

The logo for the UK India Business Council, featuring the text 'UK INDIA' in a bold, sans-serif font with 'UK' in blue and 'INDIA' in orange, and 'BUSINESS COUNCIL' in a smaller, blue, sans-serif font below it. The logo is positioned on a white arrow-shaped background pointing to the right.

UK INDIA
BUSINESS COUNCIL

THE 3RD ANNUAL DOING BUSINESS IN INDIA REPORT: THE UK PERSPECTIVE

November 2017

Supporting Business Success

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FOREWORD

The unprecedented 30-place jump made by India in the World Bank's Ease of Doing Business (EODB) rankings, from 130 to 100, is an encouraging step in the right direction for businesses in India.¹ This, combined with Moody's raising of its global rating for India to Baa2, announced only days later, is compelling evidence of positive changes taking place within India's business operating environment.

It is timely then, that, against this background, the UK India Business Council is publishing its 3rd annual *Ease of Doing Business in India* survey based on the views of UK corporate respondents.

There is no doubt that there are tremendous opportunities for UK businesses of all sizes and complexions in India, both now and into the foreseeable future. We at the UK India Business Council (UKIBC) believe that it is not hyperbole to say that the 21st Century could be India's.

Over the past 20 years, India has achieved a new self-confidence in itself and in its position within the world. Having seemingly shaken off its Nehruvian-style introspection on the world stage, India is adopting sustainable new attitudes to international business co-operation. The rapid emergence of major domestic players as part of an increasingly vibrant private sector, the fast-expanding, aspirational, consumer-driven middle class, and the 'demographic dividend' provided by an expansive and young population are all factors which are powering the domestic economic growth of India.²

Having flattered to deceive for so long, India is forecast to post GDP growth of 6.7% in 2017-18, rising to 7.4% for 2018-19.³ The public 'repositioning' of India, coupled with targeted structural reforms and policies such as 'Make in India', have made India a beneficiary of a deluge of FDI flows. As foreign companies seek to benefit from the upward trajectory of the economy and from India's attractiveness as a manufacturing hub, FDI flows are showing a 37% year-on-year increase to US\$ 10.4bn in the first quarter of 2017, following a total FDI amount of US\$ 60.1bn in 2016-17.⁴

More than any other country, UK businesses are taking advantage of the investment opportunities in India. The UK is the largest G20 FDI investor in India, with around US\$ 24bn invested in the country.⁵ These numbers do not even take into account Foreign Institutional Investment (FII) flows from the UK into the Indian stock markets or direct investments from UK private equity and venture capital. Nor does it include disaggregated trade and investment flows.

UK businesses make a huge contribution to the Indian growth story, not least through the employment of over 780,000 Indians, or 5.5% of the country's organised private sector workforce.⁶ It is equally true that UK companies, and the Indian nationals that run their India operations – many of who

contributed to this report - are extremely knowledgeable about the Indian operating environment, with many having spent their entire careers working within it.

And this is not merely a one-way relationship. The UK and its economy benefits considerably from India. UK companies engaged in India garner increased exposure and earnings, and generate direct benefits such as enhanced reverse innovation and technology flows and increased exports.⁷ They also improve the competitiveness of the wider UK corporate sector.

The summary conclusions of this survey show that UK business is largely positive about the changes that are being introduced by the Union and State Governments of India. Yet, at the same time, they are somewhat impatient at the speed and implementation of EODB reforms. It is recognised that in totemic metrics, such as the World Bank's survey, are lagging indicators. Nonetheless, a deeper analysis of the fundamentals reveals some interesting nuances, which are borne out in our survey responses.

The World Bank cited improvements in 2016-17 in areas such as time taken to start a business, streamlining access to building permits, the protection of minority interests, the ease of paying taxes and accessing credit, cross-border trading, contract enforcement, and insolvency resolution.

Much has been achieved. Indeed, particularly positive comments have been received about a streamlining of regulatory approvals in the pharma sector. However, much still needs to be done. It is apparent that the positive tone coming from the top of the Government and bureaucracy is not always matched by the ways in which mid-level officials go about their business. For instance, it is not efficient to require a company to obtain 200,000 licences to operate in the beverage sector on a pan-Indian basis, or to burden the growing retail sector with a myriad of permissions to roll-out a store-opening programme. If there is one salient message from our 88 survey respondents, it is that effort should be made to drive positive process and culture changes down throughout the bureaucracy. This, above all other measures, would lower the cost of doing business in India, making the country a wholly compelling investment destination.

At the same time, much-needed structural reforms such as the Goods and Services Tax (GST), carry with them dangers if implementation is sub-optimal. Many survey respondents indicate that the benefits of GST have yet to be felt across the supply chain. The implementation is a massive exercise and has not been without challenges. It is rightly being rolled out gradually. However, during this initial phase, issues around compliance among supply chains, particularly at the SME level, are causing pain. UKIBC India itself now has to submit 111 filings every year, as opposed to the two required before GST implementation.

Senior Government of India officials who we have spoken with freely acknowledge that issues remain and that EODB reform is a work in progress. We hope that this is correct and that the Government will not be too distracted by the 2019 General Election. This month, Mr. Amitabh Kant, CEO of Niti Aayog, stated that India will be in the top 50 of the World Bank's EODB ranking within two years. We are keen that he is proven right.

India continues to be a complicated market with each of its 29 states having regulatory, tax, social, and linguistic differences. When Prime Minister Modi came to power in May 2014, he committed to give investors 'a red carpet, not red tape' ... the proof of the pudding is in the eating.

UK businesses can succeed in India right now. Our experience is that those UK companies that engage with India are likely to establish a presence there and increase investment, and that those companies that are already in India are likely to expand further within the subcontinent. Operationally, larger companies have the expertise and capacity to navigate the evolving operating environment, smaller businesses need targeted help and advice. It is therefore critical to give SMEs the support and guidance they need to navigate their way to the undoubted opportunities in India. UKIBC's suite of market entry services are aimed specifically to give this support.

At the same time, the UKIBC is working with partners across the UK and Indian governments to provide more and better support to help SMEs navigate the challenges of expanding to India through structured mentoring programmes. For example, through the Access India Programme, the UKIBC is working with the DIPP and Indian High Commission, as Knowledge Partner, to help UK manufacturers to 'Make in India'. We are also working with Business West, in the South West of England, to mentor and advise SMEs on their India market entry strategies. Lastly, the UKIBC is working with the UK's Department for International Development on the India Urban Gateway Programme, which is providing capacity building and a route to market for SMEs in the urban development sector.

I have found UK companies' perspectives on India's business environment, and the progress made since 2014, to be both relevant and insightful. I hope you do too.

The UKIBC looks forward to deepening our members' engagement on issues related to Ease of Doing Business with both the Indian and UK Governments on key issues to help India rise even further up the World Bank's rankings.

This, we are convinced, will accelerate India's social and economic development and transform the country into a world-class manufacturing and export hub.

Richard Heald OBE, Chief Executive Officer, UKIBC

¹ The World Bank, Doing Business 2018: Reforming to Create jobs Report, 31st October 2017

² Boston Consulting Group predicts that India's consumer spending will increase to US\$3.6 trillion by 2020

³ IMF, 10th Co 2017

⁴ Ministry of Commerce and Industry, DIPP: 21st August 2017

⁵ Sterling Assets India (2nd edition): CBI, UK India Business Council, PwC

⁶ Sterling Assets India (2nd edition): CBI, UK India Business Council, PwC

⁷ The IFC/ World Bank Group's 2017-18 Global Investment Competitiveness Report

METHODOLOGY

The evidence within this report was gathered via a survey conducted between September 25 2017 and October 24 2017. The report also draws on the outcomes of our 2015 and 2016 surveys and the associated focus groups.

EXECUTIVE SUMMARY

The key findings are:

- UK companies remain largely positive about the improvements to the ease of doing business in India, with a majority of respondents (51%) saying that the business environment has improved. Among those that are yet to see improvements, there is an acknowledgement that this is mainly due to the slow nature of India's legislative process, rather than a lack of ambition from the government;
- Nonetheless, some participants expressed frustration at the pace and execution of reform;
- The main barriers to doing business in India are 'Legal and regulatory impediments' (63%), 'Corruption' (34%), and 'Taxation issues' (39%);
- 'Tele-communication facilities', 'Availability of skilled labour', and the 'Ability of supply chain' are rated as the strongest components of India's business environment;
- 'Quality of bureaucracy' is rated as the weakest component of India's business environment (33% rating it 'very poor') and ranks considerably higher than in previous years. It is followed closely by 'Ease of closing down the business' (19%);
- When asked, 'Will GST aid the operating environment for businesses in India?', almost half (46%) said that they 'Don't know'. This reflects the predictable teething problems when introducing such a significant and complex reform; and
- 'Quick approvals and effective bureaucracy' was cited as the most important factor when choosing where to invest, with 49% of respondents identifying it as such. This was followed by 'Lower regulations and supportive government policies', cited by 39% of respondents.

The following pages provide more detail from the results.

This report finds that a host of robust macroeconomic factors, combined with proactive, business-friendly leadership, make India a compelling destination in which to do business, both now and in the long-term. However, certain systemic inefficiencies and some less-than-perfect implementation are mitigating the positive effects of pro-business reforms, sometimes causing immediate pain, before long-term advantage.

