

## Focus: Ease of Doing Business

The need for improving ease of doing business has never been more pressing in India than now when the recently launched ambitious mission of 'Make in India' requires to transform investor attractiveness of the country.

India has emerged as one of the key players in the global arena with a huge potential to rise to higher echelons of growth and development. It is among the fastest growing economies today coupled with attributes such as a large and growing middle class having a high disposable income, a rich reservoir of skill and talent and a large resource and cost advantage, among others.

This is truly a time of great expectations for India, and this is probably the only time in the recent past when our odds of unshackling industrial growth are very high. This can be attributed to a strong, pro-industry Government at the Centre, revival in global and domestic economy and our core advantages that remain strong and relatively unaffected by the global slowdown.

Against this backdrop, it is promising to note the reformative drive and resolve of the Government to improve ease of doing business in India in the last few months,

which will go a long way in achieving Hon'ble Prime Minister's vision of taking India among the top 50 countries in terms of ease of doing business in the next two years. CII, in particular, appreciates measures such as reducing the time for registration of business to one day, single registration of all labour laws and reduction in number of taxes to improve ease of doing business in India.

CII has been working very closely with the Government to act as a catalyst in improving the Ease of Doing Business status of India. Through numerous representations, CII has made an attempt to identify specific areas of opportunity in all the aspects of ease of doing business, with clear Action Plans to help catapult India's ranking on the parameters measured by the World Bank's Doing Business Report.

These recommendations and suggestions made by the industry have been received by the Government with a congenial spirit of collaboration and many of these have already been acted upon while other important ones are in the onward agenda of the Government.

The Indian Industry as well as the world are at a heightened level of confidence as it becomes evident that the Government

is extremely serious about improving the prevailing conditions to help business to thrive. In all the actions taken by the Government in the last 6 months there is a clear pro-development pattern emerging which will indeed make India an attractive business destination for the global players.

However, it is important to note that while it will be an interesting exercise to observe the progress of India in the list of Top 50 countries on parameters of Doing Business in the next 2 years, as a final caution, improving business climate will not be an easy endeavour. It will require relentless effort from the Government especially in terms of coordinating and collaborating with the States in realization of this mission. CII with its wide network of branches and active membership across all states, is in a strong position to partner with the Central and State Governments in their effort to create a conducive environment for business. CII is committed to work with the Government towards the agenda of Ease of Doing Business and will support all initiatives of the Government towards this agenda. ■

**Chandrajit Banerjee**  
Director General  
Confederation of Indian Industry

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**Chandrajit Banerjee,**  
Director General, CII

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# 'Ease of Doing Business' will lead to 'Make in India'

India is poised for a quantum leap in terms of its positioning in the global arena. As economic and business parameters undergo transformation, India has all the fundamentals in place as an attractive destination for global funds.

The aspirations of the next-gen of Indians have got wings from the Hon'ble Prime Minister's vision of 'Make in India', which envisages transforming India into a global manufacturing hub.

Having said that, there is a long journey ahead of us; one that starts with putting the conducive policy enablers for improving the ease of doing business, to achieving global competitiveness, followed by claiming global leadership.

Plugging the first gap, i.e. improving the ease of doing business is the foremost imperative in realizing the vision of Make in India. Even after two decades of economic reforms, India has been struggling to provide the right environment and facilities for its businesses. This is evident from our ranking on the World Bank's Ease of Doing business 2015, wherein India has been placed at 142<sup>nd</sup> position out of 189 countries. Though this ranking does not capture the series of policy reforms initiated post May 2014, (data analyzed was for the period from June 2013 to May 2014), a lot more is still to be done. Amongst the most important factors negatively impacting the ranking are the unnecessary delays in approvals, multiplicity of authorities, plethora of regulations, lack of clarity, and absence of a sustained reform process.

Addressing these challenges would be the first step in laying a strong foundation for manufacturing leadership for the country. Realizing the same, Hon'ble Prime Minister has envisioned positioning India amongst



**Ajay S Shriram**  
President, CII and  
Chairman & Senior Managing Director  
DCM Shriram Limited

the top 50 countries in terms of ease of doing business.

Accordingly, the Central Government has initiated measures to improve the business-friendly environment in the country. These include, having a timeline for clearance of applications, de-licensing the manufacturing of many defence products and introduction of e-Biz project for single window clearance, among many others. With the Land Ordinance in place, many impediments which were inherent in the process of land acquisition will get resolved. However, for India to emerge as an investment-friendly destination and sustain rapid and inclusive growth, vast improvements are required in all the determinants of ease of doing business.

Starting a business is not easy in India. The number of procedures, time taken, plus cost incurred in starting a business in India are significantly higher than most of the major economies. Government's recent e-biz initiative will provide a single window for starting a business. To further facilitate the ease of Starting a Business, CII suggests that 'Incorporation of Companies in 24 Hours' and 'Digitalization of Incorporation Documentation' should be implemented. In addition, a 'Unique Company ID' should be

introduced. The present permanent account number (PAN) should be developed as a common business identification number (CBIN), to be used by other Government departments.

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

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

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



A healthy industry-worker relationship is an important determinant of business climate. To release the productivity of our workforce, labour reforms need to focus on skill, scale and speed, as enunciated by the Prime Minister. Archaic labour laws such as Industrial Disputes Act, Contract Labour (Regulation and Abolition) Act must be updated, simplified and rationalized. The recently launched Pandit Deendayal Upadhyay Shramev Jayate scheme with the Shram Suvidha Portal - the simplified single online return for 16 labour laws- is a welcome move.

It is well recognized that an expeditious dispute settlement mechanism would go a long way to improve contract enforcement among businesses, and ensure protection of property rights. Reforms in the judicial system such as application of technology, speedy resolution of contract disputes and establishment of commercial courts are a pre-requisite.

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

It takes seven documents and 17.1 days to complete export procedures. Similarly, it takes 10 documents and 21.1 days to complete import procedures. Clearly there is a need to be improve through measures such as a single window for traders. This will minimize cost and increase competitiveness. Electronic submission and processing of documents, using risk-based inspections, and transparency measures related to classification and tariff Information are required.

