

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

UKIBC'S 5TH ANNUAL DOING BUSINESS IN INDIA REPORT: THE UK PERSPECTIVE

NOVEMBER 2019

SUPPORTING BUSINESS SUCCESS

CONTENTS

1. INTRODUCTION	3
2. EXECUTIVE SUMMARY	4
3. METHODOLOGY	5
3.1 THE SURVEY RESPONDENTS	5
4. RESULTS	7
4.1 WHY UK COMPANIES ARE WORKING IN INDIA	7
4.2 BARRIERS TO DOING BUSINESS IN INDIA	8
4.3 RATING THE BUSINESS ENVIRONMENT	10
4.4 HOW TO IMPROVE INDIA'S BUSINESS ENVIRONMENT	12
4.5 IS IT GETTING EASIER TO DO BUSINESS IN INDIA?	14
5. SECTOR ANALYSIS	15
5.1 ADVANCED ENGINEERING AND MANUFACTURING	15
5.2 DIGITAL INNOVATION	16
5.3 LIFE SCIENCE AND HEALTHCARE	17
5.4 HIGHER EDUCATION	18
5.5 PROFESSIONAL, FINANCIAL AND LEGAL SERVICES	19
6. DOING BUSINESS AT STATE-LEVEL	20
6.1 LOCATION PULL FACTORS	20
6.2 STATE ACTION	22
7. INDIAN ATTRACTION POST-BREXIT	28
8. CONCLUSION	29
9. CONTRIBUTORS	29
10. APPENDIX	30

1. INTRODUCTION

This report marks the fifth annual 'Doing Business in India' Report by the UK India Business Council (UKIBC). Building on our previous reports, we asked UK companies and higher education institutions operating in India about India's business environment, why they want to do business in India, the challenges they have faced, and their priorities for the future, with the aim of uncovering the existing ease of doing business in India and shaping its progression.

Earlier this year, Prime Minister Narendra Modi of the Bharatiya Janata Party (BJP) was re-elected as the country's leader, receiving a historic majority in the Lok Sabha, India's lower house of Parliament. Under Modi, India's economy has grown at an average rate of more than 6 percent year on year since 2014, making it the world's fastest growing major economy in that time. It is projected to become the world's third largest economy by 2030¹.

Modi and the Government of India have identified digital technology, healthcare, education, infrastructure and rural development as development priorities. The UK and other countries are well placed to support India in these and other areas. Accordingly, it is vital that India improves its business environment to attract and facilitate external support, investment and partnerships. Yet, as this report answers – is India making it easier to do business?

In the World Bank's Ease of Doing Business (EoDB) rankings, India has made extraordinary progress in recent years, progressing from 130th globally in 2016 to 63rd in 2019. The Government of India has rightly set the goal of reaching the top 50 next year and the top 25 by 2024². So, while India has experienced great success, this report uncovers how quantitative achievement has translated in reality and what must be done in the future if India is to become a top 25 EoDB nation.

For all its recent success, India remains a complicated market. Discrepancies between states on regulations, laws, culture, and language are just some of the challenges that the Indian market poses to any active organisation or would-be investor. For this year's edition, UKIBC has included a section on five Indian states to show the developments taking place at the state-level to facilitate business.

UK businesses are already a large part of the Indian economy; UK direct investment into India is responsible for more than 800,000 direct and indirect jobs in India. While, in the last decade, UK companies have invested more in India than French and German companies combined (\$21.4 billion)³. In a post-Brexit world, where the attractiveness of India for UK companies and higher education institutions is even greater, enabling further collaboration is paramount.

This report highlights the existing challenges and priorities presented in India before concluding with several recommendations to improve the ease of doing business in India.

Sources

1. <https://economictimes.indiatimes.com/news/economy/indicators/india-to-overtake-japan-to-become-3rd-largest-economy-in-2025/articleshow/70193869.cms>
2. <https://www.ndtv.com/india-news/piyush-goyal-india-aims-to-be-in-top-25-in-ease-of-doing-business-2122376>
3. <https://m.economictimes.com/industry/banking/finance/21-4-billion-investment-by-uk-companies-in-india-in-10-years-envoy/articleshow/64057252.cms>

2. EXECUTIVE SUMMARY

Overall, our survey respondents were positive about India's business environment, with the majority suggesting that it has improved in recent years and is continuing to develop. The key take-away points are:

55.8 percent of respondents said that they do think it is getting easier to do business in India – an improvement on recent years. 20.8 percent think it is not getting easier, with 23.4 percent undecided.

In terms of barriers to doing business, 'legal and regulatory impediments' were the most frequently cited by our respondents (59 percent), as has been the case in all of our previous reports. The second most cited barrier this year, 'identifying a suitable partner', has increased significantly in prevalence for UK companies and higher education institutions from previous years (up from 25 percent in 2018 to 40 percent in 2019). Completing the top three is 'taxation issues', as chosen by 35 percent of respondents.

'Corruption' has continued to decrease as a prominent barrier for UK companies; in 2015, 50 percent of survey respondents cited corruption as a major barrier while this year only 17.5 percent did.

On the other hand, 'tailoring your product or service' has become an increasing problem, with 17.5 percent of respondents citing it as a barrier to business, from an average of less than 6 percent in previous years.

Tele-communication facilities are the most well-regarded component of India's business environment, scoring 3.48/5. This was followed by the availability of skilled labour (3.35), availability of support and service providers (3.32), and availability of supply chain (3.17).

At the other end of the spectrum is quality of bureaucracy (2.12/5), which is ranked as the worst component of India's business environment. Regulatory certainty (2.27) was also considered low, though both still received a 'satisfactory' rating overall.

'Improving the quality of bureaucracy' was subsequently the most desired reform, as selected by 28.6 percent of respondents. 'Simplification of the Goods and Services Tax (GST)' was the second most popular reform priority, receiving 16.9 percent of respondents' selections. However, GST has further declined in the priorities from recent years, down from 24 percent in 2018, and 55 percent in 2016, implying that companies are coming to grips with India's new tax system and India has improved its implementation since the original rollout.

At a state level, Maharashtra and Delhi were regarded as the top two states for improved business environment and, relatedly, the most common states that UK companies and higher education institutions are looking to expand in.

The positively balanced findings of this report point that the long-term advantages of the huge and growing Indian market outweigh some of the short-term barriers to doing business. Should these issues be improved, the potential for UK-India bilateral trade and investment are immense.

3. METHODOLOGY

The findings produced in this report are derived from extensive consultation involving 133 UK businesses and higher education institutions in a series of roundtable discussions and a UKIBC survey run from September 23rd to October 15th, 2019.

Roundtable discussions include our interactions with Indian Minister of Commerce, Piyush Goyal, at JETCO (Joint Economic Trade Committee) in July 2019. Subsequently, UKIBC made several recommendations to propose reforms that will boost UK investment in India, create jobs, enhance skills and introduce new technologies – see appendix for the submission in depth.

The survey is consistent with our four previous surveys and reports conducted in 2015, 2016, 2017 and 2018. Consequently, for the majority of our questions we have data that spans across five years, enabling us to identify trends and developments across years.

