** of taxes **Revisit** the New Companies Act **Reduce** transactional costs in terms of transportation and other infrastructure bottlenecks	**Single** window clearances present in few states **Power** deficit and power rates have been increased **GST** has not been implemented **Reforms** in New Companies Act still pending **Infrastructure** bottlenecks remain	**24*7** power supply with rationalization of tariffs across the states **Revisit** the New Companies Act **Imprisonment** to be decided by criminal court and not Companies Act

Source: PHD Research Bureau, complied from survey conducted during April- July 2015

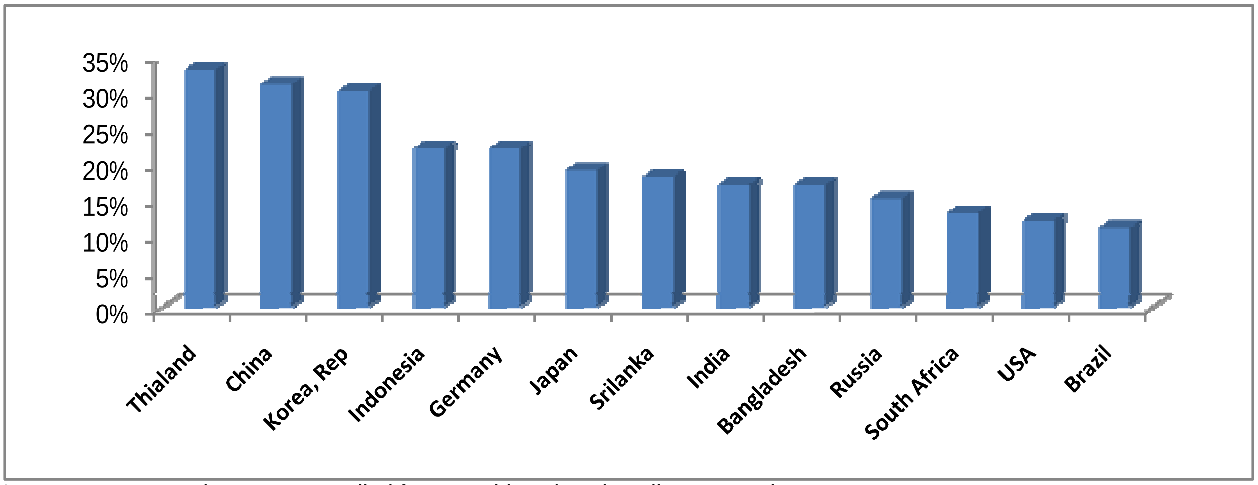
[3] Union Cabinet has approved amendments to three archaic labor laws namely Apprenticeship Act 1961, Factories Act 1948 and Labor laws act (Exemption from furnishing returns and maintaining of registers by certain establishments) 1988

3. Developments in the manufacturing sector

The manufacturing sector of India is one of the most important sectors for the sustainable growth of the nation. Manufacturing sector is the backbone of any economy as it fuels growth, productivity, employment, and strengthens other sectors of the economy. The sector not only enhances productivity and make growth more inclusive but also contributes towards the overall development of the economy.

In the recent times, the situation of the manufacturing sector was a cause of concern especially when seen in comparison to the massive transformation registered in this sector by other Asian countries in similar stages of development. At 16% value added to GDP, the manufacturing sector of India sector was lower than many developing and emerging economies. In most rapidly developing economies, manufacturing sector contributes 25-40% to the GDP such as Thailand's manufacturing sector value added to GDP is around 33%, China 31%, Indonesia 22% and Germany 22%.

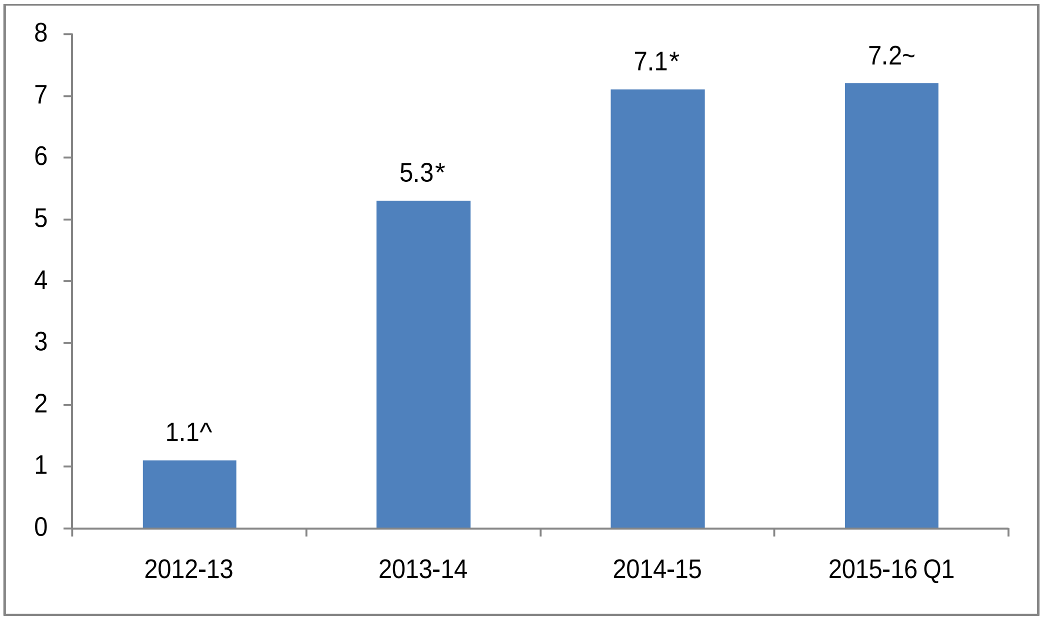
Manufacturing value added (% of GDP- US$)



Source: PHD Research Bureau, compiled from World Bank and Trading economics,
Note: Data pertains to 2014, data for the China, Japan, Russia and USA pertains to 2013

However, with the initiatives of the government in the last one year under "Make in India", the growth rate of the manufacturing sector has increased from 5.3% in 2013-14 to 7.1% in 2014-15 and 7.2% in 2015-16 Q1.

Growth rate of the Manufacturing Sector



Source: PHD Research Bureau, Compiled from RBI, CSO
Note: ^ Estimates at 2004-05 prices, compiled from RBI's annual report 2013-14
*Provisional estimates of GVA at basic prices by Economic Activity (at 2011-12 prices), compiled from CSO
~ Quarterly estimates of GVA at basic prices in Q1 of 2015-16, compiled from CSO

3.1 Manufacturing growth amongst Indian states

Economic development in India 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 country. The states have witnessed high growth of the manufacturing sector, with some states witnessing double digit growth rate in the last five years.