Other areas to be addressed are a simple exit policy and adoption of IT across Government processes. The committee set up by the Finance Ministry to streamline regulations that deal with bankruptcy may soon come out with recommendations for faster winding-up of insolvent companies.

It is heartening to note that best practices have been successfully implemented in some states and departments. These can be emulated across the country. For example, BISAG in Gujarat facilitates use of geospatial technologies for land management and other natural resources. Online delivery and land record management has been initiated by

Karnataka. Chhattisgarh has introduced e-challan and e-return for commercial tax payment. Learning from each other could greatly improve practices across all states.

I am pleased to share that CII has recently prepared and shared with the Government a paper on 'Improving Investment Attractiveness: Simplifying Procedures'. This analyses the various parameters of the World Bank's report and accordingly makes suggestions to ramp up India's ranking to 50<sup>th</sup> position in the next 2-3 years. The suggested Action Plan includes what needs to be done, steps to be taken, drivers and timelines. It has been segregated as immediate (3-6 months), short term (6-12 months), Medium term (12-18 months) and long term (18-36 months).

CII is pleased to note that many of the recommendations that have been made in the past have been acted upon by the Government and some are in the process of implementation. We are confident that with close collaboration between the Government and industry, India will see a significant jump in the World Bank's Ease of Doing Business ranking. ■

# CII Recommendations for Ease of Doing Business

Issues	CII Recommendations	
1. Starting a Business		
<ul style="list-style-type: none"><li>➤ India ranks 158<sup>th</sup> out of 189 economies in the ease of starting a business which is two notches below the 2014 rankings of 156.</li><li>➤ In the CII survey (2014),<ul style="list-style-type: none"><li>• 85% of the respondents felt that time required to obtain such clearances was not reasonable.</li><li>• 78% felt that the number of windows/ ministries one has to visit is not reasonable.</li><li>• Approvals related to environment clearances, land procurement, construction permits, industrial safety permits and power connection emerged as the top 5 obstacles in starting a business in India.</li></ul></li></ul>	<b>Simplified registration &amp; post registration formalities (tax registration, social security registration, licensing)</b>	<ul style="list-style-type: none"><li>• Simplify the process of incorporation of a company with speed under the Companies Act, 2013. Implement ‘Incorporation of Companies in 24 Hours’ and digitalization of incorporation documentation.</li><li>• Introduce a unique company ID. The present permanent account number (PAN) should be developed as a common business identification number (CBIN), to be used by other Government departments. As a next step, the company registry could forward the relevant registration information directly to the tax administration offices, the EPFO and the ESIC.</li></ul>
	<b>Mandate time limits to processes</b>	<ul style="list-style-type: none"><li>• Mandate time limits for inspections and approval processes, enable penalties.</li><li>• Involve 3<sup>rd</sup> parties for site inspection and design/building plan approvals.</li><li>• Authorise architects to issue direct certification of building plans.</li></ul>
	<b>Adopt policies for effective and universal single window clearance</b>	<ul style="list-style-type: none"><li>• Develop uniform and standard procedures for the single window clearance mechanism.</li><li>• Introduce a common application form for seeking approval from various State and Central bodies.</li><li>• Central Government should provide a gateway to states for single window clearance and create a model for single window mechanisms.</li><li>• Empower a nodal agency to coordinate between all departments.</li><li>• Prepare blueprint for taking information related to all processes online to one portal and set milestones for tracking.</li></ul>
	<b>Reduce number of procedures required</b>	<ul style="list-style-type: none"><li>• Conduct study across each sector and streamline procedure requirements, for example, remove the requirement of separate occupancy certificate for construction permits and link it with one of the clearance only.</li></ul>
	<b>Implement policy reforms</b>	<ul style="list-style-type: none"><li>• All states should establish policy on warehousing which clarifies whether warehousing is commercial or industrial.</li><li>• Ensure 10% of land in manufacturing is dedicated to warehousing/logistics.</li><li>• Introduce policy of seamless multimodal transportation to facilitate trade.</li></ul>
2. Land Acquisition		
<ul style="list-style-type: none"><li>➤ Land acquisition is one of the thorniest issues in doing business in India.</li><li>➤ In the CII survey (2014),<ul style="list-style-type: none"><li>• Average time taken to acquire land is 14 months and could often take longer.</li></ul></li></ul>	<b>Rationalise Right to Fair Compensation &amp; Transparency in LAAR Act</b>	<ul style="list-style-type: none"><li>• Modify provisions for Ch1, Clause 2, and Sub clause 2 to include consent of 60% of the landowners. For remaining, there should be timeline for vacating property.</li><li>• No Solatium should be imposed over and above the multiplier or if it has to be retained, then it should be reduced to 30% and the multiplier should be reduced to 1.5 instead of 2.</li><li>• Reconsider requirements in ch 2 in order to moderate the costs and time required for acquisition process.</li></ul>
	<b>Remove land holding ceilings</b>	<ul style="list-style-type: none"><li>• Encourage states to remove land ceiling laws on acquisition of land</li></ul>