KEY FINDINGS

THE SURVEY RESPONDENTS

The survey is the result of responses from 88 companies, compared to 65 in 2016 and 115 in 2015. As in those two previous years, most were SMEs (77%).

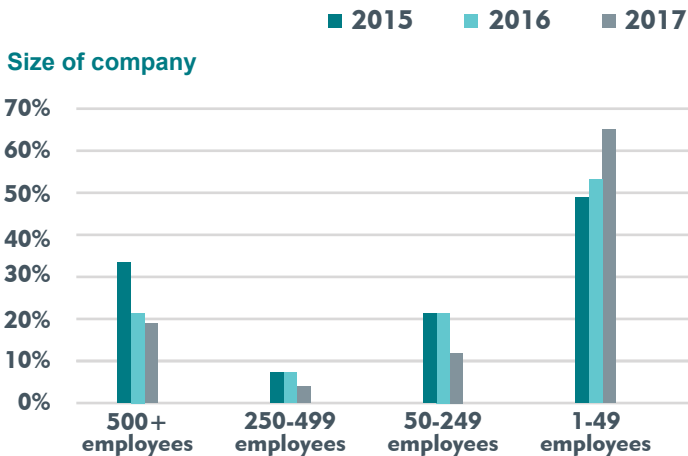


Figure 1.0

RANGE OF SECTORS

Respondents were from a range of sectors. As in the last two years, the largest sectoral responses to the survey were from 'Professional, Financial and Legal services' (15%) followed by 'Advanced Engineering and Manufacturing' (13%). In 2017, two additional sectors were added to the survey – 'Tourism and

Hospitality' and 'Food and Drink' – providing 3.5% and 14% of respondents, respectively. The 'Other' section was mostly drawn from the 'Media and Entertainment', 'Consulting', 'Real Estate', 'Banking', and 'Software' sectors.

What sector is your company in?

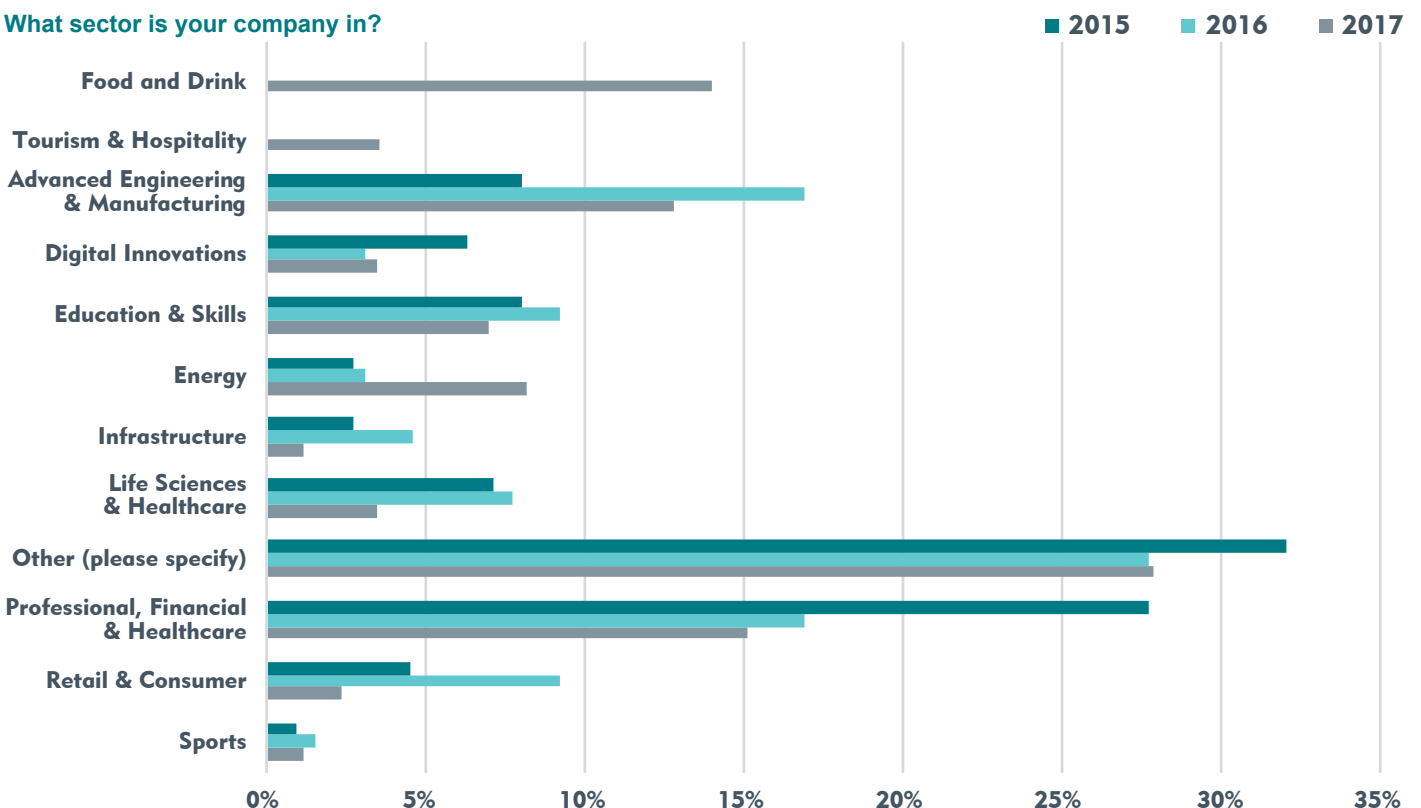


Figure 1.1

NATURE OF INDIA ENGAGEMENT

65% of respondents currently do business with India; 35% do not.

A review of the survey responses indicates that 36% of respondents currently doing business with India are engaged in the export and import of goods and services. 25% have a joint venture in India, while 57% selected the 'other' option, citing various aspects of their business including education, technical services, and R&D.

The views of those that import/export with India assume great significance as the UKIBC's experience shows that an existing trading engagement with India commonly precedes an investing relationship. Once a company establishes a distribution network or customers in a market overseas, the natural next step is to set up a presence there. And, in turn, that initial presence often leads to subsequent investments in other facilities in other states.

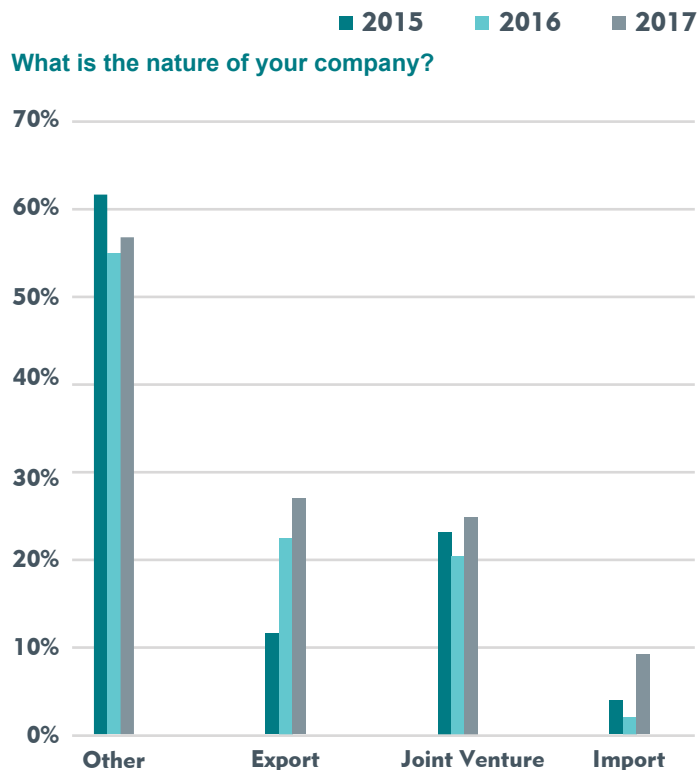


Figure 1.2

FACTORS WHICH INFLUENCE THE DECISION TO DO BUSINESS IN INDIA

Respondents currently active in India were asked to rate the factors that influenced their decision to do business in India. (See figure 1.3 below). In line with the 2015 and 2016 reports, a 'Request for product or service from customers in India' emerged as a key factor, with 62% of respondents rating it 'Very important', followed by 'Visiting the markets (personally)' with 53% respondents highlighting it as 'Very important'.

Other factors such as 'Awareness of opportunities for your company through professional bodies (e.g. UKIBC) or government departments (e.g. DIT)' and, 'Awareness of

competitors already active in India' also contributed significantly to the decisions as both these factors witnessed a rise of 15% between 2016 and 2017.

India's growing attraction as a market – as a destination in its own right and as a manufacturing hub – is strengthening, which we can interpret from an increasing percentage of responses citing 'Poor growth prospects in existing markets' as factors for doing business in India. This is mirrored by an 8% fall in those respondents citing this factor as not being important in 2017 versus 2016.