Growth of manufacturing sector is significantly better in the states of Uttarakhand (15%), Himachal Pradesh (14.5%), Tamil Nadu (7.1%), Gujarat (6.4%) and Assam (5.6%) as compared to the states like Jammu & Kashmir (5.3%), Chandigarh (2.9%), Bihar (5.8%), Madhya Pradesh (4.5%) and Chhattisgarh (0.3%) which experience low growth in the manufacturing sector.

Manufacturing Growth (Average) from 2008-09 to 2013-14 (In %age)

S.No.	States	Average Manufacturing growth (%) from FY2009-14
1	Uttarakhand	15.0%*
2	Himachal Pradesh	14.5%
3	Rajasthan	11.3%
4	Tamil Nadu	7.1%*
5	Gujarat	6.4%
6	Andhra Pradesh	5.8%*
7	Bihar	5.8%*
8	Assam	5.6%*
9	Punjab	5.6%
10	Jammu & Kashmir	5.3%
11	Haryana	5.1%
12	Arunachal Pradesh	4.9%*
13	Madhya Pradesh	4.5%*
14	West Bengal	4.4%*
15	Puducherry	4.1%*
16	Kerala	3.7%
17	Karnataka	3.2%
18	Maharashtra	3.0%
19	Chandigarh	2.9%
20	Uttar Pradesh	2.6%*
21	Odisha	2.3%*
22	Andaman & Nicobar	0.7%
23	Chhattisgarh	0.3%*
24	Jharkhand	(-)1.3%

Source: PHD Research Bureau, compiled from CSO, MOSPI, Government of India
Note: * Average manufacturing growth from FY2009-15

4. Sectoral developments: Survey of select sectors of the economy

Some of the sectors which were surveyed and contribute significantly to growth of the economy are as under-

Automobile Industry- The Indian auto industry is one of the largest industries in the world with an annual production of 23.37 million vehicles in FY 2014-15. This segment has registered a growth rate of 8.68% over the last year. In FY 2014-15, automobile exports grew by 15% over the last year. The automobile industry accounts for around 7% of the country's gross domestic product (GDP). India is also a prominent auto exporter and holds strong export growth expectations in the coming times. Going ahead, the Government of India and the major automobile players in the Indian market have taken several steps in bolstering this sector which are expected to make India a leader in the Two Wheeler and Four Wheeler market in the world by 2020.

Aviation- India is one the fastest growing aviation markets and currently the ninth largest civil aviation market in the world with nearly 85 international airlines connecting to over 40 countries. It is expected that by 2017, India would have around 60 million international passengers and by 2020, India will have the 3rd largest aviation market in the world. Regarding the future growth of the sector, five international airports (Delhi, Mumbai, Cochin, Hyderabad, Bengaluru) have already been completed successfully under PPP mode. Going ahead, there is a greater focus on infrastructure development with increased liberalization measures such as Open Sky Policy; modernization of airports, Air and Navigation Systems that will stimulate growth of the sector in the coming times.

Construction industry- Construction industry is one of the most important industries of India with nearly 8% of India's GDP based on construction activity. The construction industry in India has seen sustained demand from the industrial and real estate sector and it has been projected that around $1,000 billion investments will be made for infrastructure sector in 12th five year plan (2012-17). To give boost to the investment in the construction sector, 100% FDI has been permitted through the automatic route for townships and cities. The sector is labor-intensive; however majority of employment under the construction sector is informal.

Defence Manufacturing- Considering India having the 3rd largest armed forces in the world, the defence manufacturing sector is one of the most important sectors for the "Make in India" programme. The government has announced significant reform measures for the growth of defence sector. Up to 49% investment is allowed under the government route, above 49% on a case-to-case basis on approval by the Cabinet Committee on Security while investments by foreign portfolio investors/FIIs (through portfolio investment) are permitted up to 24% under automatic route. Under defence manufacturing, 40% of budget is spent on capital acquisitions and 60% of requirements met by imports. The Defence Production Policy, 2011 was launched to encourage indigenous manufacture of defence equipment.

Going ahead, India's defence sector can offer manufacturing opportunities worth $250 billion within next seven years.

Electronic system & Electrical Machinery- Over the years, electronic sector has emerged as one of the important growth drivers of the Indian economy with the anticipation that US$ 29 billion consumer electronics market would be generated by 2020. Under the electronic systems, around 10% growth rate was registered in the period 2011-15 and 100% FDI allowed under the automatic route in the Electronics Systems Design & Manufacturing sector. In electrical machinery, Indian manufacturers are becoming more competitive with respect to their product designs, manufacturing and testing facilities and incentives for capacity addition in power generation will increase the demand for electrical, going forward. Going ahead, strong design and R&D capabilities in auto electronics and industrial electronics will contribute towards the future growth and development of the sector in the coming times. In order to spur future growth in the electronic sector, elimination of VAT on local manufacturing and incentivising R&D in electronic manufacturing will help the sector to attain higher growth in the coming times.

Food Processing- The food processing industry in India is a sunrise sector that has gained prominence in the recent years. This sector serves as a vital link between the agriculture and industrial segments of the economy. India's food processing sector ranks fifth in the world in exports, production and consumption. The food processing industry contributes as much as 9-10% of GDP in agriculture and manufacturing sector. The Ministry of Food Processing Industries has estimated the size of the Indian food market at $191 bn (Rs 11, 84,200 crore) and the processed food market is projected to be over $300 bn in the next five years. The growth of food processing sector is vital as it ensures food security and better remuneration to farmers for their produce.

Infrastructure- Infrastructure sector is a key driver for the Indian economy. The sector is responsible for refuelling India's overall development. India ranks 85th out of 148 countries for its infrastructure in the WEF's Global Competitiveness report. The Government of India is taking every possible initiative to boost the infrastructure sector. Continuous increased impetus by the government to develop infrastructure in the country is attracting players across the globe. Private sector is emerging as a key investor across various infrastructure segments such as roads, communications, power and airports. Going ahead, it is estimated that from 2012 to 2017, around US$ 1 trillion of investments in infrastructure would be needed to bridge the existing gap owing to stalled projects.

Railways- Railways with world's largest passenger carrier and fourth largest rail freight carrier in the world is one of the most important sectors of the India economy. In order to provide boost to the sector, 100% FDI under automatic route is permitted in construction, operation and maintenance of suburban corridor projects through PPP. The total approximate earnings of Indian Railways during April 1, 2014 to January 31, 2015 were recorded at US$19.36 billion, thus registering an increase of around 13%. Going ahead, the Indian Railway network is growing at a healthy rate and in the next five years, it is anticipated that the Indian railway market will be the 3rd largest, accounting for nearly 10% of the global market. Further, the VISION 2020 for the Indian Railways will address four strategic national goals of Inclusive development, strengthening national integration, Large-scale generation of productive employment and Environmental sustainability.