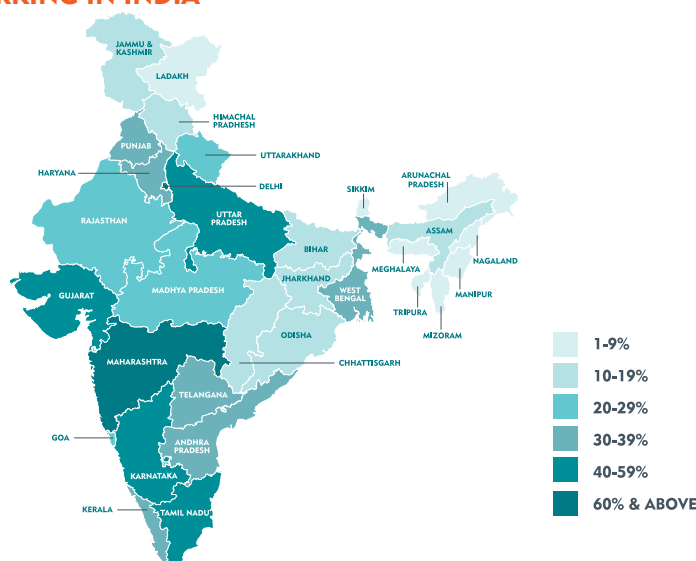
UKIBC have subsequently analysed the vast amounts of data that our survey produced in order to reveal the key developments taking place amongst UK companies and higher education institutions operating in India.

3.1. THE SURVEY RESPONDENTS

Our survey was completed by 93 UK companies and higher education institutions. The majority of these are already working in India (85 percent); although, we have also gathered the views of companies yet to enter the Indian market in order to provide useful information on the challenges facing organisations trying or intending to enter India.

Of those operating in India, we heard from companies working in each of India's 28 states and 9 union territories⁴, as the map below illustrates. Many of these companies are working in multiple states. The most frequent locations are Delhi, Maharashtra, Uttar Pradesh, Tamil Nadu, Gujarat, and Karnataka, as denoted by darker shading on the map below:

FIGURE 1
WHERE RESPONDENTS ARE WORKING IN INDIA

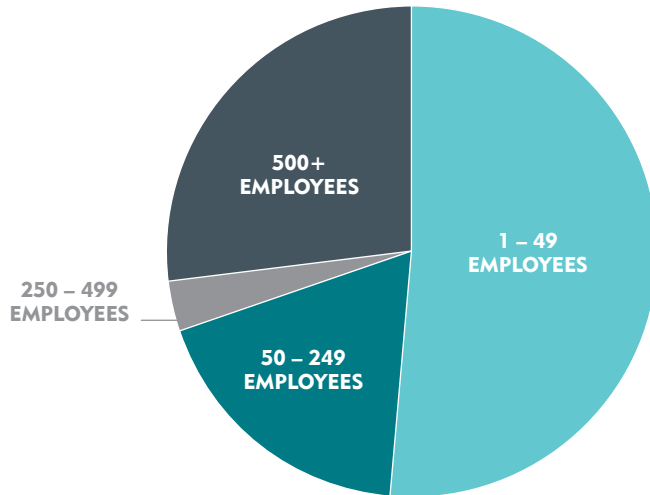


Sources

4. As of October 31st, the Government of India has legislated that India is comprised of 28 states and 9 union territories.

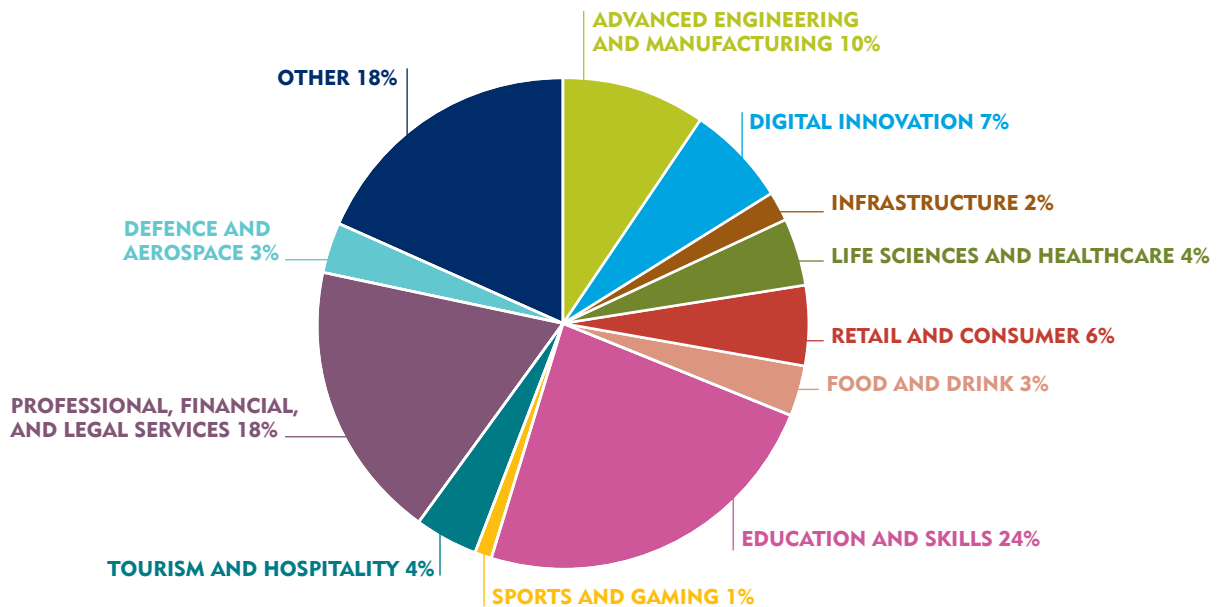
More than half of our respondents were small or medium-sized enterprises (SMEs), with 51.6 percent of companies employing less than 50 people and 18.3 percent employing between 50 and 249, leaving just under 30 percent of respondents who employed 250 or more.

FIGURE 2
SURVEY RESPONDENTS BY SIZE



These organisations are involved in a wide range of sectors. Education and skills, and financial and legal services were the two most frequent sectors. We also had respondents in advanced engineering and manufacturing, digital innovation, life sciences and healthcare, and retail and consumer sectors, amongst others.

FIGURE 3
RESPONDENTS BY SECTOR



4. RESULTS

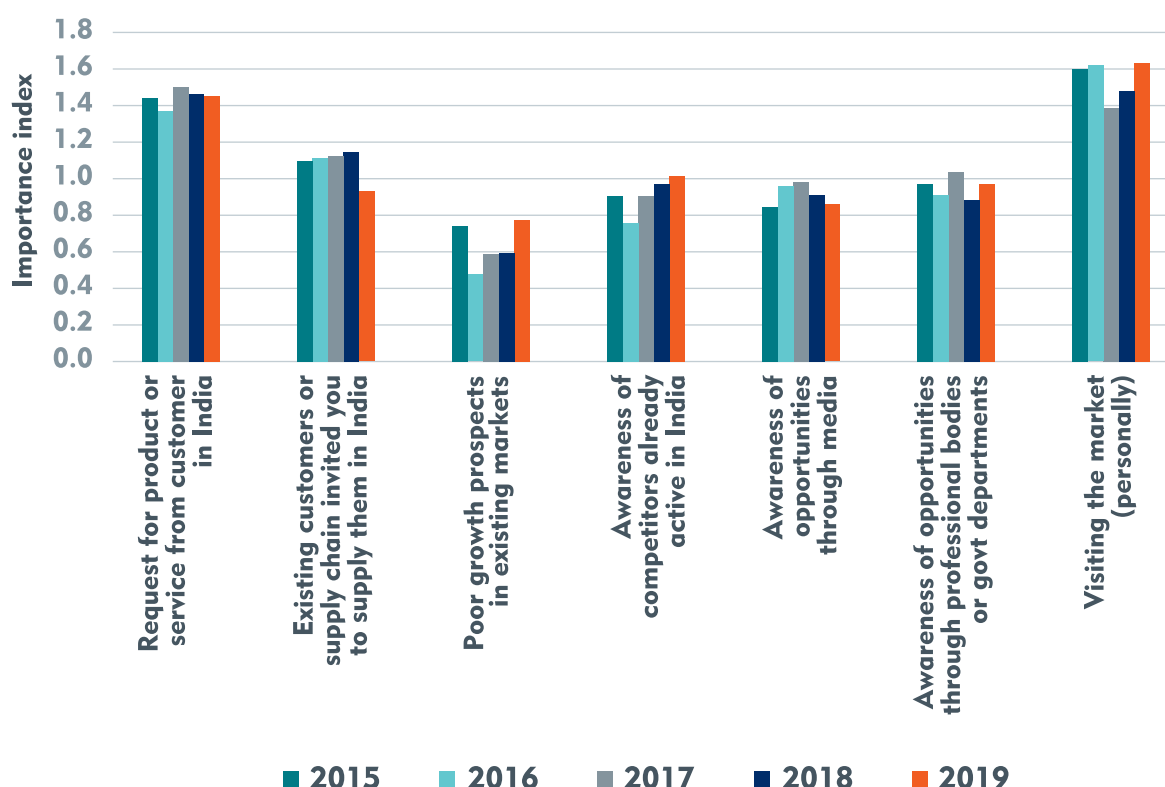
4.1 WHY UK COMPANIES ARE WORKING IN INDIA