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<ul style="list-style-type: none"> <li>58% of the respondents feel the number of visits to obtain the permission is a major obstacle.</li> <li>69% feel that there is a lack of effective land acquisition process.</li> <li>83% feel that unsecured land titles generate uncertainty.</li> <li>Land mutation process is considered complex and time consuming.</li> </ul>	<b>Set up land banks</b>	<ul style="list-style-type: none"> <li>Create land banks of non-cultivable contiguous land, which may even be cross state-borders, for setting up industries.</li> <li>Land pooling at central and state level to provide easy availability of developed land.</li> <li>Offer customized incentives to targeted industries. Track disbursement of incentives to clusters through tracking mechanism.</li> </ul>
	<b>Implement NLRMP for land ownership</b>	<ul style="list-style-type: none"> <li>Move from a deed based registration to title based registration (Torrens System).</li> </ul>
<b>3. Dealing with Construction Permits</b>		
<ul style="list-style-type: none"> <li>➤ India ranks 184<sup>th</sup> out of 189 economies in dealing with construction permits, which is two notches below the 2014 rankings of 182.</li> <li>➤ Multiple departments need to be approached leading to time and cost overruns.</li> <li>➤ Improving investment attractiveness would require streamlining of construction related procedures to reduce the time and cost involved in getting various approvals.</li> <li>➤ The procedures that cause the greatest bottlenecks relate to obtaining land use approvals, building permits, power connections, water and sewerage connections and final occupancy certificates.</li> </ul>	<b>Using one-stop shop to improve coordination</b>	<ul style="list-style-type: none"> <li>Establish a single window or one-stop shop for all construction related approvals, including environment and safety certificates, to obviate the need of approaching multiple departments to obtain construction permits.</li> <li>State Governments should take steps to standardize 'project related information' in the form of a Composite Application Form (CAF) for common clearances required from various Government departments / agencies.</li> </ul>
	<b>Simplify procedures, formalities, inspection and other requirements; Mandate time limits to processes</b>	<ul style="list-style-type: none"> <li>Prepare a compendium of processes and timelines for all Central &amp; State Government approvals for various construction related activities. Lay down clear processes, with clarity of sequential and parallel processes, across approval stages along with listing supporting documents required to complete the procedure to minimize error and processing of incomplete applications.</li> <li>Stipulate maximum time limit for the entire approval process. Encourage system of 'deemed' clearances of items that are not in the negative list.</li> <li>Empower the nodal agencies in the states to coordinate between all departments and enforce timelines or model practices across departments.</li> <li>Introduce procedural reforms like self-certification, third party certification, rationalisation of inspections and extend validity of clearances for certain industries (e.g. green technology).</li> <li>Involve 3<sup>rd</sup> parties for site inspections.</li> <li>Move towards online building plan approval for simplifying the process and cutting down on the time taken. The practices adopted by Bangalore and Indore should be emulated by other states.</li> <li>Automate grant of NOC; notify restricted areas (NMA, AAI, Defence, CRZ etc.).</li> <li>States should consider 'streamlining of building bye-laws' to provide 'clear overarching laws and guidelines'.</li> </ul>



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4. Getting Electricity		
<ul style="list-style-type: none"><li>➤ India ranks 137<sup>th</sup> in the challenges faced by new businesses in getting a permanent electricity connection.</li><li>➤ While the getting electricity rank has moved down by three notches from 134<sup>th</sup> position registered last year, there is an improvement in the DTF* measure on getting electricity, which has moved up by 0.51 points as compared to last year.</li><li>➤ There is need to reduce the time and cost of getting electricity connections.</li></ul>	<b>Streamlining approval processes, providing transparency and timelines for each approval process</b>	<ul style="list-style-type: none"><li>• Streamline the approval process, enable online approval, estimation and inspection facility to reduce connection delays and the duplication of formalities. Reduce the number of procedures.</li><li>• Establishing clear metrics to track the progress of application and clearly define timelines for each approval procedure. There is need to fix accountability for individuals and departments to enforce time-bound deliverables.</li><li>• Introduce procedural reforms like self-certification, third party certification and rationalisation of inspections.</li></ul>
	<b>Better business regulations</b>	<ul style="list-style-type: none"><li>• Implement fully the key EA mandates.</li><li>• To enhance the efficiency of the distribution sector, it is essential to move towards privatization of the distribution companies and strengthen SERCs.</li><li>• It is also critical to look at separation of the carriage and content to increase the competitiveness in the sector.</li></ul>
5. Registering Property		
<ul style="list-style-type: none"><li>➤ India ranks 121<sup>st</sup> out of 189 economies in ease of registering property, which is six notches below the 2014 ranking.</li><li>➤ As land is a state subject, various states have taken a number of reform initiatives in recent years to simplify procedures and reduce time taken to register a property.</li><li>➤ However, there is considerable room for improvement.</li></ul>	<b>Moving towards online system of property registration and rationalizing procedures</b>	<ul style="list-style-type: none"><li>• Reduce delays by computerizing and rationalizing procedures at the property registry. Indian states can learn from states’ best practices in these areas. Eg Online and 'Anywhere Registration' (KAVERI), Karnataka &amp; Computer Aided Registration of Deeds (CARD), Andhra Pradesh; effecting standardization of property documents (Sarathi project of Rajasthan).</li><li>• Integrate property registration and mutation process through integration of departmental records electronically.</li><li>• Fast track mechanisms by State and local town planning authorities for 'Change in Land Use'. Prescribe maximum time limit for a decision on 'conversion of land' applications.</li><li>• State and local town planning authorities may consider creation of an institutional mechanism to facilitate faster conversion of agricultural land to non-agricultural land.</li><li>• Remove duplicity or unnecessary approvals activities / documentation - e.g. dual process of getting conversion of land use approval from revenue department as well as town planning / local dept may be done away with.</li><li>• The states should expedite the computerization of land records and registration process to enable quick and secure property registration (National Land Records Modernization Programme (NLRMP)).</li></ul>
	<b>Rationalization of Stamp Duty</b>	<ul style="list-style-type: none"><li>• Reduce the high rates of stamp duties. Consider rationalization and standardization of stamp duties across states through implementation of Indian Stamp Amendment Bill 2011.</li><li>• Launch e-stamping across the states to reduce paper and handling charges.</li></ul>
	<b>Deeper penetration e-stamping procedures</b>	<ul style="list-style-type: none"><li>• Ensure broader implementation of e-stamping. Conduct phased implementation of the e-stamping plan for pilots followed by state –wide roll out of e-stamping facility.</li><li>• Develop and launch stamp duty calculators for calculating duty for different circles.</li></ul>