Textiles-India's textiles sector is one of the mainstays of the Indian economy. Apart from providing one of the basic necessities of life, the textile industry plays a fundamental role through its contribution to industrial output, employment generation and export earnings of the country. It contributes about 14% to India's industrial production and 13% to the country's export earnings. It is also one of the largest contributing sectors of India's exports, contributing around 11% to the country's total exports basket. The textiles industry is labour intensive and is the second largest employer after agriculture sector. The industry provides direct employment to over 45 million and 60 million people indirectly. The Indian textiles industry holds a promising future and is expected to reach US $ 150 billion by 2021.

Tourism and Hospitality- The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Besides being a significant source of foreign exchange for the country, Tourism sector is also a potentially large employment generator. The third-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed more than 10% to the Gross Domestic Product (GDP) in FY15. This industry has grown the fastest at 11.7 % Compound Annual Growth Rate (CAGR) over the period 2011-12 to 2014-15. Government is taking several steps to make India the global tourism hub. India is projected to be the fastest growing nation in the wellness tourism sector in the next three years.

During the survey, the respondents were enthusiastic for providing inputs in their respective business sectors. Some of the problems faced by select sectors such as automobiles, aviation, construction, defence manufacturing, electronic system & electrical machinery, food processing sector, roads and highways, railways, textiles and garments and tourism and hospitality with solutions are as under-

Problems and solutions (as suggested by the respondents)

Sector		Problems	Solutions
Automobiles	1	High import tariffs on automobile spare parts and components; difficulty in getting licences for importing technology and automobile parts	Custom duties on import of automobile components should be reduced. The procedure for obtaining licences for importing technology should be eased.
	2	Poor R&D and innovation activity	In-house R&D activity aimed at efficiency seeking process innovations and new product developments should be encouraged. Further, promotion of industry university linkages will improve the R&D activity situation in the country.
	3	High cost of capital and marketing	Providing marketing facilities at affordable rate and reducing the cost of borrowing in the automobile sector.

	4	Fall in demand due to high prices which have increased due to high input costs	There is a need to give a push to core sectors such as steel which acts as a major raw material in automobiles. This would lead to reduction in input costs in the long run
	5	Poor investment in infrastructure	Investment in automobile sectors' infrastructure should be promoted
Textiles & Garments	1	Technological obsolescence, obsolete machinery, machinery and raw material shortages	Improving the infrastructure of the textile sector by importing latest technology and machinery
	2	Lack of trained manpower	Bridging the skill gap in the industry through skill formation
	3	High excise duties on textile exports	Rationalization and reduction in excise duty to make our textile exports competitive and streamlining of existing export promotion schemes.
	4	Poor FDI and equity inflows in the textile sector	Promoting foreign direct investment and regional trade agreements
	5	Standards-related Barriers and other non tariff barriers	Standard related barriers and non tariff barriers should be reduced and be made less stringent.
Food Processing	1	Lack of food testing facilities, lack of modern logistics infrastructure such as logistics parks, integrated cold chain solutions. Lack of proper infrastructure, backup support, testing labs and implementation.	Development of the food testing facilities, investment in logistics infrastructure and integrated cold chain solutions. Further, proper roadmap should be laid for encountering the talent crunch in this sector.
	2	Lack of Cost effective food machinery & packaging technologies	Improving the packaging technologies and food processing machinery through import of latest technologies in this sector
	3	Stringent food safety laws	A balance needs to be maintained between consumer health and food safety laws
	4	Lack of Comprehensive national level policy on food processing sector	The food processing sector is governed by statutes rather than a single comprehensive policy on food Processing. India urgently needs a national food processing policy which incorporates tax breaks for the sector. The policy to be effective will have to be comprehensive and adopt a number of legislative, administrative and promotional measures.
	5	FSSAI's stringent laws on labelling of imported foods impose a negative impact on businesses of importers, grocers and restaurateurs as they deal with increasing revenue losses and have to comply with unnecessary clearance procedures.	A task force needs to be set up to address the issues related to product approval and help understand guidelines.

Construction	1	Complex and time consuming process of land acquisition. Acquisition of land for projects needs to be approved by multiple agencies at central and state level which not only escalates the cost but leads to delays in project implementation.	Land acquisition Act should be passed soon. The procedure required for land acquisition should be eased out through single window clearances.
	2	Lack of timely delivery of raw materials supply and equipment leading to delay in project implementation	Appointment of specialized agencies by the government for the timely delivery of raw materials and equipments
	3	Poor productivity of workers due to lack of skilled workforce	Emphasis on skill development and formation of the workers in the construction sector
	4	Cost-Time-Quality Trade-offs	A balance needs to maintained between cost, time, and quality by improving the efficiency and productivity of various agencies in the construction sector
	5	Complex exit policy for loss making projects	A well defined easy exit policy to prevent wastage of unutilized assets
Roads and Highways	1	Problems in Land acquisition	The problem relating to land acquisition should be eased out
	2	Complex forest and environmental clearances	Single window clearance for forest and environmental related clearances
	3	High construction cost	Reducing the cost of construction of roads and highways through improvement in transport facilities, timely delivery of raw materials and efficient project management.
	4	Inefficient project planning and poor project management practices by the developer agencies	Paying attention to improve the management practices in the construction sector by hiring qualified and experienced professionals
	5	Shortfall in investments in PPP projects due to delay in project award and project execution	Improving management practices, removing problems in the land acquisition and providing incentives so as to encourage PPP investment in the construction sector
Electronic system & Electrical Machinery	1	High cost of finance, especially working capital. The problem is further aggravated by high cost of borrowing as compared to some other countries where electronic industry is flourishing.	Making available the capital and finance at affordable rates. Further, a dedicated fund can be created to solve the problem of fund availability for the electronics sector.
	2	Poor infrastructure related to electronics and electrical machinery.	India needs to make significant and fast investments into infrastructure if domestic manufacturing has to get an impetus and grow to the global scale. The government can play an important role in the overall scenario by creating more technical parks, free trade zones, minimize bureaucratic hurdles and support development of infrastructure in this industry by tax holidays, etc.