Before we discuss the barriers that organisations have experienced and priorities for the future, first we want to understand why UK companies are working in India. We asked respondents to rank a number of location factors from very important to not important, in order to build an index of Indian pull factors. 'Visiting the market (personally)' and 'request for product or service from customers in India' ranked highest, in line with previous years.

Interestingly, 'poor growth prospects' and 'awareness of competitors already active in India' were valued as more important relative to previous years. This is partly due to the UK's impending exit from the European Union; we found that over a quarter of respondents plan to expand in India directly because of Brexit (see section 7).

Meanwhile, 'existing customers or supply chain invites to supply in India' was less important amongst 2019 respondents, despite incremental increase in importance from 2015-18.

FIGURE 4
WHY ARE UK COMPANIES DOING WORK IN INDIA?



These results imply that organisations are doing work in India for mixed reasons.

'Poor growth prospects in existing markets' was the least important, suggesting that working in India is not simply about lack of opportunity elsewhere but a measured decision that reflects the attractiveness of the Indian market. Finally, the fact that 'awareness of competitors already active in India' has grown amongst respondents in recent years indicates that more and more companies are choosing to engage with India.

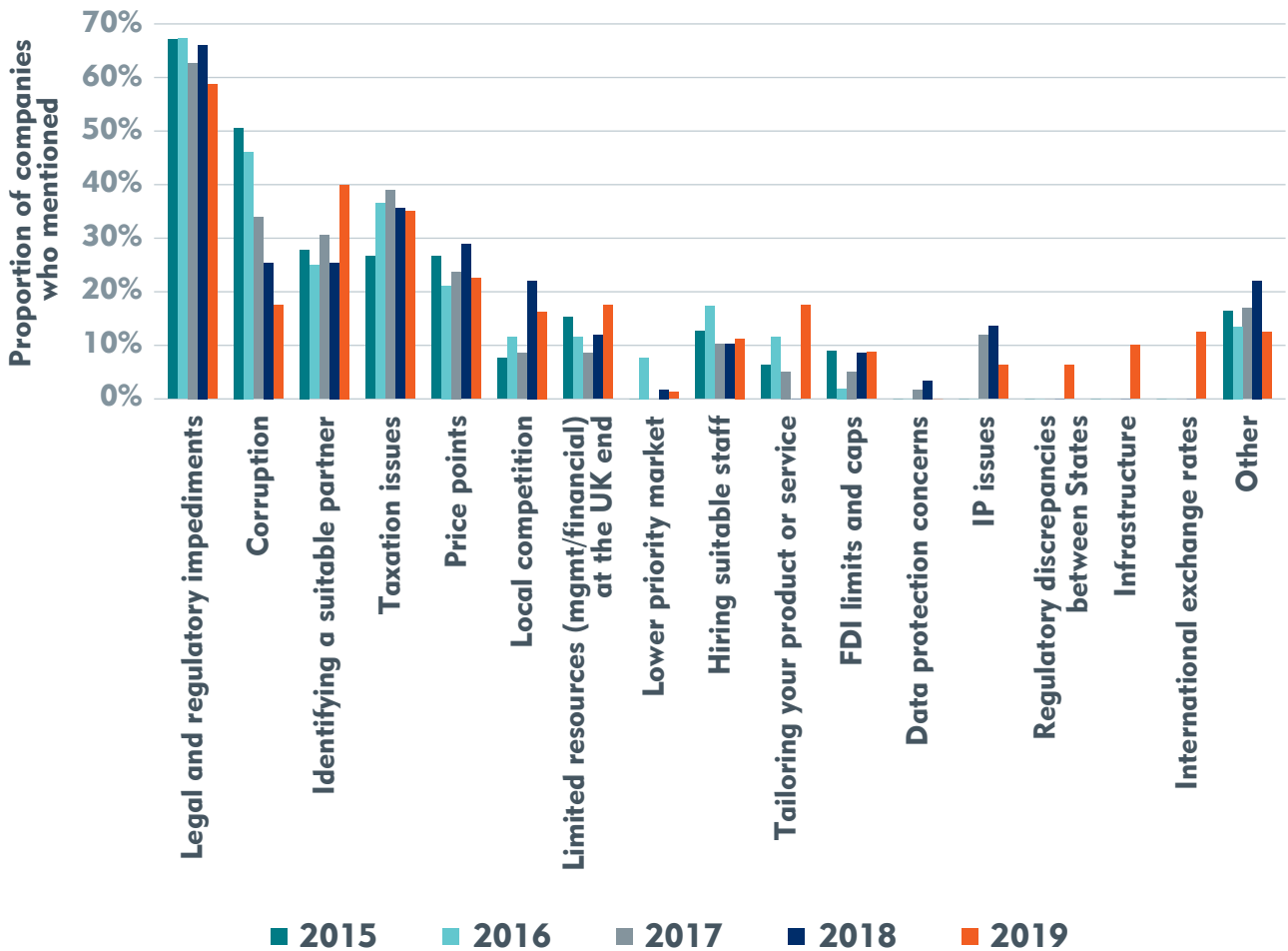
4.2 BARRIERS TO DOING BUSINESS IN INDIA

Respondents were asked to select the three main barriers they face to doing business in India. 'Legal and regulatory impediments' were the most frequently cited (59 percent), as has been the case in previous years. Although, some signs of improvement are beginning to show as the proportion citing it fell to below 60 percent for the first time in our Doing Business in India series.

Conversely, the second most commonly selected barrier for this year, 'identifying a suitable partner', has increased in prevalence significantly from previous years, specifically up from 25 percent in 2018 to 40 percent in 2019. One possible explanation for this is the importance of finding a partner relative to other markets, due to the size and diversity of the Indian market, as a small firm in the technology sector told us: *"the scale of the market means it will take a lot of resources or partnering with someone"*.

Completing the top three barriers to doing business in India is 'taxation issues', as chosen by 35 percent of respondents. The introduction of GST (Goods and Services Tax) in India in 2017 has been met with a slight decline in the frequency of organisations citing taxation as a barrier, indicating that companies are slowly coming to grips with India's new tax system and India has improved its implementation since the original rollout.

FIGURE 5
BARRIERS TO BUSINESS IN INDIA



One hugely positive trend has been the continued fall in corruption as a barrier, steadily declining from being selected by more than 50 percent in 2015 to 17.5 percent in 2019. Prime Minister Modi has been fighting to reduce corruption and has had some success; India ranks 78th out of 180 countries on Transparency International's Corruption Perceptions Index (where 1st is least corrupt) in 2018, up from 85th in 2014. However, excessive regulations and opaque bureaucracy need to be further addressed to both reduce corruption and improve the business environment, as we find out in section 4.4.