\*Distance to Frontier

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6. Getting credit		
<ul style="list-style-type: none"><li>➤ India ranks 36<sup>th</sup> on the ease of Getting Credit.</li><li>➤ Several reforms have been undertaken to improve the environment for getting credit, foremost among which are setting up CIBIL, enactments under RDDB, Act,1993, SARFAESI Act 2002.</li><li>➤ However, there is further need to make current laws more efficient and effective with an element of definitive and predictable time frame.</li></ul>	<b>Reforming collateral and insolvency regimes</b>	<ul style="list-style-type: none"><li>• Establish more DRTs/ DRATs. Establish special DRTs for high value cases (claim of banks exceeding Rs 100.0 crore).</li><li>• Refer case of consortium financing/multiple financing, with aggregate claim of more Rs 100.0 crore, to special DRTs.</li><li>• DRTs should strictly adhere to existing disposal time of 180 days (envisaged under section 19 (24) of the (RDDBFI Act), especially in high value cases (Rs 100.0 crore and above). Likewise, DRTs should also adhere to the requirement of Section 19 (5A) of the RDDBFI Act which restricts adjournments by DRTs to a max of 3 or 6.</li><li>• Amendments may be made to the RDDBFI Act by inserting provisions empowering the DRTs to set aside fraudulent transfers by the borrowers/ other obligors, with an intention to defeat or delay the creditors and also empower the DRTs to grant specific reliefs, wherever required.</li><li>• Incorporate special provisions for cases of willful default / fraud (cases which appear in RBI list). Such cases should be taken up on a fast track basis.</li><li>• Empower DRTs to make it compulsory to deposit 75% of the amount claimed in case the borrower/ obligors wishes to file an appeal against DRTs orders (including interim orders) to prevent defaulting companies from delaying recovery proceedings by preferring appeals on frivolous grounds.</li><li>• To ensure that borrowers/guarantors do not alienate their assets, incorporate the provision that once an original application is filed and notice is served on the defendants, a restraint becomes effective from the date of service of notice, for selling, transferring, alienating, parting with the assets, in RDDBFI Act. This is similar to Section 13 (13) of the SARFAESI Act.</li><li>• Put in place a mechanism of quick enforceability of DRTs orders in favor of banks. Empower DRTs to take necessary criminal action against promoters who do not comply with the DRT's orders.</li><li>• Repeal Sick Industries Companies Act / BIFR which is being misused by companies to enjoy protection against creditors' actions.</li><li>• Provide flexibility to creditors for appointing private entities as liquidators instead of only official liquidator during winding up proceedings.</li><li>• Establish clear rules to determine distribution of proceeds realized from sale of assets amongst banks and other statutory creditors like income tax, excise, customs, labor, electricity, Municipal Corporation, sales tax etc.</li></ul>
	<b>Improvements in Credit Information</b>	<ul style="list-style-type: none"><li>• Reserve Bank of India may explore the means of introducing a Common Credit Information Report on the lines of the tri-bureau report available in the USA, in consultation with all CICs and in a manner customised to the credit information infrastructure existing in the country.</li><li>• All Commercial Banks, Regional Rural Banks, Local Area Banks and financial institutions, including HFCs and SFCs, may compulsorily be required to become members of all CICs and submit data to them.</li><li>• Cooperative banks and Non-Banking Finance Companies with an asset base of Rs. 100 crore and above should be compulsorily required to become members of all CICs. Others with assets below Rs.100 crore may be encouraged to become members of all CICs.</li><li>• CICs may include information relating to commercial paper in their data format for collecting credit information from credit institutions.</li></ul>

Issues	CII Recommendations	
7. Protecting Investors		
<ul style="list-style-type: none"><li>➤ India performs relatively well on the protecting investors indicator.</li><li>➤ India ranked 7<sup>th</sup> in protecting minority investors in 2015, and has a strength of minority investor protection score of 7.3 out of 10 which is well above the South Asian average of 5.3.</li></ul>	Providing greater transparency in companies' operations	<ul style="list-style-type: none"><li>• Need for immediate disclosure of transactions involving a company insider.</li><li>• Setting out clear rules of accountability for company directors when such transactions turn out to be prejudicial.</li></ul>
	Providing a means of redress for any misconduct	<ul style="list-style-type: none"><li>• Lowering the ownership thresholds for minority shareholders to sue derivatively for damages to the company.</li></ul>
8. Appropriate Labour Development Eco-System		
<ul style="list-style-type: none"><li>➤ Archaic Labour Laws - There are 44 labour laws enacted by the Central Government – many of which are old and outdated with marginal changes carried out over the years.</li><li>➤ Heavy compliance burden - Overlapping of several statutory provisions in labour laws resulting in several issues.</li><li>➤ Inflexibility in Manpower Deployment - The focus of labour law is still leaning toward job protection of already employed rather than the job creation for millions of unemployed.</li></ul>	What needs to be done in the short-run (6-12 months)	<b>Simplification &amp; rationalization of labour laws</b> <ul style="list-style-type: none"><li>• Evolve a common “definition” for a term under “all” enactments.</li><li>• Introduce only one “Annual Inspection” by all Inspectors (viz. labour Inspectors, Factory Inspectors etc.) to be coordinated and jointly organized.</li><li>• Introduce innovative methods like ‘third party inspections’ self-certification etc. to units of a certain size.</li><li>• Recognizing Electronic Record for the purpose of Register to be maintained under different Act.</li></ul> <b>Flexibility</b> <ul style="list-style-type: none"><li>• Industrial Employment (Standing Orders) Act, 1946.</li><li>• Reintroduce Fixed Term Employment.</li></ul>
	What needs to be done in the medium-run	<b>Industrial Disputes Act, 1947:</b> <ul style="list-style-type: none"><li>• Raise the cut off limit from 100 to 500 workmen to attract provision of “prior permission” for downsizing/retranchment.</li><li>• For establishments with more than 500 or workers for retranchment and closure, automatic permission may be granted in lieu of high severance benefits.</li><li>• Substitute ‘prior permission’ with ‘prior intimation’ in cases where retranchment is not more than 10% of the workforce.</li></ul> <b>Contract Labour (Regulation &amp; Abolition) Act, 1970</b> <ul style="list-style-type: none"><li>• Remove uncertainty in Contract Labour deployment by renaming the Act as the Contract Labour “Regulation Act”.</li><li>• Allow “deemed approval” for Contract Labour Registration Certificates in cases of delay beyond 30 days.</li></ul> <b>Dispute resolution &amp; industrial harmony</b> <ul style="list-style-type: none"><li>• Trade Unions Act, 1926: Allow only persons engaged or employed in the establishment with which the Trade Union is connected as Office Bearers.</li><li>• Establish labour arbitration courts in industry clusters to expedite dispute resolutions.</li></ul>
	What needs to be done in the long-run	Initiate process for creation of a holistic labour law regime by combining Acts with similar objectives to avoid duplicity, lower compliance and avoid unnecessary litigation. <ul style="list-style-type: none"><li>• Laws Governing Industrial Relations</li><li>• Laws Governing Wages</li><li>• Laws Governing Social Security</li><li>• Laws Governing Welfare</li><li>• Separate Laws for MSMEs</li></ul>