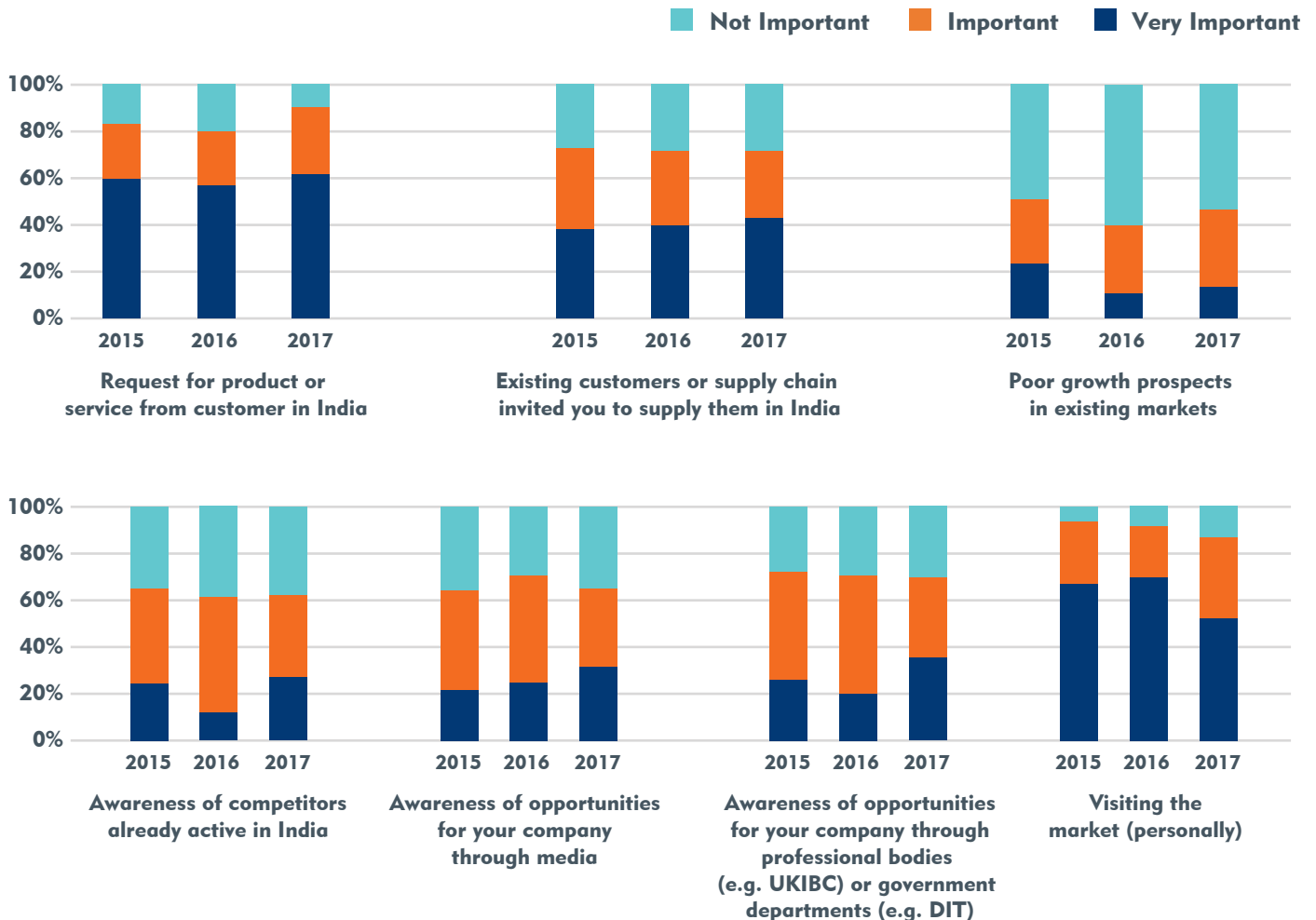


Figure 1.3

BARRIERS TO DOING BUSINESS IN INDIA

Respondents were asked to choose the issues that they perceived as the major barriers to doing business in India. In 2015, 2016, and 2017, 'Legal and regulatory impediments' was identified as the top barrier. However, there was a decline in the percentage of respondents choosing this issue from 2016 (67%) to 2017 (63%).

There was also a considerable decline in the number of companies that viewed 'Corruption' as a major barrier - from 46% in 2016 to 34% in 2017. This decline is a positive sign as it shows a major improvement from both the previous years – clearly indicating that the current government's efforts to mitigate corruption appears to be delivering some tangible and much-desired results.

'Taxation issues' was ranked third, with 39% of respondents choosing this issue – up by 2% since 2015 and 2016, possibly indicating that steps to anticipate the implementation of GST in the past 12 months, as well as the impact of the tax reform since GST's introduction in July 2017, have meant that businesses have had to change their procedures to meet the new requirements.

We compared the results for those who are currently active in India with those who are considering entry. 'Legal and regulatory impediments' and 'Corruption' are two of the three greatest barriers for both groups. There is one, perhaps predictable, difference. Those who are planning to enter the Indian market perceive 'Identifying a suitable partner' to be more important than 'Taxation issues', which is a greater concern for those who are already in India.

'Limited resources' is often a key issue for small and medium sized companies that do not have the capacity to hire consultants and advisors to explore new markets. Simplified entry procedures, and transparent legal and tax rules will therefore encourage more UK SMEs to do business with India.

In general, UK businesses have had experiences with government contracts in India where they have faced considerable delays in securing payments, which discourages foreign players from bidding for government projects.

What major barriers have you encountered?