On the other hand, 'tailoring your product or service' has become an increasing problem, with 17.5 percent of respondents citing it as a barrier to business, compared with an average of less than 6 percent in previous years. The Indian market is no doubt complex, with many different cultures, languages, needs and interests. Therefore, tailoring a product or service to match the desires of the Indian population requires increasing sophistication by UK and other foreign companies to meet the needs of the Indian market.

New for this year were 'regulatory discrepancies between states', 'infrastructure', and 'international exchange rates', which were cited by 6.25 percent, 10 percent, and 12.5 percent of respondents respectively.

In addition, we have broken these results down by companies which are already active in India and those yet to enter to see if there are significant discrepancies. This will enable us to see whether there is a difference between perception or initial experience, and reality on the ground.

FIGURE 6
TOP BARRIERS AMONGST RESPONDENTS WHO ARE ACTIVELY DOING BUSINESS IN INDIA

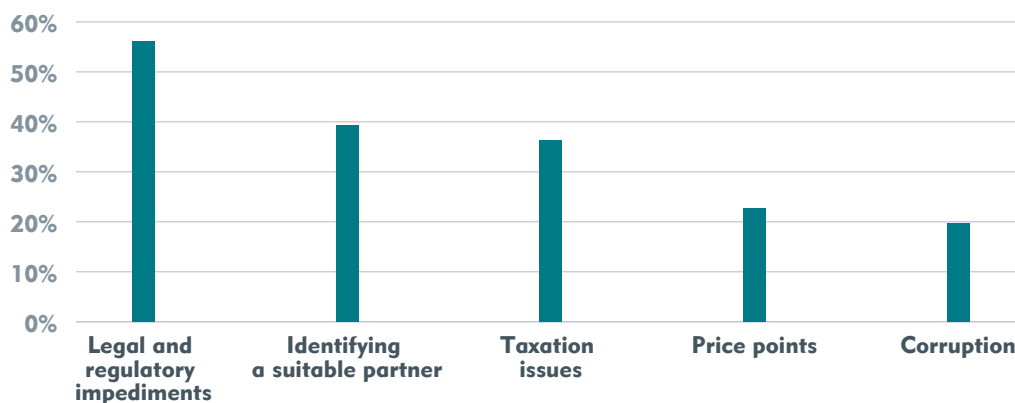
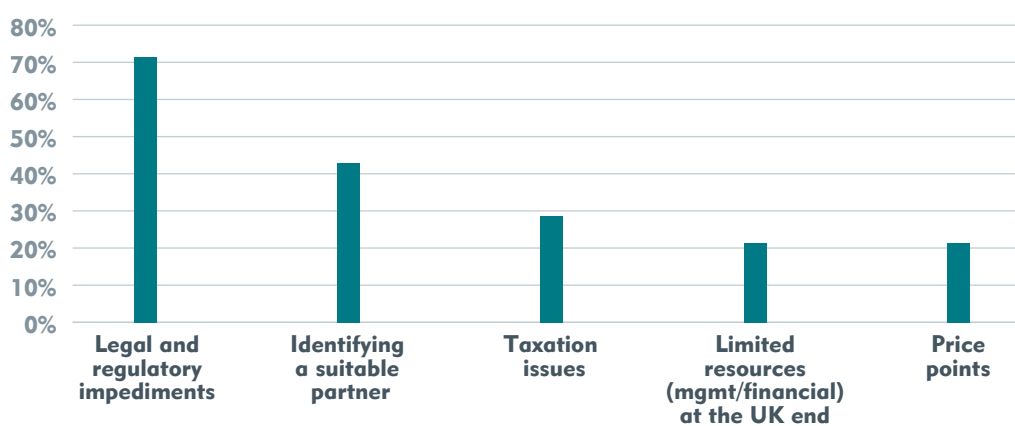


FIGURE 7
TOP BARRIERS AMONGST RESPONDENTS NOT DOING BUSINESS IN INDIA



As the graphs show, the top barriers for companies active in India versus those not yet in India is remarkably similar, with four factors in the top five barriers for both – ‘legal and regulatory impediments’; ‘identifying a suitable partner’; ‘taxation issues’; and ‘price points’.

The divergence is that ‘limited resources (management or financial) at the UK end’ was a barrier for respondents yet to enter India – hence, unsurprisingly not a barrier for those who have already done so. Interestingly, corruption was cited by around 20 percent of companies operating in India but only by 7 percent not working in India.

Furthermore, ‘legal and regulatory impediments’ was significantly higher amongst those not in India (71 percent compared to 56 percent), suggesting that companies have greater success on the ground than other companies might perceive, or that over time companies learn to overcome legal and regulatory barriers.

4.3 RATING THE BUSINESS ENVIRONMENT

Our survey asked companies to rate various components of India’s business environment from poor to excellent. Factors which score 5 are considered excellent; 4-4.99 are very good; 3-3.99 are good; 2-2.99 are satisfactory; 1-1.99 are poor; and less than 1 very poor.

Subsequently, we produced a weighted average of their responses, for which the higher the score, the more favourable the rating.

FIGURE 8
RATING OF INDIA'S BUSINESS ENVIRONMENT 2019



Tele-communication facilities is the most well-regarded component, scoring 3.48/5, reflecting India's drive to connect the country and facilitate information exchange.

This was followed by the availability of skilled labour (3.35), availability of support and service providers (3.32), and availability of supply chain (3.17).

Land availability (2.89) and access to power (2.85) were also well regarded, as is intellectual property (2.78) and physical infrastructure (2.78), such as roads, railways, airports and ports.

At the other end of the scale is quality of bureaucracy (2.12), which is ranked as the worst component of India's business environment. While India has implemented digital reforms for the processing of licences, requirements to also physically deliver documents to officials remains a burden for instance. This rank is a clear message that Indian bureaucracy should pursue improvement to enable India to compete with other attractive marketplaces for business.

Regulatory certainty (2.27) was also considered low, though both still receive a 'satisfactory' rating overall. The ease of closing down the business (2.43) and ability to repatriate profits (2.46) are further issues, according to our respondents.

To see how these factors have developed over time, below is a table of these results alongside previous years' scores:

FIGURE 9
RATING OF INDIA'S BUSINESS ENVIRONMENT 2019

	2015	2016	2017	2018	2019
PRESENCE OF QUALITY INFRASTRUCTURE (ROADS, RAILWAYS, ETC.)	2.42	2.62	2.8	2.65	2.78
TELE-COMMUNICATION FACILITIES (INTERNET, PHONE)	3.20	3.33	3.40	3.43	3.48
TAXATION POLICY	2.31	2.31	2.49	2.52	2.51
REGULATORY FRAMEWORK (COMPANY LAWS, CUSTOMS, ETC.)	2.33	2.35	2.55	2.56	2.70
INTELLECTUAL PROPERTY (EASE OF GETTING PATENTS & TRADEMARKS)	2.42	2.38	2.63	2.59	2.78
ENVIRONMENTAL REGULATIONS	2.41	2.24	2.42	2.47	2.55
POWER (EASE OF GETTING CONNECTION & AVAILABILITY)	2.37	2.65	2.81	2.83	2.85
LAND AVAILABILITY	2.69	2.67	3.15	2.93	2.89
LABOUR LAWS	2.61	2.46	2.86	2.52	2.61
QUALITY OF BUREAUCRACY	1.89	2.02	2.13	2.06	2.12
QUALITY CONTROL MEASURES (REGULATIONS AND EASE OF GETTING CERTIFICATIONS)	2.33	2.14	2.49	2.30	2.55
AVAILABILITY OF SKILLED LABOUR	3.26	3.07	3.2	3.18	3.35
AVAILABILITY OF SUPPLY CHAIN	3.05	3.00	3.25	3.05	3.17
AVAILABILITY OF SUPPORT AND SERVICE PROVIDERS	3.07	3.05	3.02	3.19	3.32
EASE OF CLOSING DOWN THE BUSINESS	2.23	2.52	2.21	2.39	2.43
ABILITY TO REPATRIATE PROFITS			2.51	2.35	2.46
DATA PROTECTION				2.60	2.67
AVAILABILITY OF CREDIT AND FINANCE					2.64
REGULATORY CERTAINTY (RETROSPECTIVE REGULATION ETC.)					2.27

Nearly every factor has been perceived to have improved since 2015, with all gradually increasing by approximately 0.2 in our weighted average index.