	3	Inverted duty structure plays a spoilt sport. The inverted duty structure on some of the components actually makes it cheaper to import them, than to design and make them indigenously in India.	The problem of inverted duty structure needs to be addressed. Domestic manufacturing should be encouraged and incentivized through adoption of rationalized taxation policies to stimulate domestic manufacturing. Giving significant incentives for export and promoting local content in end products manufactured for domestic demand along with National Electronics Mission and allocation of funds to drive the initiatives through this mission would also be encouraging for the electronics sector.
	4	High cost and poor quality of indigenously made electronic products especially when compared to the major global electronics manufacturing canters.	The electronic industry should target to deliver quality electronic products at globally competitive prices. For this purpose, government should focus on skill development of the workforce and improving the production productivity of the electronic products.
	5	Prevalence of supply chain bottlenecks	Government should ease out the policy for development of clusters, which will hopefully lead to gradual reduction of these supply chain issues and bottlenecks.
Railways	1	Lack of capacity addition	Emphasis need to be given by the government on the creation of adequate capacity so as to meet the growing demand for both passenger and goods traffic.
	2	With the increase in the frequency of train accidents, there is a serious doubt about safety of Rail travel and the general health of the railway network.	Government needs to pay special attention on improving the safety of passenger and goods traffic through modernizing their security systems and adopting modern safety standards.
	3	Indian Railways face chronic financial crisis. The annual rate of increase in cost has overtaken that of revenues during the last few years.	Government needs to manage its expenses. Further, it needs to reduce and rationalize the amount of subsidies given in the railway sector to make it more viable and profitable.
	4	Poor R&D, slow pace of technology adoption and political interference	Institutional reforms, such as creating an independent rail regulator, will be required to de-politicise the railway sector. Further, increase in the public sector investment in railways is needed for future growth & development of the sector.
	5	Delays in the railway system caused by lack of new and efficient technology, such as proper signalling, track changes and trains with more comfortable capacity.	There is an urgent need for better railway technology, such as better signaling facilities and expansion of the network itself through more tracks and trains.
Defence Manufacturing	1	Low private sector participation in the defence manufacturing sector	Private sector participation should be encouraged by incentivizing investments in defence manufacturing. long-term contracts, certainty of volumes, a quick selection process, transparency

			and fair payment terms would ensure greater private participation
	2	Problems with the procurement of licences for defence manufacturing	The procedure for the procurement of licences should be eased out
	3	Stringent rules for FDI in defence manufacturing	Regulation with respect to FDI rules should be liberalized and should be made more industry friendly
	4	Inadequate investment in R&D in the field of defence manufacturing as compared to other countries	Government should incentivize investment in R&D from domestic and international sources
	5	Pitiable technology in defence manufacturing as compared to other countries	Investing heavily in R&D to upgrade defence manufacturing in India
Tourism and Hospitality	1	High rates of taxes for the tourism industry	Rate of taxation in the tourism sector should be kept at a low level.
	2	Security is a major challenge to the tourism and travel industry.	Police departments should be trained in TOPs (tourism oriented policing/protection services). Further, government needs to upgrade their security standards.
	3	Political conditions pose a challenge to the growth of the industry.	Maintaining the political and economic conditions in the country will definitely pave the way for better tourism in the country to a satisfactory level.
	4	The tourism policy needs to be more dynamic in order to develop tourism infrastructure and increase the tourist arrivals.	Policy makers need to be more proactive in their approach to boost hospitality development in the country. There is a huge need for transparency in policy formation and clarity in their implementation. Government and industry need to work together to create strong hospitality and tourism development across the country
	5	Project commissioning delays due to non-attainment of all licenses and approvals on time	Single window clearance mechanisms for the tourism and hospitality industry should be introduced.
Aviation	1	Continuous rise in the price of fuel and consequent rise in the cost of aviation turbine fuel is a major threat.	Efforts should be made on the part of the government to keep the prices of fuel under control
	2	High service tax and other charges	The service tax rate charged in the aviation sector should be done with transparency and reduced to a lower level
	3	High operational costs	The operational cost can be reduced by improving the management, productivity and efficiency at various levels.
	4	Competition from foreign airlines	Improving the efficiency of Indian airlines so as to increase its global competitiveness
	5	Lack of qualified technical manpower etc.	Emphasis on skill development and provision of expertise to the manpower

Source: PHD Research Bureau, Compiled from survey conducted during April-July 2015

5. Progress in the 'Ease of Doing Business' in India

Facilitating ease of doing business is inevitable to make "Make in India" a success. The World Bank in its recent report '*Doing Business 2015: Going Beyond Efficiency*' ranked India at 142nd position down from 140th position (revised) in the previous year. However, its DTF** (Distance to Frontier) score rose to 53.97 from 52.78 as reported in the last years' Doing Business 2014 report.

Ease of Doing Business, India 2015: Rank & Score

Doing Business 2015 Rank	**Doing Business 2014 rank*** **	**Change in Rank**
142	140	-2 ↓
Doing Business 2015 DTF(% points)**	**Doing Business 2015 DTF**(% points)**	**Change in DTF** (% points)**
53.97	52.78	1.19 ↑

Source: PHD Research Bureau, Compiled from World Bank
*Note: DTF** is Distance to Frontier which benchmarks economies with respect to a measure of regulatory best practice showing the gap between each economy's performance and the best performance on each indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier.*
**** Last year's rankings are adjusted. They are based on 10 topics and reflects data corrections*

5.1 Ease of Doing Business- Present Scenario

5.1.1 Starting a business

According to World Bank's Doing Business Report 2015, India ranks 158th in respect of starting a business among 189 nations as there are more than 11 procedures and around 28 days for completing the formalities to start a business. There are cumbersome regulations for starting a business which impedes the ease of doing business in the country. There are a number of clearances required before starting a business which impedes the growth of entrepreneurship in the economy. When starting a business, approvals related to environment clearances, land procurement, construction permits, industrial safety permits and power connections induces a number of procedural requirements that cost any business huge amount of money as well as time.

Land Procurement is a tedious task in India due to scarcity as well as a number of intermediaries involved in the process. It is reported that it takes more than 12 months to acquire land. The Land Acquisition Act has also been deferred. Obtaining construction permits is a tedious task as a number of departments are to be visited which increases the costs of doing business. Multiple visits to various departments and time taken for getting approvals for new connections (power, water and sewerage) also pose major obstacles.

These operational problems can be solved to a great extent by the introduction of single window clearance mechanisms throughout the country. The Single Window Clearance Act was enacted in 2002 whereby all the clearances required to start and operate businesses are processed through a single point within a set time period. Though some of the states viz, Rajasthan, Tamil Nadu and Maharashtra have already implemented single window mechanisms, the other states must also implement it where in, a company may apply for all connections and approvals at one place. This would not only save time but also reduce administrative and procedural bottlenecks.