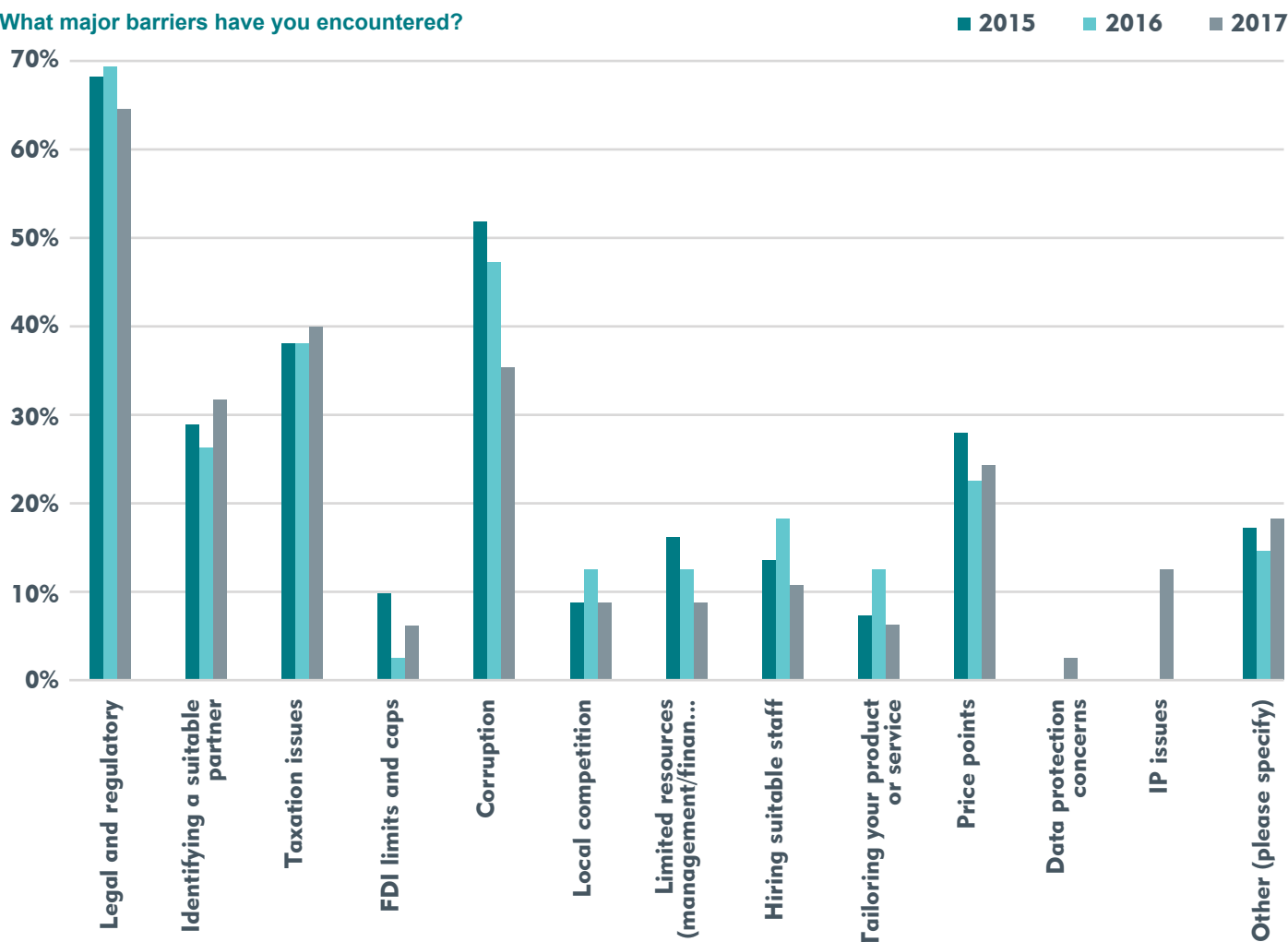


Figure 1.4

Top three barriers for those who do business with India

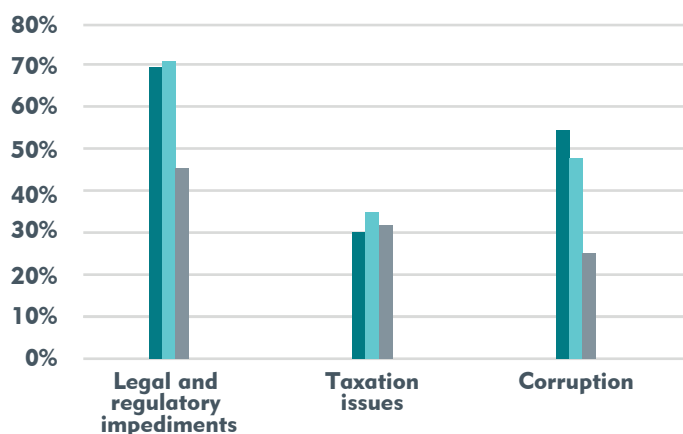


Figure 1.5

Top three barriers for those who do not do business with India

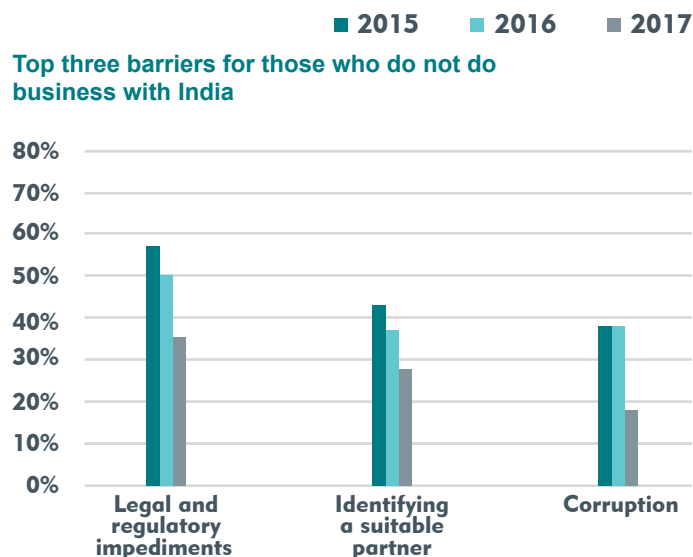


Figure 1.6

APPROVALS AND CLEARANCES

The e-governance systems put in place by government to simplify procedures, and remove opportunities for officials to seek facilitation payments, continue to encourage businesses.

It was widely agreed that the Indian Government's 'e-biz' initiative, integrating 11 central government services to facilitate faster clearances, would improve the business environment. Rolling-out this initiative across all states and departments should bring about real change.

However, it was highlighted that more transparency is required around business approvals, particularly in the case of statutory approvals for investments (e.g. setting up manufacturing facilities or opening retail outlets). Procedures vary from state to state, and respondents reported inconsistencies between, and even within, states.

This leads to frustrating administrative and bureaucratic hurdles. Often, clearances are required from numerous government agencies for new projects, and a lack of clarity causes delays. For example, the process of obtaining permits in the alcoholic beverages industry can involve securing over 200,000 distinct approvals.

The renewable energy space is another case as solar developers face long delays. For example, the Power and Telecom Coordination Committee takes up to 32 weeks to grant

its approval. Such delays reduce the benefits of single window clearance systems aimed at expediting approvals. Thus, there is an increase in the cost of investment and impact on India's competitiveness.

A few UK businesses, particularly those exposed to growing consumer sectors, described the difficulty they faced when importing goods into India, especially with respect to labelling issues, requirements to settle pricing early in the process, and payment of import duties. Products can be held in customs for lengthy periods and can then be rejected arbitrarily, forcing companies to absorb extra costs. This issue is often due to confusion around classification and a lack of understanding by customs officials of product categories.

On the other hand, companies operating in the pharma sector are complimentary of new 'quick and decisive' regulatory processes which have seen some approvals cut to six months from a previous 18-month time period.

Respondents note favourably that the Government of India's introduction of the 'Single Window Interface for Facilitating Trade Clearances' project in April 2016 enables importers/exporters to file a common electronic declaration on an electronic portal for customs. The integrated declaration is viewed as a positive development for easing business by replacing nine separate forms that were previously required by six different customs agencies.

GOVERNMENT PROCUREMENT AND CONTRACTS

The survey indicates that a holistic review of governmental procurement, contracting, and tendering processes would attract more investment and knowledge transfer, providing the Indian Government and the Indian public with greater and longer term value for money. Respondents proposed that the traditional focus on lowest price bidding (L1) be more widely replaced with systems that balance issues such as experience, cost, time, quality, and performance.

Public procurement rules that emphasise lowest price, as opposed to quality, affect all stakeholders negatively: companies that follow best practice and invest in technology and skilled staff, Governments and PSUs who are left with substandard equipment and services, and, ultimately, India's citizens, all suffer because of the compromise in efficiency and quality of services.

At the same time, UK companies in the defence sector believe that amendments to the Defence Procurement Policy and the offset policy will help India achieve its 'Make in India' objectives. The current policy on offsets is interpreted in such a way that it only allows the contracting entity to discharge offsets, whereas other divisions of the same group are not permitted to discharge offsets, as in other parts of the world. Following international best practice in discharging offsets will boost 'Make in India' and significantly promote exports from India.

UK companies in the healthcare sector pointed out that the mandatory route of 'Tender Transparency' fails to encourage new and innovative ideas. The requirement to demonstrate past performance and a track-record in India is felt to be an unfair barrier for new entrants, who want to bring new ideas, technology, and finance into India.

UK companies from the infrastructure sector believe that the traditional 'design-bid-build' approach has inefficiencies and India, as a growing nation, should consider more robust forms of procurement, such as the Lean Integrated Project Delivery System (LIPDS), collaborative contracting, and other innovative project delivery systems. As the nature of projects become more complex, it will become critical to infuse procurement methods, contracts, and related work practices with collaboration, trust, and integrated teams.

A general view emerged across sectors that innovation and the introduction of new technologies are central to India's 'Make in India' objectives, and that current government procurement practices could be reviewed so as to enhance their achievement.

TAXATION ISSUES

UK companies commended the Indian Government's vision of a stable, clear, and transparent tax regime. It is felt that GST will be a significant step forward and that its introduction was bound to have suffered from associated teething problems. There is a positive sentiment regarding the improvement in the financial environment of the country.

Nonetheless, a few organisations expressed a lack of clarity around tax rules and policies, especially those surrounding GST. Although 26% of respondents appear confident that GST will aid the operating environment of their businesses in India, 46% appear unsure. Given that GST was implemented only very recently (July 1, 2017), they feel that it is still too early to comment on the effect it will have on their businesses

Will GST aid the operating environment of businesses in India?

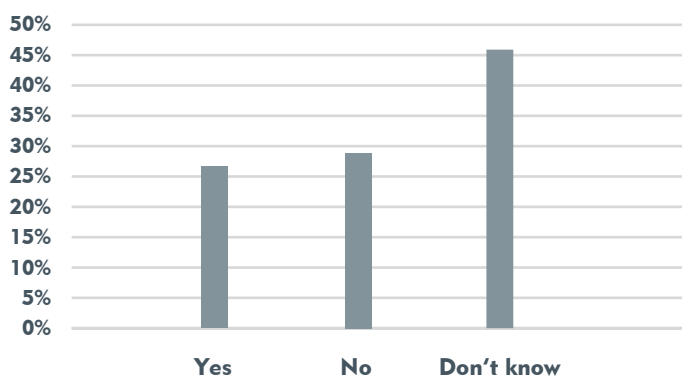


Figure 1.7

RATING THE DIFFERENT COMPONENTS OF INDIA'S BUSINESS ENVIRONMENT

We asked companies to rate the different components of India's business environment. The ratings are a weighted average of responses. The higher the number, the more favourable the rating.

There were positives and negatives in respondents' analyses of the business environment. Responses to factors such as 'Taxation policy', 'Regulatory framework', 'Intellectual property', and 'Land availability' had showed no change in 2015 and 2016, but rose in 2017. Respondents' attitudes to 'Environmental regulation', 'Labour laws', and 'Quality control measures' showed a decline in 2016 but some improvement in 2017.

The positive movement across all these categories indicates that the Government's measures to put in place better taxation structures and simplify regulations are finally starting to show results. This is also reflected by the gradual rise in the 'Quality of bureaucracy' over the last three years.

Other factors, including 'Presence of quality infrastructure', 'Telecommunications', and 'Power (ease of getting connection)', have witnessed a steadier growth over the last three years, highlighting the Government's sustained efforts to improve them.

In summary, all but two of the components witnessed an increase in the overall rating.