The few factors that have not changed in rating are labour laws, which has fluctuated in recent years and this year scored the same (2.61/5) as in 2015. The ability to repatriate profits remains at around 2.5, as it has done since 2016. However, neither of these factors were considered a reform priority by UK companies and higher education institutions, as the next section shows.

Rating of availability of skilled labour had stagnated until this year, before increasing to 3.35 from 3.18 in 2018. Other significant climbers from last year were quality control measures, intellectual property, and regulatory framework.

Consequently, we can conclude that India's business environment is improving across all aspects. However, further improvement is required if India is to compete on a global scale to attract investment. While all components of the business environment were ranked as either good or satisfactory, none are considered very good, or - in other words - world leading.

4.4 HOW TO IMPROVE INDIA'S BUSINESS ENVIRONMENT

After gauging how UK companies and higher education institutions rate the business environment in India, it is crucial to understand where organisations would like efforts to be focussed to improve it.

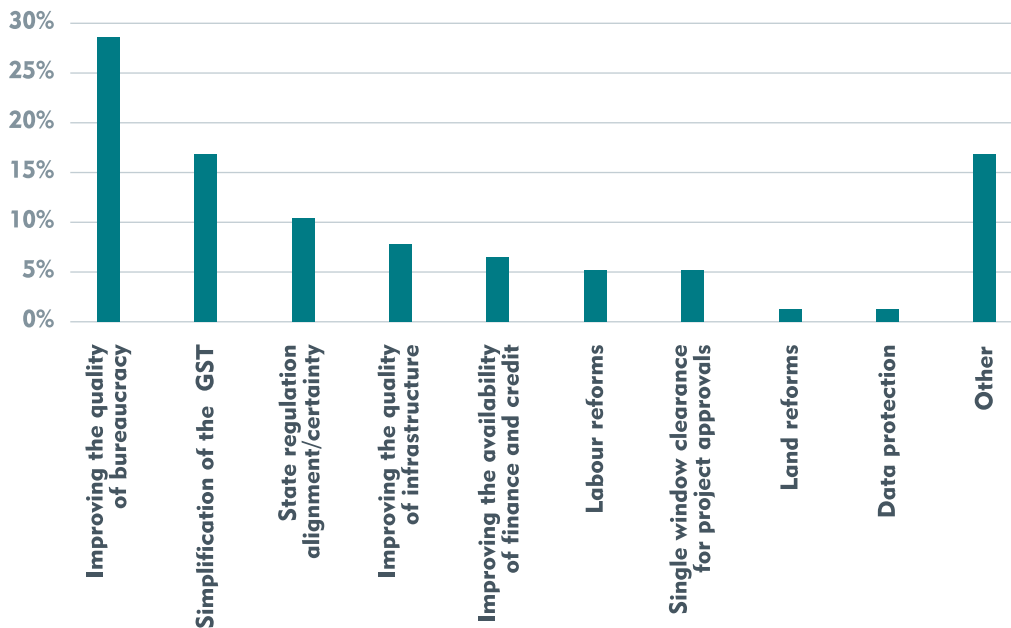
In order to improve India's business environment most effectively, it is important to prioritise not only the most underperforming aspects of the business environment, but also the most important and those that can be improved in shorter timeframes. Taking these considerations into account, we asked respondents 'Which one of the following reforms in your opinion will most significantly improve India's business environment?'

We found that 'improving the quality of bureaucracy' was the most desired reform, as selected by 28.6 percent of respondents. 'Simplification of the Goods and Services Tax (GST)' was the second most popular reform priority, receiving 16.9 percent of respondent's selections. However, GST has further declined in the priorities over time, down from 24 percent in 2018, and 55 percent in 2016, implying that GST is indeed simplifying. To build on this, full compliance with international arbitration decisions, alongside developing a fair, and predictable tax regime that further improves and simplifies the GST will go a long way to reassuring global investors.

We added some new reform options for this year's survey – 'alignment between state's regulation/increasing regulatory certainty'; 'improving the quality of infrastructure'; and 'improving the availability of finance and credit'. All three completed the top five priorities, after being selected by 10.4 percent, 7.8 percent and 6.5 percent of companies respectively.

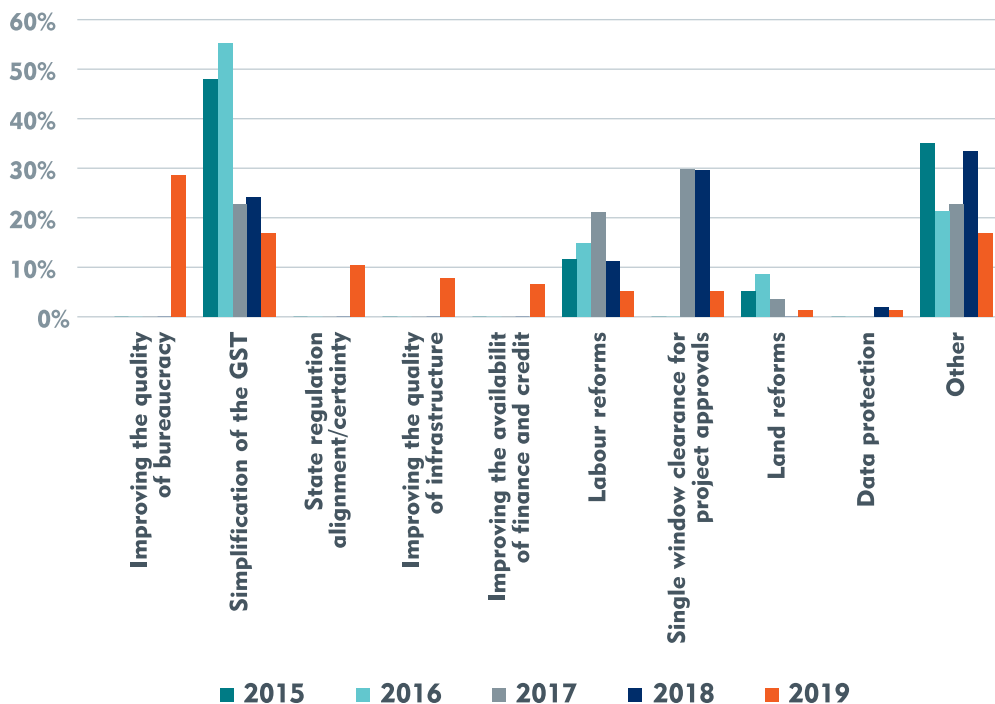
'Labour reforms' and 'single window for project approvals' were selected by several companies, while 'land reforms' and 'data protection' were selected by just a few. Further suggestions under the 'other' option included 'improved contract enforcement', 'mutual recognition of higher education qualifications' and 'fairer government tender processes'.

FIGURE 10
REFORM PRIORITIES 2019



If we look at how these priorities have changed over time, the most obvious development is that of the GST, which has dramatically decreased in importance, as discussed. ‘Single window clearance for project approvals’ has also markedly fallen on the priority list amongst our survey respondents.