The pre-registration and registration formalities must be simplified. There should be a market-based pricing mechanism where price may be determined by an independent body. The Land Acquisition Act must be passed and there should be easy and early availability of land and finances. The eBiz portal should be made more effective with reduced time in obtaining approvals.

5.1.2. Dealing with construction permits

According to World Bank's Doing Business Report 2015, India ranks 184th in dealing with construction permits as it takes roughly 186 days on an average to obtain permits. Thus, there is an urgent need to effectively implement single window system which should aim to coordinate with all legal approvals necessary for obtaining permits when starting a business. Multiple processes and excessive documentation must be eliminated from the system. The state governments must be asked to introduce a common application form instead of several different forms for various departments.

The environmental clearances should be simplified to a single-window clearance from the Ministry of Environment and Forests (MoEF) covering environment, forest and wildlife to replace the current system of separate clearances. The government must establish an Environment Assistance Center in states to facilitate exchange of information between regulators and industry. Further, coordination between Central Pollution Control Board and State Pollution Control Boards must be strengthened to reduce the costs of doing business.

The Labour Laws must also be simplified that would make it easier for the businesses to fulfill government compliances. The labour laws should take a practical shape. We appreciate the efforts of the government for launching the Shram Suvidha Portal where employers can submit a single compliance report for 16 labour laws. We also appreciate the proposal of the government to merge 44 central labour laws into 4 codes. The government must also simplify the existing labour laws and repeal those which put unnecessary burden on businesses. Labour arbitration courts must be established to settle labour disputes in the shortest possible time. The government must also address the availability of skilled manpower which is turning out to be an acute crisis in the economy. Though there is a huge pool of labour force in the country, employable labour force is difficult to find.

Hence, the government must encourage private sector to have approved training programs. National campaign on skill development should be initiated by increasing the skill development centres from 9500 to minimum 1,00,000 in 3 years. Skill Mapping should be done to scientifically plan human resource needs in the different sectors of the economy. A portion of the surplus labour in agriculture could be absorbed in non-farm related activities. There will be opportunities also in the construction sector which is growing, as well as other sectors of the service industry.

5.1.3. Getting Electricity

The third parameter on which the ease of doing business is gauged in a country by the World Bank is the 'Getting Electricity' parameter. India ranks 137th on this parameter as it takes nearly 106 days on an average to obtain electricity connection and it costs as high as 488% of income per capita.

Availability of power is a major issue in almost all states of northern India and should be addressed by the concerned governments. To match the demand-supply gap of energy requirement, reforms in power sector is essential to take our country forward. The recent reforms in coal and mining sector are appreciable and more such reforms are expected for the growth of businesses. Coal plays significant role in India's industrial output growth, as our industries are largely dependent on indigenous coal production and around 66% of India's power generation is coal based. The known reserves have been fully exploited and mining becomes uneconomical in these fields. However, there is enormous potential for coal exploration in India, as the resources are largely untapped while many exploration projects remain under-implemented due to procedural hassles.

Thus the coal sector in India promises tremendous avenues for investors which could be harnessed to pave the way towards a sustainable and environment friendly economic growth. Twelfth plan aims to add 80,000MW and half of the generated capacity is expected from the private sector. However, resources currently allocated to energy supply are not sufficient.

Energy infrastructure should be developed with upgradation of technology and strengthening of high capacity national transmission grid. Transportation of power is far cheaper than transportation of coal. As 53% of railway freight is used in transportation of coal, new power plants should be located within the radius of 50 to 100 km of coal pits. Over dependence on one type of fuel should be avoided. Further, the power rates should be reduced. Idle Power generation capacity should be utilized. Restructuring of discoms need to be implemented in spirit.

5.1.4. Registering Property

India ranks 121st on 'Registering Property' parameter in the Doing Business Report 2015 as it takes around 47 days to complete the formalities. The government must introduce computerized land records as well as registration process to save on time which will also reduce escalation in project costs. The stamp-duty payment must be revamped with e-stamping facilities. The government must introduce use of latest technology to update land records and biometric-enabled processes to expedite registration process. Further, the government must encourage the establishment of industrial clusters of related industries, including large and small units, with lower property tax.

5.1.5. Getting credit

India ranks 36th in the parameter on ‘getting credit’ in the Doing Business 2015 ranking which is appreciable. However, there has been a decline in the ranking on this parameter as India ranked 30th on the captioned parameter in the Doing Business 2014 Report. India has a strong credit market with a wide range of financial institutions including commercial, regional, rural, cooperative banks and NBFCs. As on June 2015, there are around 146 scheduled commercial banks out of which 56 are Regional Rural Banks. There are about 1,27,343 reporting offices of these banks which provides easy access to finance.

Though the RBI had reduced the key policy rates twice this year, the banks have been slow in adjusting the bank rates. There has been an increasing level of nonperforming assets (including restructured assets) which has inhibited credit supply, especially to vital sectors such as infrastructure, with substitution at the margin in loan portfolios in favour of personal loans and retail lending where the incidence of non-performing assets (NPAs) was markedly less. Accordingly, banks tended to moderate their access to deposits which were also impacted by inadequate real returns relative to competing financial assets of households and corporate entities. The bank credit to commercial sector has also declined from 13.7% in 2013-14 to 9.2% in 2014-15.

The businesses, especially MSMEs also face problems in procuring credit from banks. There is a need to Improve Flow of Credit to MSME through ‘Innovative Solutions’ including Promoting a collateral free lending for MSMEs, where appropriate qualitative grading of Promoters and Projects is available, flexible and tailor made working capital solutions to MSME entrepreneurs such as receivable financing & advances to suppliers. There is a need to improve flow of credit to infrastructure sector through promoting the setting up of Infrastructure Finance Companies in Pvt. & Public sectors specially with a view to provide much required long term financing for the sector, promoting ‘Asset Life’ based financing in Infrastructure Sector and further Liberalizing the Banks Prudential Exposure Norms to various infrastructure sectors.

5.1.6. Protecting investors

India ranks favourably at 7th on this indicator in the Doing Business Report 2015 of the World Bank which is highly appreciable. The Securities and Exchange Board of India (SEBI), constituted in 1988, was established by the Government of India through an executive resolution, and was subsequently upgraded as a fully statutory body on April 12, 1992. The primary objective of SEBI is to promote healthy and orderly growth -of the securities market and secure investor protection.

SEBI has been working diligently in protecting the investors as it clearly specifies the manner in which the matters relating to issue of capital, transfer of securities and other matters shall be disclosed by the companies. No company can make an issue of securities unless a draft prospectus has been filed with SEBI. No company shall make an issue of securities unless it has made an application for listing of securities at a stock exchange. The offer document, through which the securities are issued, is to be prepared strictly as per the requirements of SEBI Guidelines. No company can make a public issue unless all existing shares are fully paid.