Issues		CII Recommendations
<b>9. Appropriate Skill Development Eco-System</b>		
<ul style="list-style-type: none"> <li>➤ Occupational standards within and across industries not standardized.</li> <li>➤ Training providers don't have a standard and hence no uniform curriculum for vocational courses.</li> <li>➤ Employers are not able to recognize skill levels and hence are not able to differentiate remuneration for skilled labor.</li> </ul>	<b>Expedite establishing and defining Sector Skill Councils for all sectors</b>	<ul style="list-style-type: none"> <li>• Fast-track development of National Occupational Standards.</li> <li>• Ensure coverage of all sectors through Sector Skills Councils to achieve National Occupational Standards (NOS).</li> <li>• Introduce skill vouchers to attract trainees.</li> <li>• National Skill Qualification Framework to be fast-tracked and implemented.</li> <li>• Augment implementing body to accelerate adoption of Skills Qualification framework across education and training institutions (Public/ Private).</li> </ul>
	<b>Activating National Skill Qualification Framework</b>	<ul style="list-style-type: none"> <li>• Integrate vocational education in formal education system (universities).</li> <li>• Align Indian National Occupation Standards with Trans-National Standards for mobility.</li> </ul>
	<b>Apprentice program</b>	<ul style="list-style-type: none"> <li>• Propagate greater industry participation for scaling up</li> </ul>
	<b>Branding skills</b>	Create international standard training facility <ul style="list-style-type: none"> <li>– Through PPP route</li> <li>– Media Campaign</li> <li>– Competition on Skills</li> </ul>
<b>10. Protecting Investors</b>		
<ul style="list-style-type: none"> <li>➤ India performs relatively well on the protecting investors indicator.</li> <li>➤ India ranked 7<sup>th</sup> in protecting minority investors in 2015, and has a strength of minority investor protection score of 7.3 out of 10 which is well above the South Asian average of 5.3.</li> </ul>	<b>Providing greater transparency in companies' operations</b>	<ul style="list-style-type: none"> <li>• Need for immediate disclosure of transactions involving a company insider.</li> <li>• Setting out clear rules of accountability for company directors when such transactions turn out to be prejudicial.</li> </ul>
	<b>Providing a means of redress for any misconduct</b>	<ul style="list-style-type: none"> <li>• Lowering the ownership thresholds for minority shareholders to sue derivatively for damages to the company.</li> </ul>
<b>11. Enforcing Contracts</b>		
<ul style="list-style-type: none"> <li>➤ India is ranked 186<sup>th</sup> on the ease of enforcing contracts in 2015.</li> <li>➤ In the CII survey (2014),               <ul style="list-style-type: none"> <li>• Time taken from filing to final judgment seems unreasonable to most of the respondents and poses major obstacles.</li> <li>• Costs involved also pose a significant obstacle.</li> <li>• 84% of the respondents have indicated that a review of laws and regulations needs to be taken up urgently.</li> </ul> </li> </ul>	<b>Application of technology in judicial administration and delivery system</b>	<ul style="list-style-type: none"> <li>• Implement IT intensive productivity improvement in courts at all levels, including at the level of district courts – effective case-management software itself would go a long way in reducing delays.</li> <li>• Effectively implement an electronic case filing system in all courts in India and adhere to the timelines for completion of the same.</li> </ul>
	<b>Implement reforms for speedy resolutions of contract related disputes</b>	<ul style="list-style-type: none"> <li>• Increase in number of courts and tribunals with provision of requisite infrastructure to enable them to function efficaciously. Increase the number of judges / presiding officers and provide adequate infrastructure and manpower to enable them to function efficaciously.</li> <li>• Recommend mandatory comprehensive written submissions at a final hearing stage-to make proceedings more efficient, reliable and reason based. Discourage unnecessary adjournments by enabling suitable hi-tech environment eg video conferencing, phone over compulsory physical attendance.</li> <li>• Strengthen commercial arbitration by reducing scope for judicial intervention and emphasizing institutional arbitration. Option of mandatory institutional arbitration may be explored for all commercial contracts arbitral proceedings must be concluded within specified time limit.</li> <li>• Promote Alternate Dispute Resolution method over the formal litigation.</li> <li>• Introduce the Amendments to the Arbitration and Conciliation Act, 1996, as suggested during the consultation meeting organized recently by the Law Commission of India.</li> </ul>