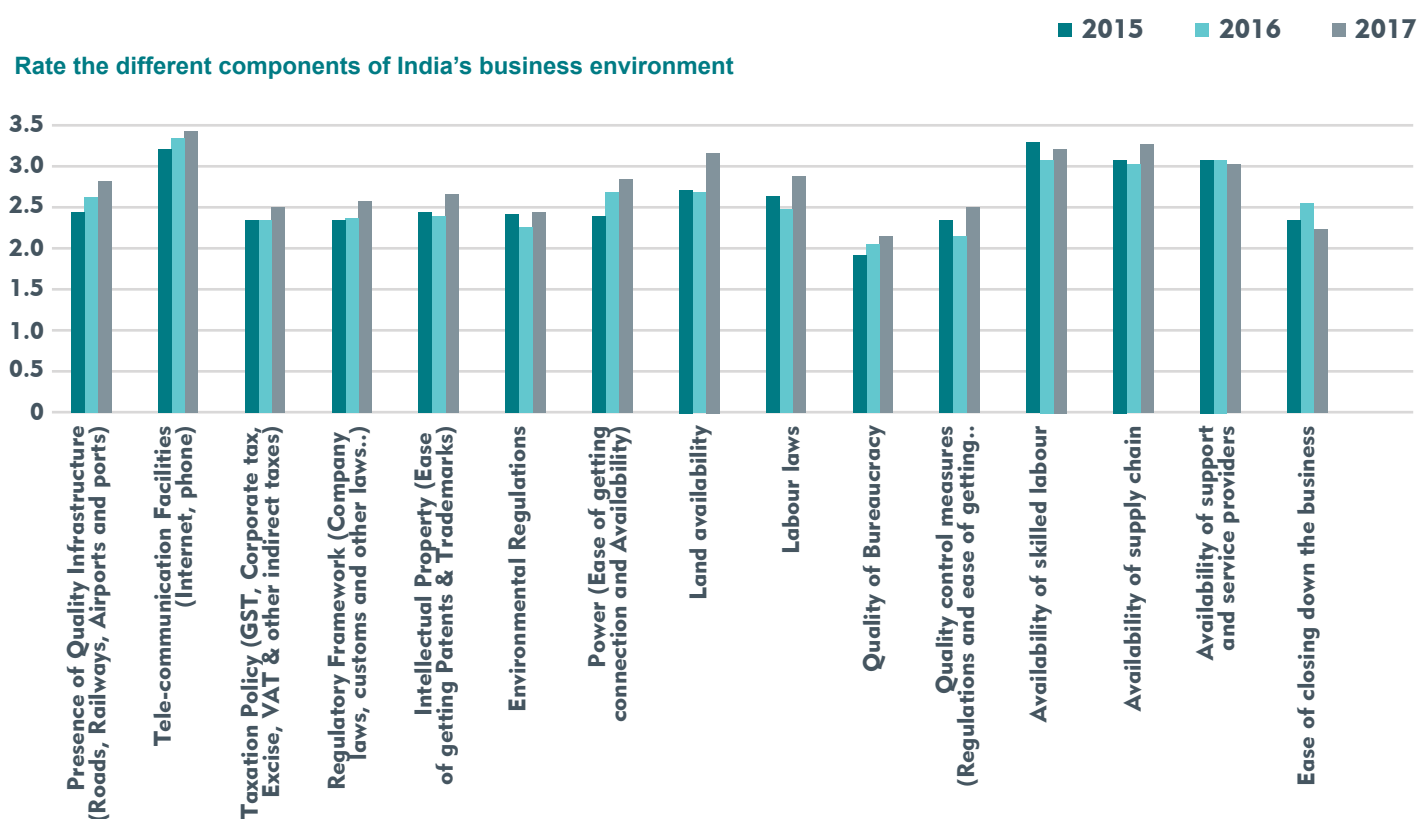


Figure 1.8

LOW RATING COMPONENTS

'Quality of bureaucracy' continues to remain a point of concern in India's business environment with over 60% of respondents rating it as 'Poor' or 'Very poor'. Although the overall rating of the factor has improved over the last year, many respondents feel that bureaucratic impediments need to be addressed in order to make India an effective and attractive market for global businesses.

At the same time, there is widespread recognition among UK businesses that the Government of India is putting in place improved policies and that the senior bureaucrats in New Delhi and the States are strong. There is, though, an experience-based view that the quality of systems and processes is uneven, particularly at operational levels.

HIGH RATING COMPONENTS

In terms of stronger performing elements, 'Telecommunications' again came out on top as the highest scoring parameter, with 3.4 in 2017, compared to 3.3 in 2016 and 3.2 the year before. 'Availability of skilled labour', 'Land availability', 'Availability of supply chain', and 'Support and service providers' have also emerged as relative strengths in the present Indian business environment.

Rating of India's Business Environment (2017)

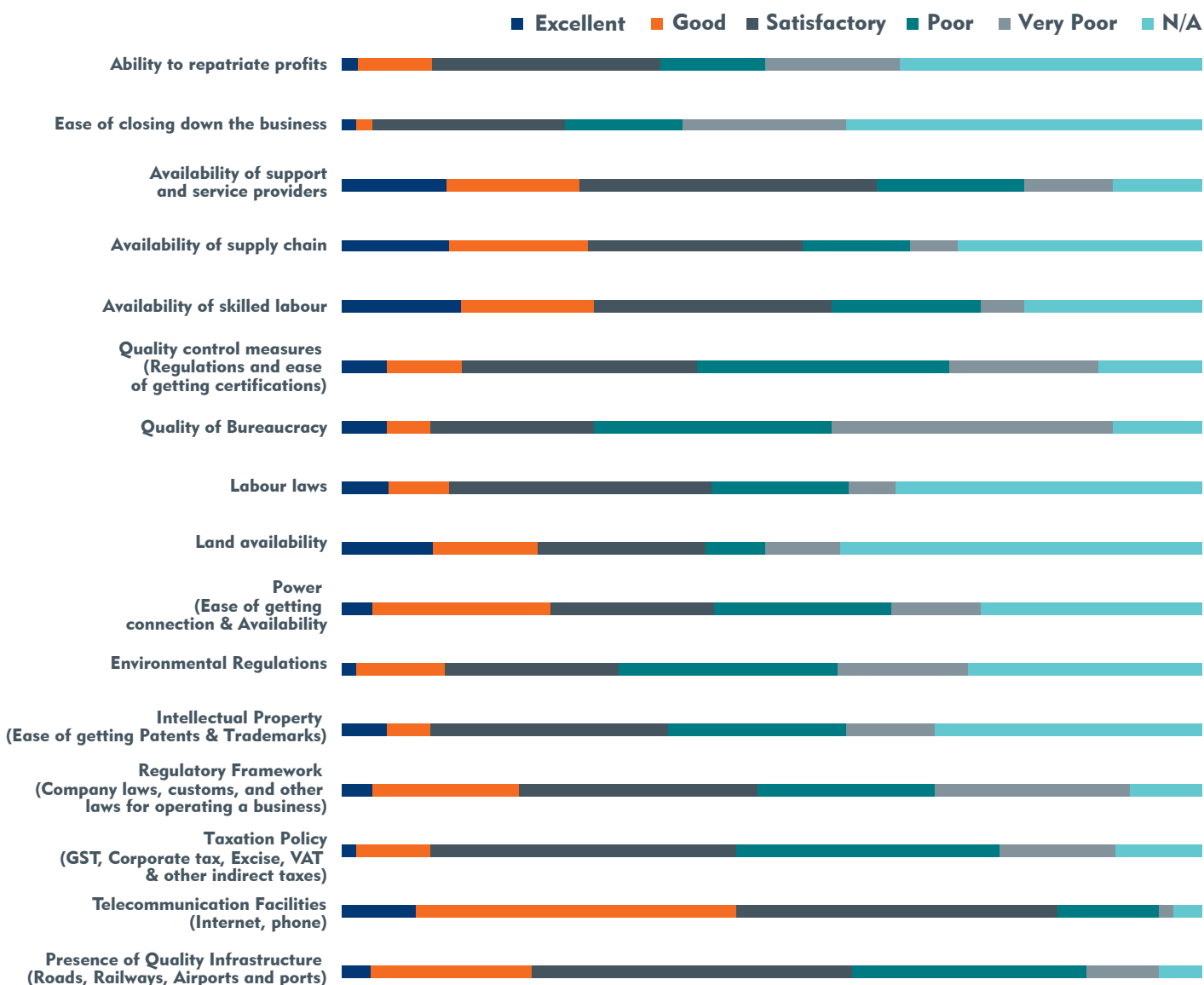


Figure 1.9

CHANGE IN THE BUSINESS ENVIRONMENT OVER THE LAST THREE YEARS

The data in figure 1.9 below shows a mixed experience of respondents in terms of the improvement in the business environment over the past three years.

The 'Taxation policy' was rated as 'Improving' by 41% of respondents in 2017, compared to 29% in 2016 and 23% in 2015; however, it has been rated as 'Worsening' by 14% and 'No change' by 31% in 2017. This difference underscores that, while most respondents are hopeful of the new taxation structure, some are still not sure of its advantages.

At the same time, over 30% of respondents across all business environment factors feel that there has not been any change in the last year. Factors such as 'Regulatory framework' and 'Quality of bureaucracy' are mentioned as 'Worsening' by more than 10% of the respondents.