We believe there should be time-bound faster clearances for all investment proposals which will encourage domestic as well as foreign investors to invest in the country.

5.1.7. Paying Taxes

India ranks poorly at 156 on the parameter on Paying Taxes of the Doing Business Report 2015 of the World Bank as the procedure is time consuming and cumbersome and the total tax rate is around 62% of profit which is significantly high. The industry believe that the Indian direct tax regime is not conducive to fostering growth. There are significant issues/ litigation with reference to transfer pricing regulations. The procedures in indirect tax regime are also cumbersome as there are a number of documents required by the tax authorities while applying for registration for VAT/ Custom Duty/ Excise Duty or Service Tax which increases the costs of doing business. Further, the process for availing subsidies, incentives and refund from government are equally cumbersome.

Going ahead, the government must work towards a single unified tax regime with minimum procedures to reduce the hassles in paying taxes. Implementation of GST[4] is critical for achieving this objective. Also, reduction in corporate taxes could provide an impetus to the growth of business. The government must work towards simplification of procedures for payment of indirect taxes. E-registration application software should be developed for filing all types of indirect taxes. For the assessment of Property Tax, a geographical information system should be developed for the assessment of properties and maintaining records of properties. Further, the payments could also be made online which would make the system transparent and efficient in the coming times.

5.1.8. Trading across borders

The ranking of the Indian economy on this parameter is very low at 126th in the Doing Business Report 2015 as it takes roughly 17 days to export and the costs to export is exceptionally high at US$ 1332 per container which increases the costs of doing business significantly. India's export potential remains considerably unfulfilled because of infrastructure bottlenecks. While India is moving fast to align its tariff

[4] GST was expected to be implemented by 1st April, 2016, but the date of implementation remains uncertain due to various political reasons. Implementation of GST will not only remove multiple taxation but will also create a common market for goods

structure with that of ASEAN countries, it has lacked in even initiating, let alone completing, domestic reforms. As a result, while Indian industry has been opened up to foreign competition, free trade agreements do not provide a level playing field for our manufacturers vis-à-vis manufacturers of the countries with which India has bilateral trade relations.

Though the western and eastern states of India have easy access to ports, the businesses operating in northern states face wide range of problems as there are no ports. It takes several days for a consignment to reach the ports before shipping which again takes several days thus increasing the costs. This also makes exporting of non-durables from these states, highly unviable. Earlier, there was system of subsidizing railway freight for the exporters from the northern region. It was abolished later. Years back, the Chamber brought this anomaly to the notice of Paranjape Committee on Railway Rates, who promised to look into the matter. The Railway Board may like to make necessary adjustments in the Indian Railways Goods Tariff so that exporters from the hinterland gets a boost.

Despite of several promotional measures in terms of Market Access Initiates and Market Development Assistance, exporters in India are still facing difficulty in promoting their products overseas. Thus, it is urgently necessary to build an information hub for providing comprehensive information relating to foreign markets to exporters. Small exporters are not taking many advantages of government incentive schemes. They are either do not aware of these export benefits and eligibility criterion for availing these benefits is too demanding. Therefore, there is a need for awareness programmes regarding the incentive available exports from MSMEs.

The cost of doing business is much lower in most of the countries with which India has signed bilateral trade agreements and Comprehensive Economic Co-operation Agreements (CECAs). In this light, FTA should be revisited in the changing global economic situations and discussed with the industry at large.

Complex tax structure is another bottleneck for the efficiency and promotion of exports. In order to overcome this problem, it is suggested once again that GST should be implemented at the earliest so as to overcome the problem of several taxes on exporters in India. Further, the Customs procedures must be simplified by reducing human interface to minimal by the use of automation and information technology. There should be a single, one –time presentation to one agency for clearance of goods.

Going ahead, our trade missions must be strengthened abroad to promote marketing of the Indian goods and services. This will display Indian goods prominently on the global manufacturing map.

5.1.9. Enforcing Contracts

India’s rank on ‘Enforcing Contracts’ parameter in the Doing Business Report 2015 is as low as 186 among 189 nations which is a matter of grave concern. It takes roughly 1420 days to enforce contracts which are significantly high. The process of filing and servicing court proceedings is often complicated and time-consuming. It takes several years for a commercial litigation to get resolved. This takes toll on businesses especially the MSMEs as they may not be left with enough finances to continue doing business for a long time. Though arbitration was proposed as a good and effective alternative to litigation, it has been proved to be more expensive than litigation and almost equally time-consuming.

The process of reconstruction, mergers, acquisitions and amalgamations of companies has been cumbersome and time-consuming. Though the Companies Act, 2013, has sought to rationalise it, the process requires further streamlining to be more effective. Thus, the government must improve court efficiency by implementing e-court systems which will result in substantial savings from a reduction in the costs, cheaper service of process, easy archiving of documents and payment of fees. Digital India initiative of the government will serve as a key enabler in this. Though the process of e-filing of proceedings has been initiated in some high courts as well as Supreme Court, this should be made a norm by the government in the coming times.

There is also a need to establish special tribunals for resolving commercial cases under various acts for various levels of monetary limits. Further, the existing laws should be updated according to the current trends of the industry. The laws should be simplified and in a language which is easy to understand and interpret. Further, laws pertaining to intellectual property should continuously evolve to be in line with international trends and standards. Instead of filing proceedings in court, alternative dispute resolution (ADR) processes should be considered. ADR processes may require further streamlining and they should adhere to the specified timelines.

5.1.10. Resolving Insolvency

India ranks at 137th in ‘Resolving Insolvency’ in the Doing Business Report 2015 by World Bank. This is because of the slow court proceedings which delays the mechanism to as much as 4.3 years on an average. The liquidation should not be seen as a measure of last resort for unviable businesses that have become insolvent and be acted upon to minimize the losses for all parties. There is a need to reform the corporate insolvency regime in India through a combination of substantive and institutional changes.

The government must therefore, adopt effective insolvency regimes. There is a need to develop a framework for strengthening protection of creditors. Various sections in the Companies Act 2013 must be amended for faster liquidation process and to ensure that creditors have a say in determining the viability of a company. Going ahead, there should be fast, inexpensive and transparent procedures for debt repayment along with debt restructuring and reorganization. All these measures are expected to achieve desired outcomes which will get translated into lower costs of doing business in India, making it a viable destination for setting up businesses in the coming times.