Issues	CII Recommendations	
	<b>Establishment of commercial courts</b>	<ul style="list-style-type: none"> <li>Commercial disputes regarding large investments above a prescribed limit to be heard by specialized commercial courts where the judges are trained and equipped to handle such disputes.</li> <li>Special benches in High Courts and Supreme Courts to deal with the commercial disputes in specified time limit.</li> </ul>
	<b>Entering international treaties</b>	<ul style="list-style-type: none"> <li>Subject to certain restrictions in law, a foreign judgment can be enforced by courts in India only if the said judgment is of a court in a 'reciprocal territory'. India should sign treaties with many more countries with which it does business regularly.</li> <li>The process of enforcement of foreign judgments should be streamlined and definite time limits should be provided for achieving finality with regard to the enforcement of the same.</li> </ul>
<b>12. Resolving Insolvency</b>		
<ul style="list-style-type: none"> <li>➤ The 'Resolving Insolvency' indicator of the World Bank's Doing Business Report identifies the weaknesses in existing bankruptcy law and the main procedural and administrative bottlenecks in the bankruptcy process.</li> <li>➤ India scores 137<sup>th</sup> on the ease of closing a business which is the highest among BRICS countries with the exception of Brazil.</li> </ul>	<b>Relax exit regulations and address inefficiencies</b>	<ul style="list-style-type: none"> <li>Amend existing labour laws to facilitate flexibility in deployment of labour.</li> <li>Implement time bound process of tax clearance from tax authorities.</li> <li>Introduce bankruptcy laws akin to those prevailing in developed countries.</li> <li>Introduce oversight mechanisms and establish early warning signals.</li> <li>Establish options for the workforce such as social security benefits, employee benefits or insurance funds to provide a safety net for labour needs.</li> </ul>
	<b>Streamlining Processes; establishing effective reorganization proceedings</b>	<ul style="list-style-type: none"> <li>Widen scope of easy / voluntary exit schemes under corporate laws.</li> <li>Streamline corporate restructuring process as well as further simplification under Companies Act 2013.</li> <li>Reduce time taken by Official Liquidator's Office in settling dues and determining accounts for company in liquidation.</li> <li>Consider a single window approval for exit.</li> <li>Carefully consider the number and geographical spread of NCLT / NCLAT benches to ensure that justice is not hampered by logistics and provide adequate premises, infrastructure, trained manpower etc at each location.</li> </ul>
	<b>Promoting specialized courts</b>	<ul style="list-style-type: none"> <li>Effectively implement an electronic case filing system.</li> <li>Though the process of e-filing of proceedings has been initiated in some High Courts, this could be the norm, instead of an exception.</li> <li>The process of e-court service of proceedings has been initiated by the Supreme Court, however it has yet to permeate to courts at all levels.</li> </ul>
<b>13. Paying Taxes</b>		
<ul style="list-style-type: none"> <li>➤ India ranks 156<sup>th</sup> out of 189 economies in the ease of paying taxes which is two notches lower than the 2014 ranking of 158.</li> <li>➤ In the CII survey (2014), <ul style="list-style-type: none"> <li>92% of the respondents feel that there are challenges in transfer pricing assessments relating to distribution/ agency.</li> </ul> </li> </ul>	<b>Simplifying procedures, offering electronic filing, payment and refund</b>	<ul style="list-style-type: none"> <li>Enable e-filing of all taxes with uninterrupted access to online services.</li> <li>Early implementation of Goods and Services Tax (GST).</li> <li>Increase payment gateways for better customer convenience.</li> <li>Adopt self-assessment as an effective tool for tax collection.</li> <li>Refund of VAT should occur automatically and in a time-bound manner in all states based after issue of clear guidelines.</li> </ul>
	<b>Operational reforms - focus on getting the tax base right and ushering in certainty and stability</b>	<ul style="list-style-type: none"> <li>Implement the Shome Committee recommendations; clarifications and legislative amendments are necessary.</li> <li>Need to eliminate retrospectively, Non-applicability of penalty and interest if applied retrospectively.</li> <li>Need for a comprehensive General Anti-Avoidance Rules; detailed guidelines on GAAR applicability. Need for clarity on interplay between SAAR and GAAR – specific reference to LOB Articles.</li> </ul>

Issues	CII Recommendations	
<ul style="list-style-type: none"> <li>90% feel that tax authorities are not pro-active in promoting investments.</li> <li>60% feel that the neutralization of tax decision by the Supreme Court through retrospective amendments has had a damaging effect on investment sentiments.</li> </ul>		<ul style="list-style-type: none"> <li>Clarification on the non-applicability of Transfer Pricing regulations on transactions not resulting in taxable income or tax deductible expense in India e.g. equity infusions, transactions with regard to foreign companies.</li> <li>Clarifications regarding impermissibility of secondary adjustments.</li> <li>Guidelines regarding compensation to be recovered in case of creation of marketing intangibles – as a result of excess AMP expenditure.</li> <li>Non-availability of domestic TP to payment of director's remunerations and other non-tax arbitrage situations to avoid double taxation.</li> <li>Review the need for CFC Provisions in the Indian context. Rethink 'place of effective management' standard for establishing tax residency.</li> <li>Address the need for robust dispute resolution mechanisms.</li> </ul>
	<b>Introduce policies and guidelines for faster resolution of tax disputes</b>	<ul style="list-style-type: none"> <li>Introduce mandatory statutory timelines for disposal of tax cases through suitable amendments in Income-tax Act.</li> <li>The process of pre dispute consultation before issuing a tax demand notice should be put into practice.</li> <li>An amendment is proposed in Excise, Customs &amp; Services tax law to widen the scope of Advance Ruling mechanism to include transactions undertaken by all assessee's (irrespective of residential status) and also to introduce additional benches. While the Budget speech seemed to suggest that such a benefit shall also be extended under the Income-Tax Act, the budget fine prints do not mention this. Thus a similar amendment may be introduced under Income-tax Act.</li> <li>Set up grievance redressal forum independent of Ministry of Finance, to address tax queries.</li> <li>Empower existing dispute settlement mechanism under the income-tax laws to resolve disputes pending before various forums.</li> <li>High level committee proposed to scrutinize cases of indirect transfer must analyze cases in relation to all retroactive amendments (and not just those related to indirect transfers).</li> </ul>