Of particular note is the trend in respondents' views of a gradual decline in the 'Availability of skilled labour'. Although this area

was highlighted as a relative strength (see figure 1.8 above), responses show a decline in the number of companies citing an improvement or no change in skilled labour availability and that an increasing percentage are experiencing a tightening of the market. This mirrors more general concerns throughout the Indian economy and is a factor that we will continue to monitor.

The reported decline in skilled labour may be linked to a lack of sufficient communications, excessive focus on large businesses over SMEs, and a lack of perceived improvements in efficiency. Yet, many still believe that the Government is moving in the right direction and that the changes introduced will reveal their effectiveness over time.

For the first time, the survey asked respondents about their ability to repatriate profits. 28% felt that there is 'No change' in this particular factor over the last year, with 17% reporting an improvement and 12% reporting a deterioration.

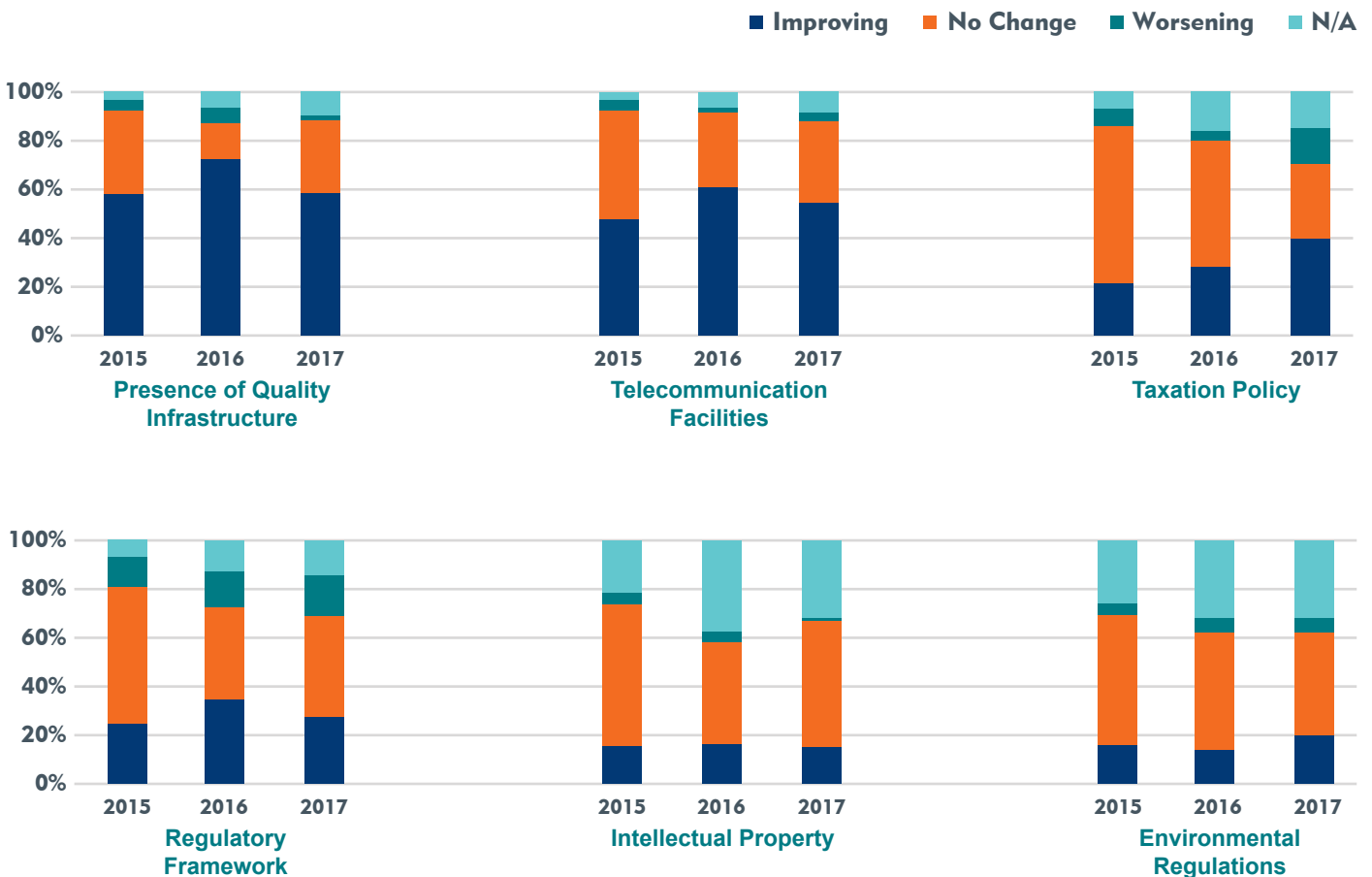


Figure 1.10

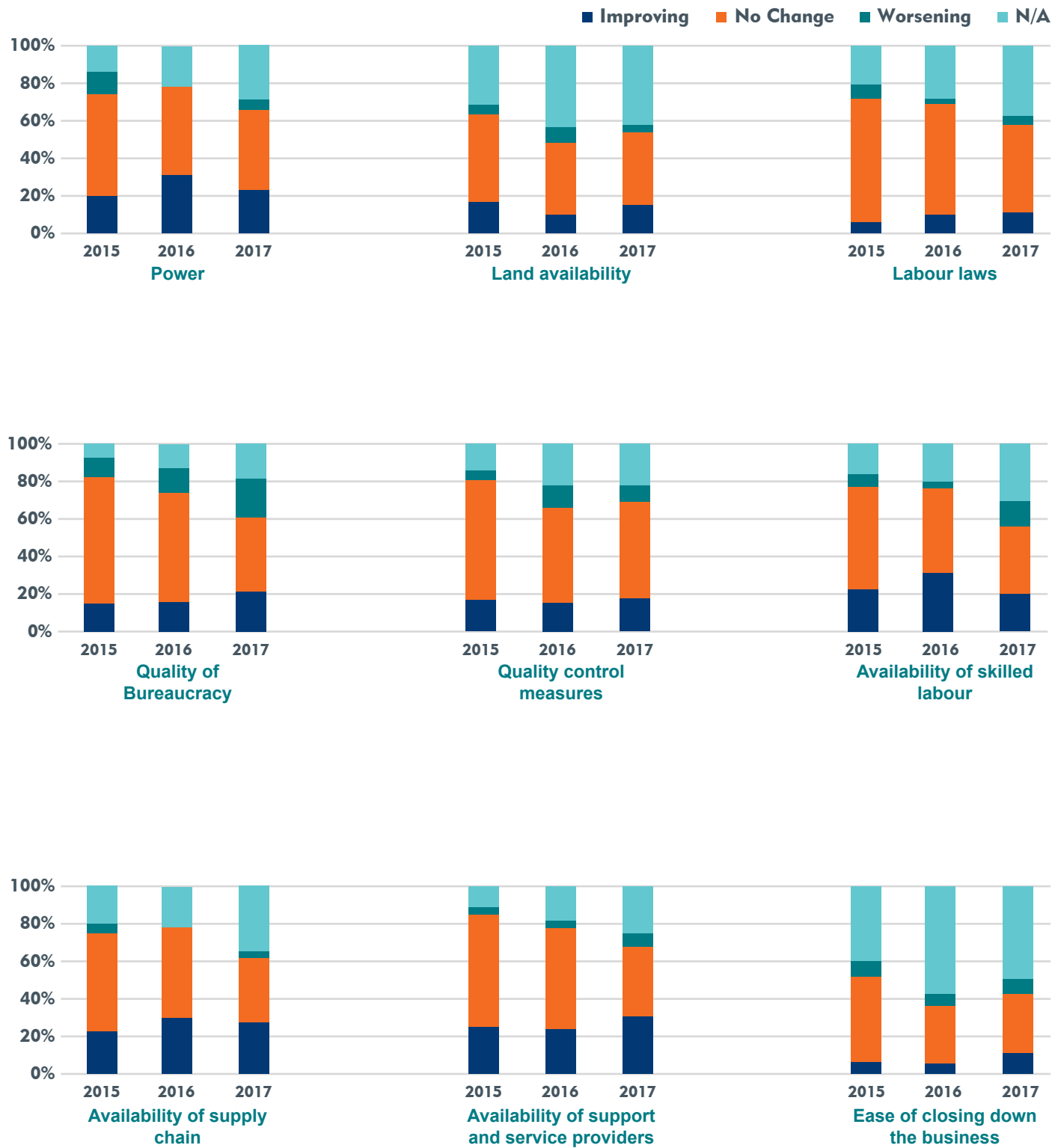


Figure 1.10 (continued)

IMPORTANT FACTORS WHICH INFLUENCE INVESTMENT LOCATION

The Indian Government has been a keen proponent of ‘competitive federalism’, recognising that individual states can play a key role in scripting the Indian growth story.

There is little doubt that competitive federalism will be a key component in achieving the shared vision of India’s sustainable development. Competition between states is already bringing about greater efficiencies. The race to the top is creating a virtuous cycle for states, their people, and businesses by creating jobs, growth, and tax revenues that will enable investment in healthcare, education, and infrastructure.

Patterns of competitive federalism are already evident with many States doing their best to cut red tape and simplify compliance procedures. It was, therefore, interesting to note

how UK companies choose their investment location when entering or expanding in India.