FIGURE 11
REFORM PRIORITIES 2015-19

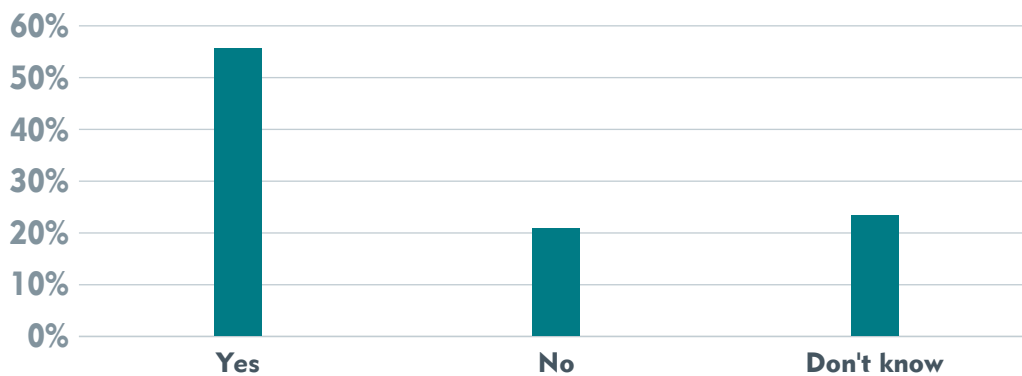


4.5 IS IT GETTING EASIER TO DO BUSINESS IN INDIA?

Results so far suggest that India's business environment is improving, in light of the increased scores of individual factors (see section 4.3) and declines in the demand for previous reform priorities. However, to paint a clearer picture we asked companies directly "on the whole do you think it is getting easier to do business in India?".

55.8 percent of respondents said that they do think it is getting easier to do business in India, compared to an average of 51.4 percent of respondents in the last four years. Conversely, 20.8 percent think it is not getting easier, representing a significant improvement on all four of our previous surveys, in which more than 30 percent thought it was not getting easier to do business in India. 23.4 percent were undecided.

FIGURE 12
IS IT GETTING EASIER TO DO BUSINESS IN INDIA?



To complement this question, we asked our respondents why they think it is, or is not, getting easier to do business in India.

The most common responses among those who think it is getting easier were that India is increasingly opening up to international trade and investment and that government reforms are targeting and addressing the business environment. While, those who do not think it is getting easier stated that there is too much bureaucracy and that contract enforcement remains difficult, which is paramount to doing business.

5. SECTOR ANALYSIS

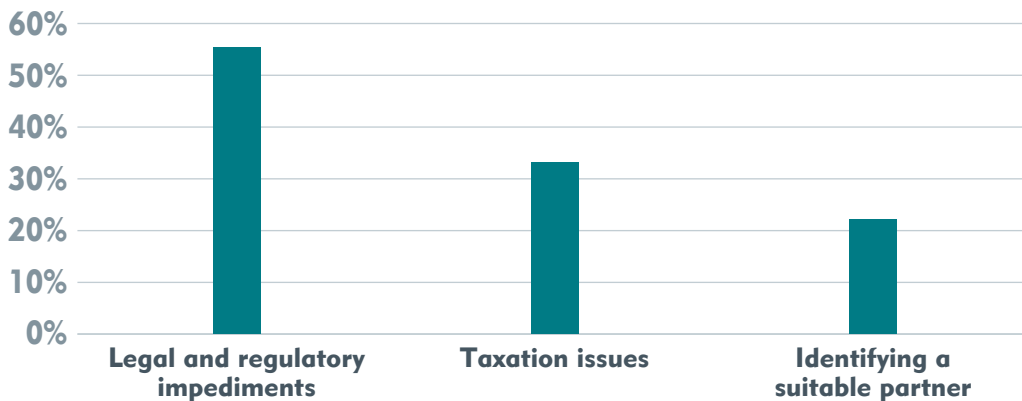
We also looked at the top barriers and reform priorities by sector for five sectors: Advanced Engineering and Manufacturing; Digital Innovation; Life Science and Healthcare; Higher Education; and Professional, Financial, and Legal Services.

Although all sectors have been identified as providing opportunity for greater collaboration, looking at the barriers and reform priorities at a sector-level enables us to consider which actions to take to help specific organisations and groups.

5.1 ADVANCED ENGINEERING AND MANUFACTURING

FIGURE 13

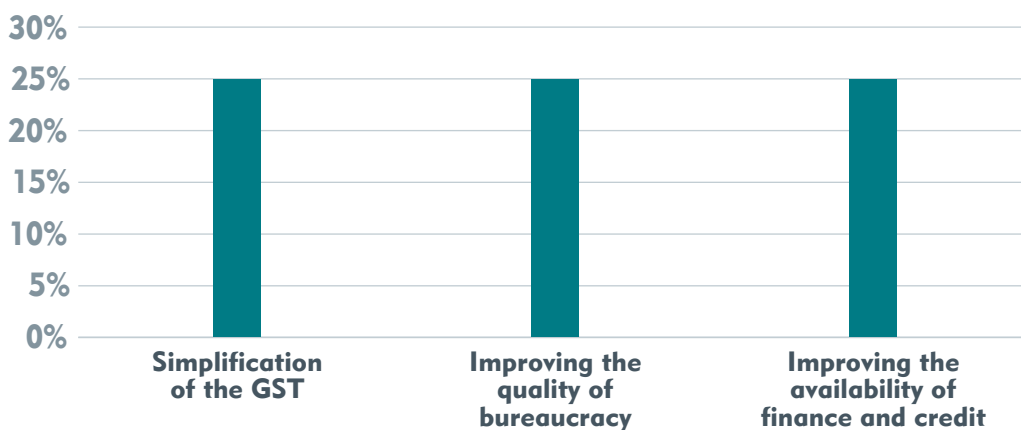
TOP 3 BARRIERS FOR ADVANCED ENGINEERING AND MANUFACTURING SECTOR



The top barriers are in keeping with barriers across sectors. However, while legal and regulatory impediments is the number one barrier, as it was across sectors, taxation issues is considered more prominent than identifying a suitable partner by advanced engineering and manufacturing companies.

FIGURE 14

TOP 3 REFORM PRIORITIES FOR ADVANCED ENGINEERING AND MANUFACTURING SECTOR



Three reform priorities were identified as equally important by advanced engineering and manufacturing firms – simplification of the GST; improving bureaucracy; and improving finance and credit availability.

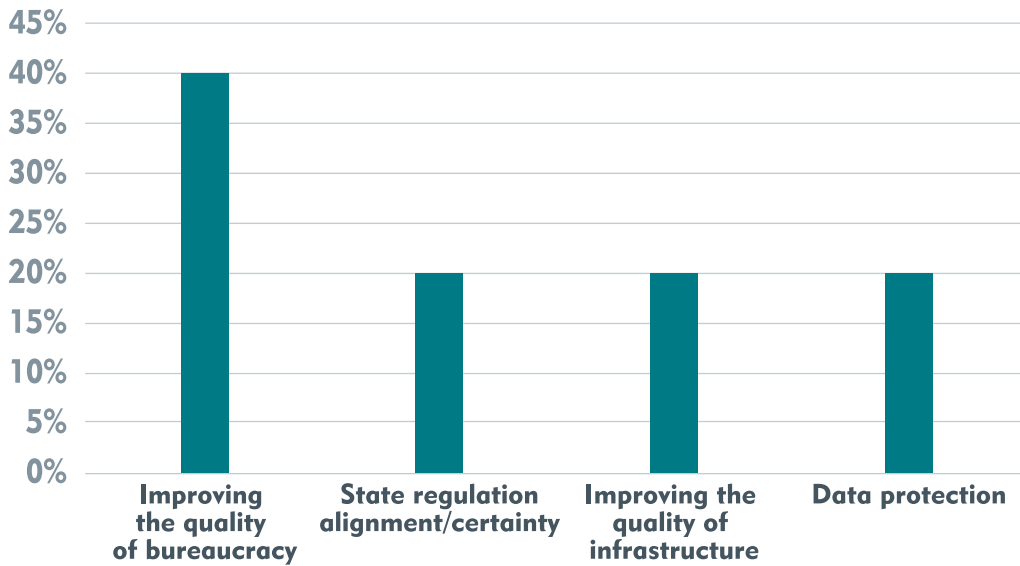
5.2 DIGITAL INNOVATION

FIGURE 15
TOP 3 BARRIERS FOR DIGITAL INNOVATION SECTOR



Legal and regulatory impediments and identifying a suitable partner were clearly the most significant barriers for organisations involved in digital innovation. Taxation issues was also prominent.