## 14. Trading Across Borders

<ul style="list-style-type: none"> <li>➤ India ranks 126<sup>th</sup> in Doing Business 2015 in the ease of trading across borders, slipping sharply from the 122<sup>nd</sup> position in Doing Business 2014.</li> <li>➤ The fall in ranking can be largely attributed to the prevailing export-import regime.</li> <li>➤ While recent initiatives towards improving the ease of trading across borders are a step in the right direction, these need to be improved upon throughout the country to facilitate the ease of doing cross border trade.</li> </ul>	<b>Simplifying procedures, offering electronic filing, payment and refund</b>	<ul style="list-style-type: none"> <li>Publish all product wise listing of export and import related NOC/License/ Sample requirements in ITC (HS) book of DGFT which should serve as single point public resource.</li> <li>Review of formalities and documentation requirements and reduce them appropriately. Use of International Standards as basis of formalities and procedures.</li> <li>Simplify Let Export Order (LEO) issuance procedure.</li> <li>Relook the process and criteria for major trade facilitating mechanisms like AEO (Authorized Economic Operator) and ACP (Accredited Clients Program) and making it more customer friendly by simplifying the procedures.</li> </ul>
	<b>Establish a single window for traders to minimize cost and increasing trade competitiveness.</b>  <b>Allow electronic submission and processing of documents.</b>	<ul style="list-style-type: none"> <li>Introduce integrated online environment for export and import clearances, expedite the availability of all the major procedural services online with minimum 99% uptime and on a continuous 24X7 basis.</li> <li>Standardize all essential information required for export and import process by various department and agencies in the form of a Composite Application Form (CAF), bring Information submission requirement of carriers, ports, airports and ICD's under CAF.</li> <li>Automate grant of NOC using online processing to reduce the time.</li> <li>Enable customs Electronic Data interchange (EDI) to accept digitally signed copy of supporting documents required for import, export and transit formalities.</li> <li>Integrate Excise and Customs procedures for excise rebate of duty on exports of goods in a common IT platform.</li> <li>Allow Self certification of both Non-preferential and Preferential Certificate of Origin (CoO's).</li> </ul>

Issues	CII Recommendations	
	<b>Inland transportation and handling /</b>	<ul style="list-style-type: none"> <li>• Development of smart Gateways (Ports/Airports/Land Borders/ICDs), Automate Traffic Management and Appointment System.</li> <li>• Relax Cabotage Law which mandates the use of Indian ships for transporting cargo among different ports along the country's coast.</li> <li>• Allow export of Commercial Shipments through courier mode for B2C e-Commerce exports. Roll out express EDI expeditiously so that e-commerce exports can also receive incentives due to them.</li> </ul>
	<b>Using risk-based inspections</b>	<ul style="list-style-type: none"> <li>• An exemption /modification in the physical verification of goods and subsequent physical inspection for export container loading for star exports houses would help reduce the lead time for shipments.</li> </ul>
	<b>Transparency measures related to classification and tariff information</b>	<ul style="list-style-type: none"> <li>• Develop a unique commodity code to reduce classification dispute as many times products are covered under "others" heading which leads to such disputes.</li> <li>• Facility of 'Advance Ruling' on issues such as tariff classification and rules of origin (RoO). Systematic change is needed in Advance Ruling.</li> </ul>
<b>15. Technology Enablement</b>		
➤ Significant improvement in efficiency, transparency and governance can be brought in by large scale adoption of technology in governance.	<b>Establish Office of Chief Technology Officer</b>	<ul style="list-style-type: none"> <li>• Establish Office of Chief Technology Officer at the Joint Secretary level in every department who will be responsible for automation and technology adoption.</li> </ul>
	<b>Enhance Government IT infrastructure</b>	<ul style="list-style-type: none"> <li>• Create Government IT Infrastructure from a perspective of Technological Sovereignty, including setting up of Government cloud data center, secured messaging system and internet exchange within the country.</li> <li>• Create secure IT network with Internet exchange being located in India under the sovereignty of the Indian government.</li> <li>• Move eGovernance from Ministry of Communications &amp; IT to PMO with a status equivalent to Department of Space and Department of Atomic Energy.</li> <li>• Democratize usage of satellite data for planning and operations of Government departments.</li> <li>• Completely revamp Integrated Financial Management System (IFMS).</li> </ul>
	<b>Create social media strategy for each department</b>	<ul style="list-style-type: none"> <li>• Create a Social Media team for each department in order to ensure Participatory Governance.</li> </ul>
	<b>Introduce policy to ensure Government processes are e-enabled</b>	<ul style="list-style-type: none"> <li>• Adopt a policy of creating e-enabled processes before notification of any new legislation.</li> <li>• Ensure complete implementation and adoption of e-Procurement initiatives across the Government including DGS&amp;D.</li> <li>• Adopt Analytics driven policy making.</li> <li>• Establish cross ministerial digital workflow system at Central Government.</li> </ul>



India's taxation system which has become too complex through frequent tweaks of the historical text over the past decades has been a cause of concern for companies. In the current scenario, three things are required by the Indian economy from a taxation perspective; firstly, rationalize taxation impacting manufacturing and infrastructure growth, secondly, adopt policies that mitigate tax disputes and improve tax administration and thirdly, establish stability and international competitiveness of tax regime.

**R Seshasayee**

*Past President, CII & Chairman, CII Economic Growth & Investments Council, CII and Executive Vice Chairman, Hinduja Group*

Skilled, productive labour and harmonious labour relations are central to realizing the demographic dividend that India has been bestowed with. In the past, labour issues, characterized by highly restrictive laws, time consuming procedures and skill gap in the Indian workforce, have been the key impediment to growth of the manufacturing sector in the country. The time has come to address these labour issues so as to put the manufacturing Sector on a steep upward trajectory.

The pace and manner in which the Government has initiated steps in this direction indicate healthy green shoots. For example, launch of a unified portal for Registration of Units for LIN, Reporting of Inspection, Submission of Returns & Grievance Redressal, automation of registration with Employees Provident Fund Organization (EPFO) and Employees State Insurance Corporation (ESIC), increase in wage ceiling for EPF, setting up of a separate ministry for skill development etc. While these are indeed welcome and much needed initiatives, broad based reforms are required in four areas to experience a ripple effect on employability and job creation, i.e, labour law reforms, incentivizing scale, improving the ease of compliance and skill development.



**Adi Godrej**

*Past President, CII and Chairman, Godrej Group - Godrej Industries Limited*



"It is promising to note that things are moving in the Government to attain the objective of easing doing business in India. While Central Government has initiated steps in the right direction to overcome the challenges, it is necessary to develop and deliver on initiatives across the board to resolve hurdles in the way of doing business in India. Two things would be very important in this regard.