Of the 2017 respondents, 49% chose ‘Quick approvals and effective bureaucracy’ and 39% chose ‘Lower regulations’ and ‘Supportive government policies’ as key factors. ‘Size of market’ and ‘Closeness to customers’ were also important. So too was ‘Availability of talent’, implying that the Indian Government should continue to focus on infrastructure development, improving the quality of education, and its ‘Skill India’ initiative. Interestingly, there was a decline in the emphasis placed on ‘Digital infrastructure’ from the previous two years, possibly indicating the success of ‘Digital India’ that has created ease in transacting through different platforms.

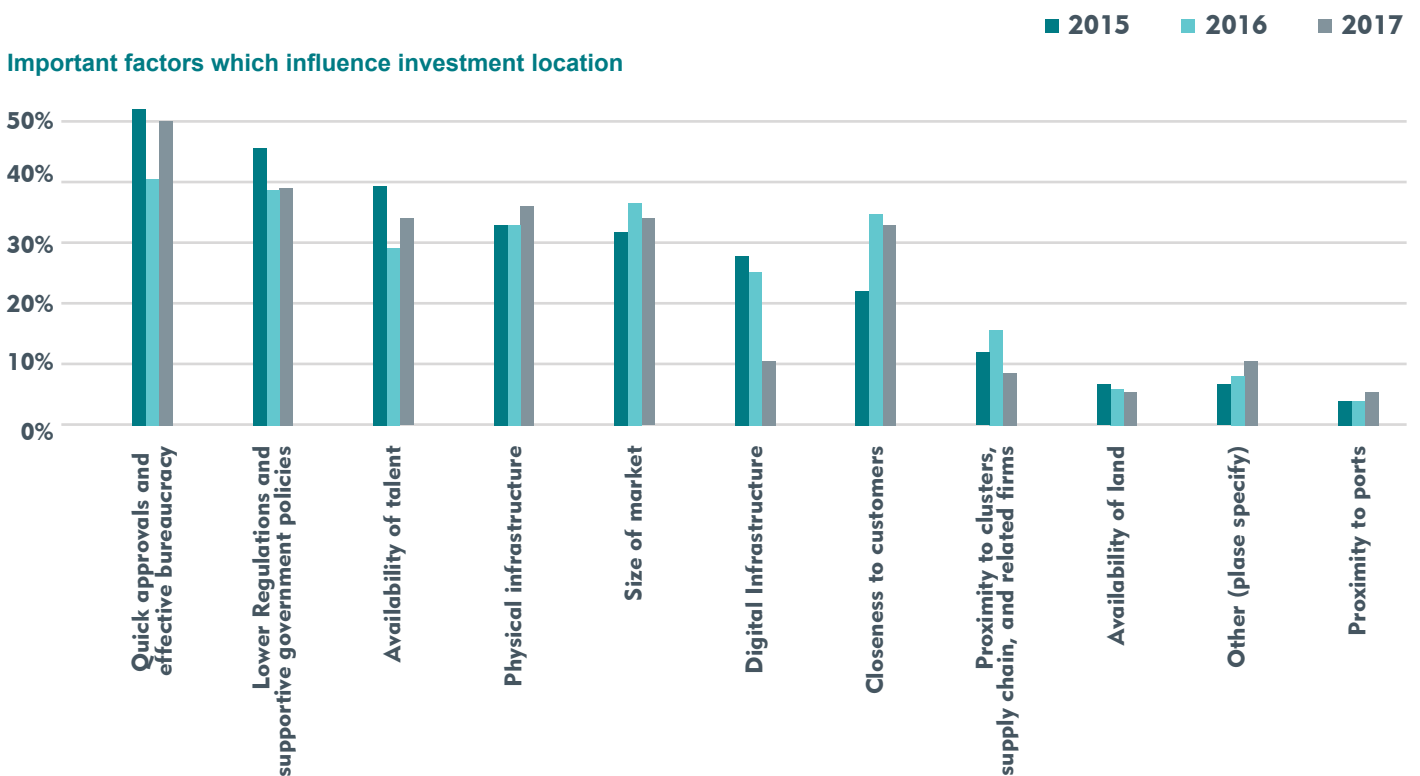


Figure 1.11

WHICH REFORM WILL SIGNIFICANTLY IMPROVE INDIA'S BUSINESS ENVIRONMENT?

Respondents were asked to choose which reform they felt would have the most positive effect on India's business environment. In 2015 and 2016, GST was by far the most anticipated reform among survey respondents. With GST having been rolled-out, businesses are now prioritising other areas.

The results show that a new option in the 2017 survey, "Single window clearance for project approvals", is the most favourably anticipated reform. At 21%, 'Labour reforms' have gradually grown to be an important factor affecting India's business environment.

Around 23% of respondents highlighted 'Other' reforms that will significantly improve the ease of doing business in India, some of which were:

- Uniform and consistent decisions in clearances and policy making by bureaucracy;
- Ease of import and export;
- Environmental regulations; and
- Elimination of corruption.

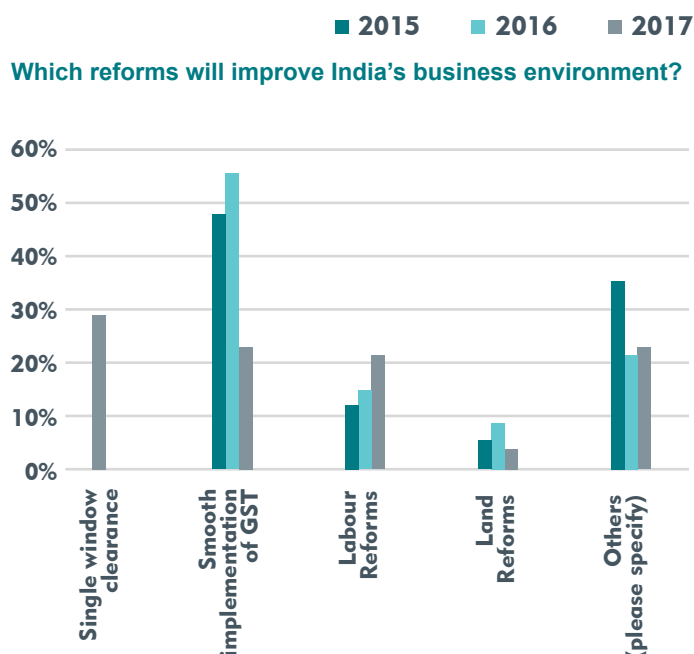


Figure 1.12

IS THE EASE OF DOING BUSINESS IN INDIA IMPROVING?

Despite the generally positive trends on individual ease of doing business parameters described above, when asked the question, 'Is the ease of doing business in India improving?' the answers were less positive than in 2015 and 2016. 51% said 'Yes', down from 53% in 2016; 42% of respondents said 'No', up from 31% in 2016.

Respondents acknowledged the Government's commitment, but felt that it was taking too long for ministerial direction to translate into improvements in day-to-day interactions with the bureaucracy.

As it is the operational members of the bureaucracy that deliver directly to business, respondents urged senior officials and Ministers to do more to cascade efficient practices downwards in order to enable businesses to invest and grow.

Looking at this increase in respondents saying 'No', it is not getting easier to do business in India, an interpretation is that those that said "Don't know" in 2016 (17%) have shifted to a "No" response in 2017. It seems that having been in a wait-and-watch mode, expecting the messages from senior ministers and bureaucrats to turn into action at the operational level, they are dissatisfied with progress. Thus, their shift reflects an impatience for change.

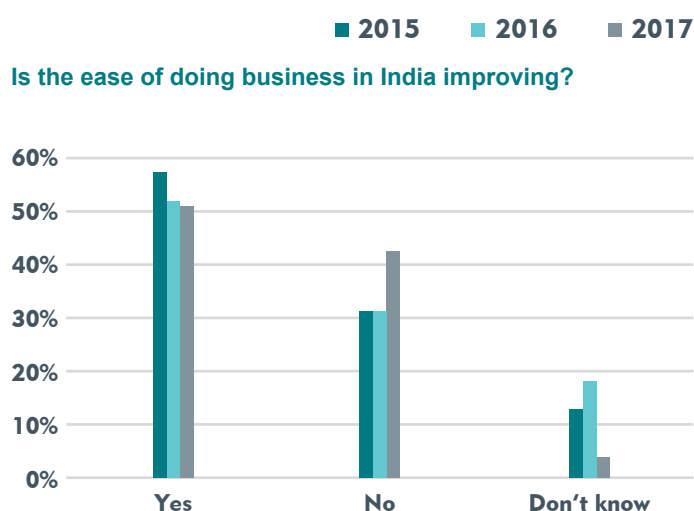


Figure 1.13

CONCLUSION

With strong macroeconomic indicators and business-friendly leadership at the centre, India has an opportunity to entrench high levels of growth and transform the country into a manufacturing hub to match its world-class services output. Improving the ease of doing business is critically important to achieving this.

The steps taken by the government to improve India's business environment since taking office in 2014 have, according to our respondents, delivered steady improvement and created optimism for more. This report suggests that UK businesses appreciate the Government's efforts to improve the ease of doing business and recognise that the effects of the economic policies and reforms will take time to translate into tangible benefits.