FIGURE 16
TOP 4 REFORM PRIORITIES FOR DIGITAL INNOVATION SECTOR



While improving the quality of bureaucracy was the number one reform priority for the digital innovation sector, several factors were jointly selected as the subsequent reform priorities, namely alignment between state’s regulation; improving the quality of infrastructure; and data protection. Data protection is an issue that concerns all sectors, but even more important for digital innovation organisations at the forefront of data and thereby reliant on security and trust of data management, as is evidenced here.

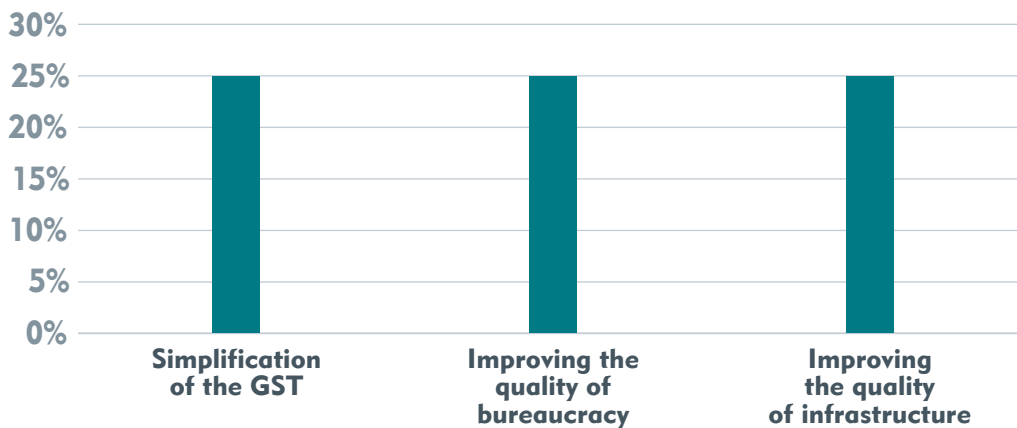
5.3 LIFE SCIENCE AND HEALTHCARE

FIGURE 17
TOP 3 BARRIERS FOR LIFE SCIENCE AND HEALTHCARE SECTOR



Life science and healthcare organisations are less worried about legal and regulatory impediments relative to other sectors. Rather, the greatest barriers to doing business for them are clearly taxation issues and price points, as our respondents testified. Identifying a suitable partner is also challenging.

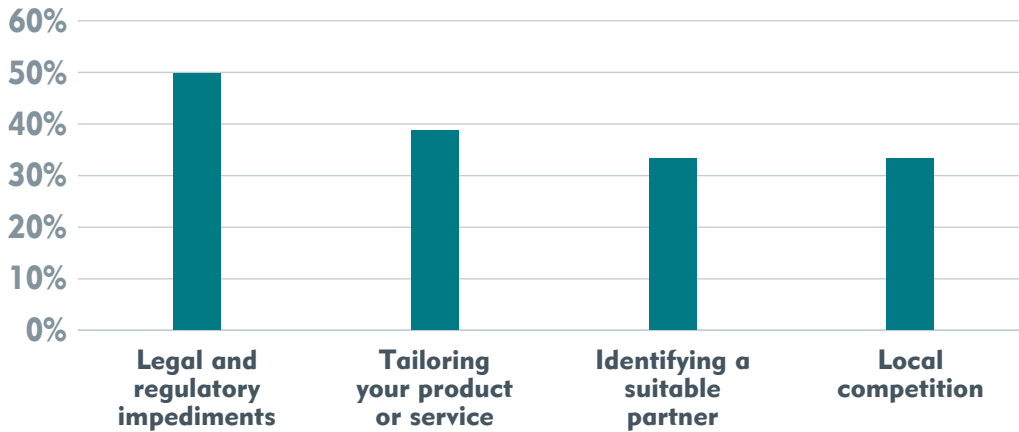
FIGURE 18
TOP 3 REFORM PRIORITIES FOR LIFE SCIENCE AND HEALTHCARE SECTOR



Three equally important reform priorities emerged – simplification of the Goods and Services Tax; improving the quality of bureaucracy; and improving the quality of infrastructure.

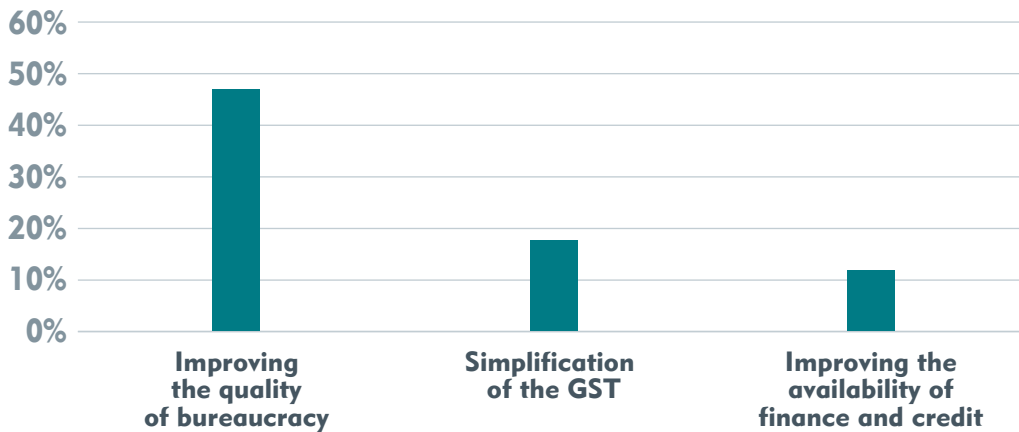
5.4 HIGHER EDUCATION

FIGURE 19
TOP 4 BARRIERS FOR HIGHER EDUCATION SECTOR



The distinctive barriers for the higher education sector were ‘tailoring your product or service’ and ‘local competition’. One significant discrepancy between the UK and India on higher education is recognition of degrees. We have advised the UK and Indian governments to come to a Mutual Recognition Agreement; allowing universities to award dual degrees will be a true gamechanger for India’s Higher Education system as it will give a real boost to collaborations and will attract more foreign students to come and study in India.