6. Progress in the ease of doing business: Business Reforms done so far in India to facilitate Industry

Some of the major reform measures undertaken in the recent years to facilitate ease of doing business in the economy are as under-

S. No	Parameters	Reforms undertaken so far
1	Starting a Business	Reduction in the registration fees thereby making it easier to start a business. Further, Government also eased the business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version.
2	Dealing with Construction Permits	Reducing the time required to obtain a building permit by establishing strict time limits for preconstruction approvals.
3	Paying Taxes	Ease in the administrative burden of paying taxes for firms by introducing mandatory electronic filing and payment for value added tax.
4	Resolving Insolvency	Resolving insolvency made easier by increasing the effectiveness of processes and thereby reducing the time required.
5	Getting Credit	In order to strengthen its secured transactions system, unified and geographically centralized collateral registry was launched that covered security interests granted by companies. The registry can be searched by debtor-name and encompasses the entire country.
6	Trading Across Borders	Trading across borders made easier by introducing ICEGATE—an electronic data interchange system, thus making it possible to lodge customs declarations through internet. Further, facilitation in the operation of risk management system, an electronic payment system and an electronic manifest system that allows shipping lines to submit their cargo manifest in advance.

Source: PHD Research Bureau, Compiled from various sources

We believe that with these reforms measures and several measures announced by the government to facilitate ease of doing business, **India will achieve ranking in "ease of doing business" at the upper level under 50 in the next five years.**

7. Conclusions and Suggestions: The way forward

"Make in India" programme of the government provides excellent investment opportunities to the businesses which is expected to not only facilitate ease of doing business and increase industrial output but is also expected to generate employment opportunities and promote socio-economic growth and development of India.

The survey revealed that 52% of the respondents appreciated the way in which the "Make in India" programme has progressed and are optimistic about its future potential to put economy on the higher growth trajectory in the coming times. However, 48% of the respondents feel that government still needs to do a lot for the implementation of the reforms at the ground level as the results of the dynamic reform process are not yet visible.

The survey revealed that there are few obstacles that still affect the businesses; the most severe being administrative bottlenecks (Rank1) followed by Government regulations (Rank2), delays in environmental clearances (Rank 3), power and Water shortages (Rank 4 and Rank 5 respectively). The other major problems faced by the businesses that need to be addressed are infrastructural bottlenecks (Rank 6), Corruption (Rank 7) and high capital cost (Rank 8). Further, taxation problems (Rank 9), access to land (Rank 10), increasing borrowing and labour cost (Rank 11 and Rank 12 respectively) are the other issues that need to be addressed to facilitate ease of doing business. Unskilled workforce (Rank 13), stringent custom and trade regulations (Rank 14), stringent and inflexible labour regulations (Rank 15), inadequate R&D activity (Rank 16) are the other issues that confronts the industry. Also, high cost of raw materials(Rank 17), poor access to raw materials(Rank 18), currency volatility(Rank 19) and lack of financial resources (Rank 20) are the other problems that that needs to be addressed to push the manufacturing sector's growth rate in the higher growth trajectory in the coming times.

Further, the New Companies Act 2013 is not synchronous with the growth of the businesses as the compliance is extremely high. The most crucial reform with regard to the Inspection Laws is not in the interests of the businesses. A few challenges also arise from lack of clarity in interpreting the new Companies Act at certain places where it not worded with sufficient clarity. Thus, the Act must be revisited with significant amendments that are conducive to the growth of not just large enterprises but micro, small and medium enterprises also.

The operational problems faced by businesses and industry demand some common solutions. Removal of licence requirements, reduction in number of stages for approval, removal of verification and cross verification process at each stage, introduction of self certification by individuals through Aadhar, PAN, Driving Licence and Voter ID are the steps that need to be taken by the government to facilitate starting a new business. Simplification and reduction of tax laws, earliest implementation of GST to remove multiple taxation and rationalization of tax system and Labour reforms will make laws simpler and more progressive to facilitate ease of doing business.

Common Problems faced by businesses and suggested solutions for ease of doing business

S.No	Parameters	Present Issues	Suggestions
1	**Setting up of new business**	Bureaucratic hurdles, corruption, licensing requirements, financial constraints, problems with construction permits, registration of property, taking new electricity connections, credit constraints,	Removal of Licence requirements, reduction in process of approvals by fixing time limits, reduction in number of stages for approval, removal of verification and cross verification process at each stage, introduction of self certification by individuals through Aadhar, PAN, Driving Licence and Voter ID.
2	**Environment Compliances**	Multiple stages involved in environmental and forest clearance making it a time consuming and complex process.	Reducing the number of stages for approval in environmental clearances, making the process of environmental and forest clearances online and easier.
3.	**Labour Compliances**	Inflexible and stringent labour laws	Labour reforms to make laws simpler and more progressive.
4	**Infrastructure related utilities**	Poor availability of finance for infrastructural investment purposes from banking and non banking channels; problems in land acquisition; multiple sequential clearances at various levels of government for infrastructure projects	Easy availability of funds for infrastructure development at affordable interest rates.
5	**Finance and Tax**	Multiple and high rates of taxation; Problems with interpretation of tax laws	Simplification and reduction of tax laws and earliest implementation of GST to remove multiple taxation and to rationalize the tax system
6	**Inspection reforms**	Selection of Industrial units for inspection without any objective criteria, harassment and exploitation of unit owners by inspectors	Labour reforms to end 'Inspector raj in the labour markets, allowing "self-certification" or self-declaration for units in which they declare that they have complied with the labour laws, E-governance system with respect to labour laws.
7	**Land Acquisition**	Problems with the land acquisition which delays the implementation of project leading to time and cost overruns. The Land Acquisition Act has been deferred	To give a boost to the "Make in India" project, it is required that the process of land acquisition should be made easier and simpler. Going ahead, the un-used land should be re-allocated to industries. Further, un-utilized land of PSUs should be allocated to private sector

Source: PHD Research Bureau, compiled from Progress of Make in India: Glass Half Full

The firms have responded that to give a boost to the “Make in India” project, it is required that the process of land acquisition should be made easier and simpler. Going ahead, the un-used land should be re-allocated to industries. Further, un-utilized land of PSUs should be allocated to private sector.

The respondents have suggested that single window clearances, effective coordination between centre and state governments, digitization of all the government departments, labour friendly regulations and minimizing human interventions in regulation compliance can clear some obstacles faced by manufacturing firms. The MSMEs constitute backbone of the industrial sector and the productivity of manufacturing sector largely depends on the efficiency of the MSMEs. Improved access to credit and revisiting financial and manpower definition of MSMEs will definitely increase the competitiveness of the MSMEs which in turn will contribute towards increasing the productivity of the manufacturing sector.