However, there is some frustration that reforms have been slow to trickle down to ground level.

Given that the UK is the largest G20 investor in India, UK businesses are clearly enthusiastic about the opportunities in India and would consider investing more, and more quickly, if government – both in States and at the Centre - delivered further reform.

Taken from the results of our survey, there are three areas in which reforms are needed to improve the confidence of UK businesses and unlock even higher UK investment into India.

Firstly, greater visibility of upcoming legislation, especially surrounding tax reforms like GST, would allow for greater predictability and allow businesses to plan accordingly.

More consistent bureaucratic processes, applied systematically across India, would enable UK businesses to embark on ventures in India with confidence. Expansion of e-governance schemes within India will create a simpler, faster bureaucracy with which UK companies can do business.

Finally, more flexibility with government procurement initiatives and contracts, and a more efficient application of single window clearance systems, would go a long way to increase confidence in India as an investment destination into the future.

APPENDIX - COMMENTS FROM SURVEY RESPONDENTS

Question: why are/aren't you optimistic about the improvement in the ease of doing business in India?

2017 responses:

1. "Import duties are prohibitive." – Small enterprise in the Food and Drink sector
2. "I am positive. EODB is affecting the industry by making people talk about taboo subjects intelligently and arrive at resolves, locally and internationally. However, the country is far from actually making any constitutional changes unless the Honourable PM himself, along with the Indian Industry at large, takes a strong, all embracing, progressive step forward to change the existing framework of regulations that are crippling every industry from growth. The country needs a reliable supply chain system and also a reliable Quality and Standards board, which is an independent international body. This said, supply chain solution and policy resolve (in all industries) must reach every Indian household. The country and its support system, or interested traders, must muscle up to support the cause and make it happen for India, to then help the world with innovation, quality products, and perhaps one of the biggest quality markets in the world. The launch of a scheme is simply a step to make a change, the real change will come about only when the Ministers and every household signs up to move the public and steer change into motion as was done with Demonetization. India needs an industrial revolution and HPM Modi may well be the one to make it happen" – Small enterprise in the Food and Drink sector
3. "Slow, but general de-regulation and a clear desire by government to improve" – Large enterprise in the Advanced Engineering and Manufacturing Sector
4. "Nothing is being done to resolve the legacy issues - there is then a trust deficit that rules won't be changed in the future." - Small enterprise in the Energy sector
5. "Invisible barriers to trade haven't changed in our experience. Partners interested in cheap prices and one-sided profit rather than long terms prospects." – Medium enterprise in the Advanced Engineering and Manufacturing Sector
6. "Slow to implement changes announced. Bureaucracy is an impedance." – Small enterprise in the Infrastructure sector
7. "With regard to my own business, I am optimistic as we are working very closely with the Ministry of Power" – Small enterprise in the Energy sector
8. "Optimistic. Greater financial transparency fighting corruption. Will improve bureaucracy and clearances." – Small enterprise in the Energy sector
9. "Reforms are now taking place and being implemented. Also the Central Government is listening to concerns of business community and implementing reforms." – Small enterprise in the Digital Sector
10. "Some changes will take time, but the moves are in the right direction." – Small enterprise in the Education Sector
11. "There has been no improvement, just red tape and key persons inability to get anything done" – Medium enterprise in the Facilities Service Sector
12. "More noise but no actual improvement in implementation." – Large enterprise in the Life Sciences and Healthcare Sector
13. "GST has totally stymied business in this market." – Small enterprise in the Food and Drink Sector
14. "At present all factors are improving and satisfactory." – Small enterprise in the Professional, Financial, and Legal Sector
15. "How effectively is the message of change filtering down the bureaucratic food chain?" – Medium sized multi-sector Trade Association

Question: why are/aren't you optimistic about the improvement in the ease of doing business in India?

2016 responses:

1. "Competition in the energy sector is increasing and I don't think the 'Make in India' campaign is centred on FDI, I'm suspicious that there are improved advantages to encourage existing Indian businesses." – Medium sized enterprise in the Advanced Engineering and Manufacturing sector
2. "There's a clear desire to improve infrastructure e.g. Smart cities – although the speed and approval processes are still slow." – Small enterprise in the Infrastructure sector
3. "I feel that, as political relationships with India improve and consumer demand grows, importing into India will become easier." – Medium sized enterprise in the Food and Drink sector
4. "There is a more legitimate and apparent focus on improving the ease of doing business." – Large enterprise in the Advanced Engineering and Manufacturing sector
5. "Government has strong commitment to improve - backed up by business in India." – Medium sized enterprise in Scientific Manufacturing sector
6. "A UK-India Free Trade deal will lead to greater co-investment opportunities and new business development." – Small enterprise in Food and Drink sector
7. "GST and land reform will increase growth." – Large enterprise in Retail and Customer sector
8. "New government are not just talking but making things happen for the better." – Large enterprise in Advanced Engineering and Manufacturing sector
9. "The present government is carrying out reforms at a rapid pace." – Small enterprise in Professional, Financial and Legal services sector
10. "The varied and slow nature of the legislature process with its legacy of protectionism means that improvements take time and are not accelerated as they should be. GST will help but other factors like easy profit repatriation is also key." – Small enterprise in the Communications Sector
11. "Government agencies are becoming more accountable and less subjective. Corruption levels have also significantly reduced." – Small enterprise in Retail and Customer sector
12. "I am optimistic. Change is imminent but takes time. No impact yet." – Large enterprise in Professional, Financial, and Legal services sector
13. "India is moving in the right direction but there are a lot of hurdles. However, it is a big market and it is now a global playground for global companies to get a piece of." – Small enterprise in the Energy sector
14. "The environment is changing for the better. I have contact with a number of ex-colleagues who are working successfully in India, as well as friends in country, and they feel the Modi Government is a real force for change." – Medium sized enterprise in the Life Sciences and Healthcare sector

Question: why are/aren't you optimistic about the improvement in the ease of doing business in India?

2015 responses:

Those who do not do business in India:

1. "With the new government, hopefully trade will become easier in India." – Small enterprise in the Retail and Consumer Goods sector
2. "Have sought answers at all levels, including ministerial, and understand that current regulations to specifically label all food for India at production source (which stopped our business in 2013/14) will not be eased." – Large enterprise in the Retail and Consumer sector

Those who do business in India:

1. "I am optimistic because there seems to be a national and Government willingness and ambition to succeed" – Large enterprise in the Advanced Engineering and Manufacturing sector
2. "I am optimistic because I see a real wish to become a modern country." – Small enterprise in the Tourism sector
3. "I am optimistic, but it will take time. Corrupt practices are not just B-to-G but also in B-to-B. The legal system does not provide for contract enforcement and legal recourse. Bad business behaviour will exist until there is an effective legal system." – Small enterprise in the Professional, Financial and, Legal Services sector
4. "A plan for reform is starting to be developed, but political capital has been lost; if reforms are introduced, it will become easier to do business in India. Thus far, this has not happened. Even the GST which some people thought was imminent last year has not yet been introduced!" – Small/medium enterprise in the Charity sector (Think Tank)
5. "Major infrastructure improvements are needed". – Small enterprise in the Professional, Financial, and Legal Services sector
6. "I have seen much improvement in Government clients". – Large enterprise in the Professional, Financial, and Legal Services sector
7. "Some good positive changes but this needs to be followed with implementation". – Large enterprise in the Energy sector

8. "There is an increasing demand from the younger generation to do things better". – Medium sized enterprise in the Retail and Consumer sector
9. "Optimistic – Because India recognises it is unnecessarily missing out to China and other developing economies. Turn a plastic deity up around Diwali and it says 'Made in China'; why? There is no reason why it should not be injection moulded in India, providing Indians with jobs; why import it? The same is true of almost anything. India needs good job creation, particularly in manufacturing in India. Service sector jobs are growing and they are easy to grow in an upward trending economy, it's manufacturing jobs that are needed and they will come faster if doing business becomes easier, not at the expense of regulation or cutting corners, but through pragmatic development, harmonisation, reduced corruption, and barriers". – Medium sized enterprise in the Advanced Engineering and Manufacturing sector
10. "The commitment of the central Government makes me optimistic". – Medium enterprise in the Scientific Instruments sector
11. "We are optimistic about the improvement in the ease of doing business in India – the new Indian Government has taken important measures on this front which we are hopeful will be successful". – Large enterprise in the Professional, Legal, and Financial Services sector
12. "I believe that if they [the Government] continue to implement the new initiatives (digitalisation, cleanliness, reduced bureaucracy to name a few), I think India could attract lots more business". – Small enterprise in the Charity sector
13. "It's a long-term opportunity. It's not a quick win. Things are improving but you need to stick it out. Having experience of being there means you learn to adapt and even difficult bureaucratic situations become easier to deal with". – Small enterprise in the Corporate Communications sector
14. "For petroleum sector development uniform fair access to common carrier pipelines will help create a level playing field and fair competition leading to investment growth through expansion" – Large enterprise in the Energy sector

Who are we?

The UK India Business Council promotes trade and investment between the UK and India, offering businesses like yours practical support and advice along the way.

Whether you're thinking about doing business in India, or have already taken the first steps, we provide the expertise and services you'll need to take advantage of the exciting opportunities India offers.

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