Firstly, the Central Government would have to secure active cooperation of the states to ensure actual progress in reducing hurdles to business, especially in areas that are mostly under the jurisdiction of the states, such as dealing with construction permits, getting electricity connections and registering property etc.

Secondly, technology enablement across board would be crucial in determining the success of Ease of Doing Business. Significant improvement in efficiency, transparency and governance can be brought in by large scale adoption of technology in Government. Once all the processes are identified and rationalized/simplified by removing redundancy and duplicacy, these can be put on an IT based system which will connect various Government departments (Centre and State) and approvals and checks can be accomplished without jeopardizing quality, time and cost aspects. Further, a Chief Technology Officer at the level of Joint Secretary can be appointed who could be made responsible for seamless technology adoption transformation.

**Manoj Kohli**

*Chairman, CII Task Force on Ease of Doing Business and Managing Director, Bharti Enterprises*





Tremendous positivity of approach and a desire in the top bureaucratic echelons to create a more industry and investment friendly climate is worth appreciating. However, in infrastructure, the big investment has to come from the private sector. To revive PPP (public-private partnership) momentum in infrastructure we need three Rs—-independent regulation, re-negotiation of contracts and re-setting of risk allocation between the Government and the private sector. The industry, which perceived the budget announcement of setting up 3P India as an instrument for revitalizing PPP, is still awaiting its implementation.

**Vinayak Chatterjee**

*Chairman, CII Task Force on Infrastructure Projects - Advocacy & Development and Chairman, Feedback Infra Private Limited*

Due to a lack of penetration and data-led approach, a sizable credit gap exists in India for businesses. Especially loaning to MSMEs is considered as being costly for lenders because processing of each application requires extensive field work coupled with high level of scrutiny. In order to bridge the data gap and facilitate broad based access to credit, a key improvement area for the country consists of making collateral registry in operation for both incorporated and non-incorporated entities, with an electronic indexed database.



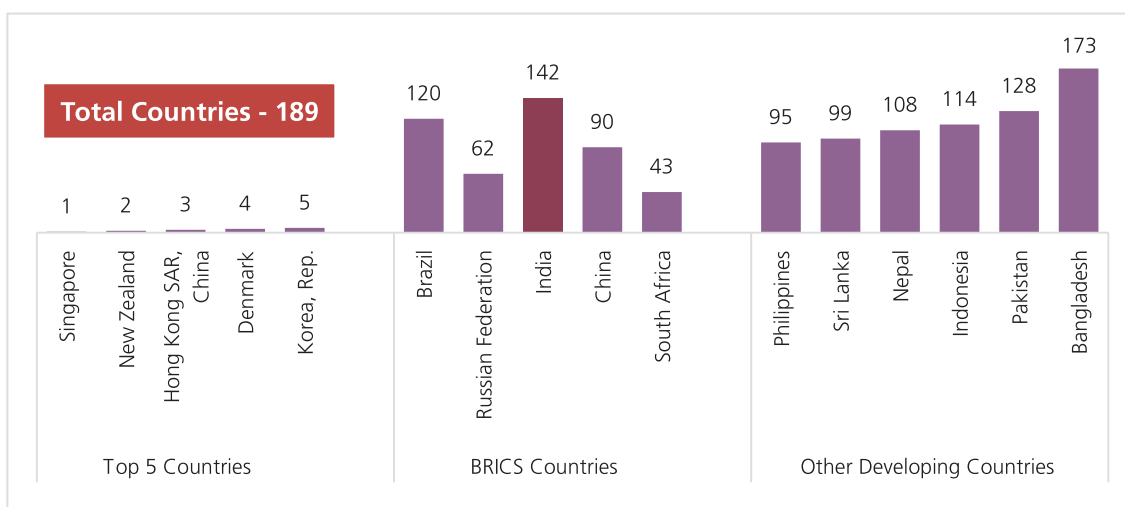
**Deep Kapuria**

*Co-Chairman, CII Trade Fairs Council and Chairman, The Hi-Tech Gears Limited*



# India's Performance on the Ease of Doing Business

**Ranking of the Countries on the Overall Ease of Doing Business Rank - 2015**



Source: World Bank's Ease of Doing Business Ranking 2015

**India's Ranking on Sub-indices in 2014 & 2015**



Source: World Bank's Ease of Doing Business Ranking 2014 & 2015

## India's Performance against the Frontier on Ease of Doing Business - 2015

Sub-indices	Who sets the frontier	Indicator	Best Performance (frontier)	India's Performance
Starting a business	New Zealand	Procedure (no.)	1	13
		Time (days)	0.5	30
Dealing with construction permits	Hong Kong SAR, China	Procedure (no.)	5	27
		Time (days)	66	162
Getting electricity	Korea, Rep	Procedure (no.)	3	7
		Time (days)	18	67
Registering property	Georgia	Procedure (no.)	1	7
		Time (days)	1	47
Getting credit	New Zealand	Strength of legal rights index (0-12)	12	6
		Depth of credit information index (0-8)	8	7
Protecting investors	New Zealand	Extent of disclosure index (0-10)	10	7
		Extent of director liability index (0-10)	9	6
		Extent of stakeholder suits index (0-10)	9	7
Paying taxes	United Arab Emirates	Payments (number per year)	4	33
		Time (hours per year)	12	243
Trading across borders	Singapore	Documents to export (number)	3	7
		Time to export (days)	6	16
Enforcing contracts	Singapore	Procedure (no.)	150	1420
		Time (days)	25.8	39.6
Resolving insolvency	Finland	Time (years)	0.9	4.3
		Cost (% of estate)	3.5	9

Source: World Bank's Ease of Doing Business Ranking 2015

For suggestions please contact Priya Shirali, Corporate Communications at [priya.shirali@cii.in](mailto:priya.shirali@cii.in)

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Tel: +91-11-24629994-7, Fax: +91-11-24626149; Email: [info@cii.in](mailto:info@cii.in); Web: [www.cii.in](http://www.cii.in)