Some of the energy and power sector reforms such as upgradation of technology and strengthening of high capacity national transmission grid, availability of power and reduced power rates, utilization of Idle Power generation capacity, drip irrigation for saving power and water will surely increase the efficiency of manufacturing sector. Going forward, for achieving the vision of ‘Make in India, India requires both ‘Well Skilled Workforce’ as well as ‘Well Educated Workforce’. Government is rightfully giving increasing thrust to Skilling India. The direction however seems bit misguided or in abeyance when it comes to education. Barring a few exceptions the state system has largely failed to deliver qualitative results both in school education and higher education. In this light, it is suggested that emphasis should not only be given on skilling India but also on educating India.

In conclusion, the time is most opportune for Make in India to turnaround India’s growth story as India's economy is majorly domestic demand driven which is still intact and is likely to remain stronger in the coming times too. The recent global economic developments such as decline in international commodity prices will increase price cost margins of entrepreneurs and attract international investors’ to invest in India.

PHD Chamber strongly believes that the Government so far has been successful in pursuing reforms in various segments of the economy including agriculture, industry & manufacturing, services and financial sectors, among others. The crucial reforms such as targeted subsidies, transparent allocation of mineral resources, better allocation of Government spending and improving efficiency and accountability among various departments have improved business confidence significantly. Going ahead, while sustainable long-term growth would require continuation of bolder reforms especially in the land, labour and taxation sectors, the increased transparency and stability in policy environment would be crucial for the extended confidence of domestic and foreign investors.

In a nutshell, though the impact of reforms are yet to be seen on the ground level, the industry is optimistic that the launch of various initiatives by the governments and pro-industry reforms pose a bright future for businesses in the country.

India: Statistical snapshot

Indicators	FY10	FY11	FY12	FY13	FY14	FY15	FY16
GDP at FC - Constant prices Rs Bn	45,161	49,185	52,475	54,821	91698^	9827089*'	2580056*''
GDP at FC - Constant prices growth YOY (%)	8.6	8.9	6.7	4.5	6.6^	7.2*'	7*''
GDP at MP-current prices Rs. Bn	64,778	77,841	90,097	1,011,33	1,135,50	11,550,240*'	3030045**''
Agriculture growth	0.8	8.6	5.0	1.4	3.7^	0.2*	1.9*''
Industry growth	10.2	8.3	6.7	0.8	1.2^	6.6*	6.4*''
Services growth	8.0	7.5	4.9	7.0	4.6^	10.2*	9*''
Consumption (% YOY)	8.4	8.2	8.9	5.2	4.7`	-	-
Private consumption (% YOY)	7.4	8.7	9.3	5.0	4.8`	-	-
Gross domestic savings as % of GDP	33.7	34.0	31.35	30.09	30.5`	30.6%"'	-
Gross Fixed Capital Formation as % of GDP	31.7	30.9	31.8	30.4	28.3	30.0**	29.8*''
Gross fiscal deficit of the Centre as a % GDP	6.5	4.8	5.7	4.9	4.5	4.1''	-
Gross fiscal deficit of the states as a % GDP	2.9	2.1	2.4	2.3	2.2	2.3''	-
Gross fiscal deficit of Centre & states as a % GDP	9.3	6.9	8.1	7.2	6.7	6.4''	-
Merchandise exports (US$Bn)	178.3	250.8	305.7	300.2	312.35^	310.5	21.3^^^
Growth in exports	-2.6	40.6	21.9	-1.8	3.98^	(-)1.2	(-)20.7^^^
Imports (US$Bn)	287.6	369.4	489.1	490.3	450.94^	447.5	33.7^^^
Growth in imports (YOY)	-3.9	28.5	32.4	0.2	-8.1^	-0.59	(-)9.9^^^
Trade deficit (US$Bn)	109.3	118.6	183.4	190.1	138.6^	137	12.4^^^
Net invisibles US$Bn	80.0	79.3	111.6	107.5	115.0`	-	-
Current account deficit US$Bn	38.4	48.1	78.2	88.2	32.4^^	10.1	-
Current account deficit as % of GDP	3.2	2.6	4.2	4.8	1.7^^	1.3~~	-
Net capital account US$Bn	53.4	60	67.8	94.2	33.3^^	11.8	-
Overall balance of payments US$Bn	-13.4	-13.1	12.8	3.8	15.5^^	6.9	-
Foreign exchange reserves US$Bn	279.1	304.8	294.9	292.04	304.22	316.2 ~	355.4~~~
External debt - Short term US$Bn	52.3	65	78.2	96.7	89.2``	86.4```	84.7&&&
External debt - Long term US$Bn	208.7	240.9	267.5	293.4	351.4``	376.4```	
External debt - US$Bn	260.9	305.9	345.8	392.1	441``	462```	-
Money supply growth	16.9	16.1	13.5	13.6	13.2	11.1&&	11.3&
Bank credit growth	17.1	21.2	16.8	13.5	14	8.6	-
WPI inflation	3.8	9.6	8.9	7.4	5.7#	2.1	(-)4.95^^^
CPI inflation	12.4	10.4	6.0	10.2	9.8	6.4	3.7^^^
Exchange rate Rs/US$ annual average	47.4	45.6	47.9	54.4	60.68	61.14	66.46@@

Source: PHD Research Bureau compiled from various sources, ^ Data pertains to 1st Revised Estimates of National Income 2013-14, *Data pertains to Provisional Estimates of National Income 2014-15 from MOSPI, '' Data pertains to provisional estimates for FY2015 from Ministry of Finance, ''' Data pertains to Annual Report of RBI 2013-14, *' Data pertains to GVA at Basic prices in 2014-15 from Provisional Estimates of National Income of MOSPI, based on the new methodology of the Government, *'' Data pertains to GVA at Basic Prices for Q1 2015-16, **'' Data pertains to GVA at Basic Prices for Q1 2015-16, `Planning Commission Data Book Dec 2013, "'Data pertains to the new Series Estimates from economic survey 2014-15, ** Data pertains to Provisional estimates of National income, 2014-15, MOSPI, ***Data pertains to Q2 2014-15. ^^Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ^^^data pertains to August 2015, ``India's external debt end Dec 2013 from RBI, ``` Data pertains to end Dec 2014 from RBI, , # Data pertains to Mar 2013, ~ Data as on week ending 27th March, 2015 from RBI, ~~ Data pertains to 2014-15 from the Economic Survey, ~~~Data as on week ending 21st August 2015 from RBI, & Data pertains to fortnight ending 21st August 2015 from CMIE, && Data pertains to March 2015, &&& External debt at end March 2015, @@ Data pertains to 18th September 2015 from Bloomberg, @@@Data pertains to February 2015, #Data pertains to November 2014.

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Notes