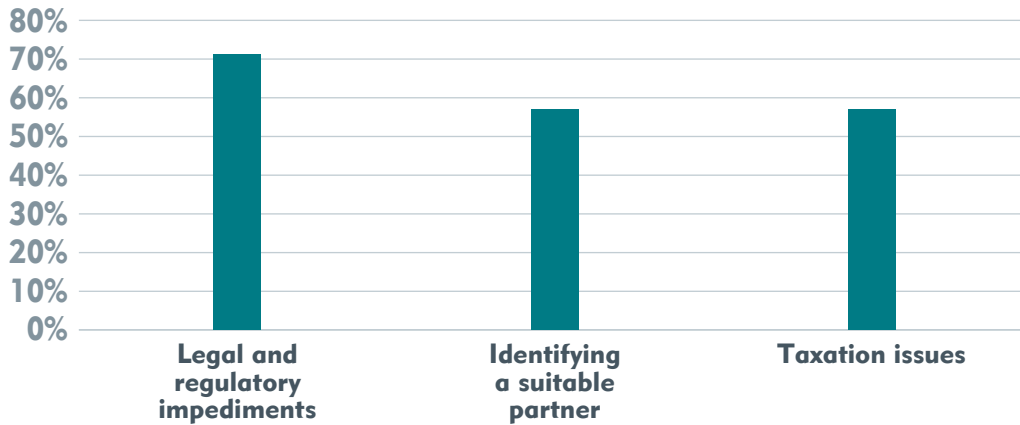
FIGURE 20
TOP 3 REFORM PRIORITIES FOR HIGHER EDUCATION SECTOR



The top reform priority for Higher Education institutions was ‘improving the quality of bureaucracy’ by quite some distance.

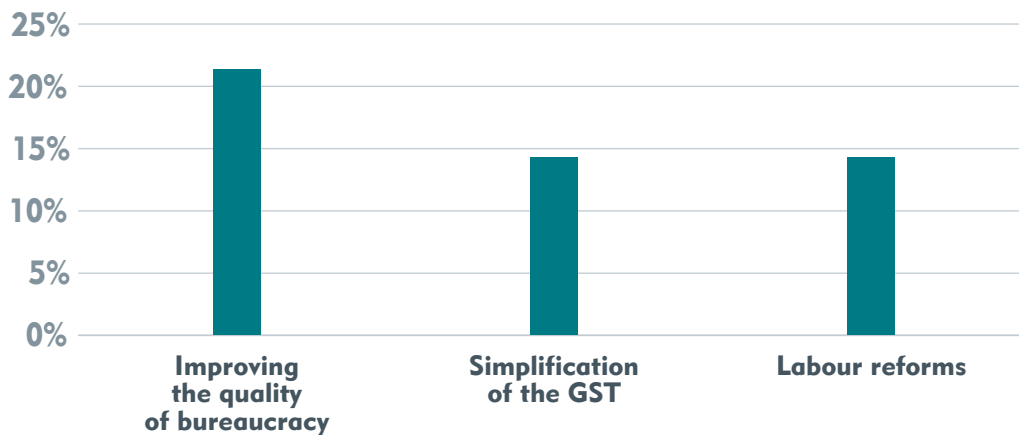
5.5 PROFESSIONAL, FINANCIAL AND LEGAL SERVICES

FIGURE 21
TOP 3 BARRIERS FOR PROFESSIONAL, FINANCIAL AND LEGAL SERVICES



The top 3 barriers for the professional, financial and legal services sector perfectly mirrored the sentiment of all sectors taken as a whole, although identifying a suitable partner and taxation issues were even more salient barriers.

FIGURE 22
TOP 3 REFORM PRIORITIES FOR PROFESSIONAL, FINANCIAL AND LEGAL SERVICES



Again, improving the quality of bureaucracy was the first-choice reform priority. This time followed by simplification of the GST and labour reforms.

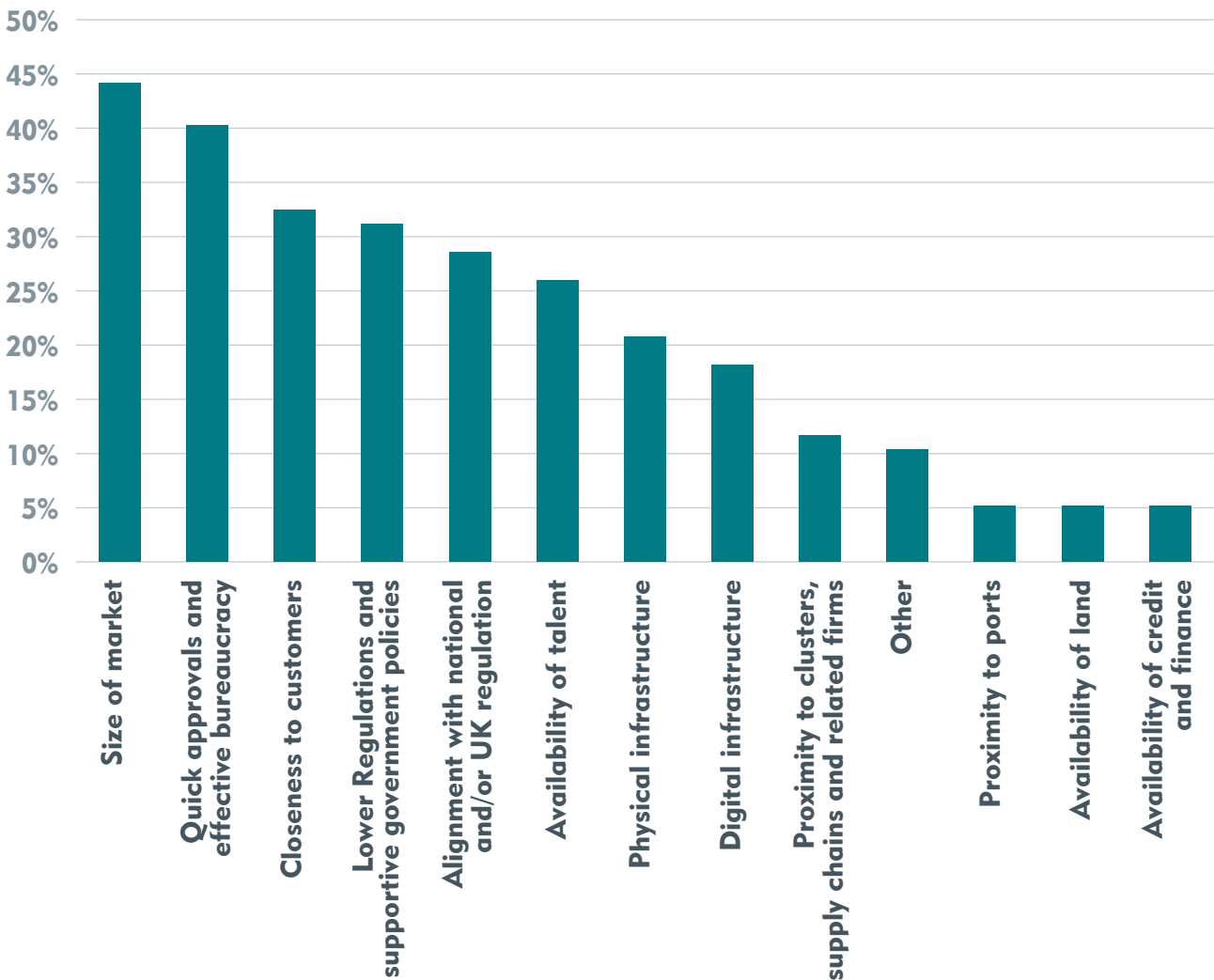
6. DOING BUSINESS AT STATE-LEVEL

India is made up of 28 states and 9 union territories. Each one is distinct, with variations in languages, cultures, outlooks, laws and regulations. State governments are influential in each state's business environment, due to variation in the courts, taxes and regulations, as well as state-level governments' views and priorities. The success of UK and other international businesses working in India can consequently depend on where in India a company chooses to operate.

6.1 LOCATION PULL FACTORS

We asked companies what they look for when determining where to do work in India in order to find out why companies locate where they do and to help Indian states to identify investors' priorities.

FIGURE 23
LOCATION FACTORS IN INDIA 2019



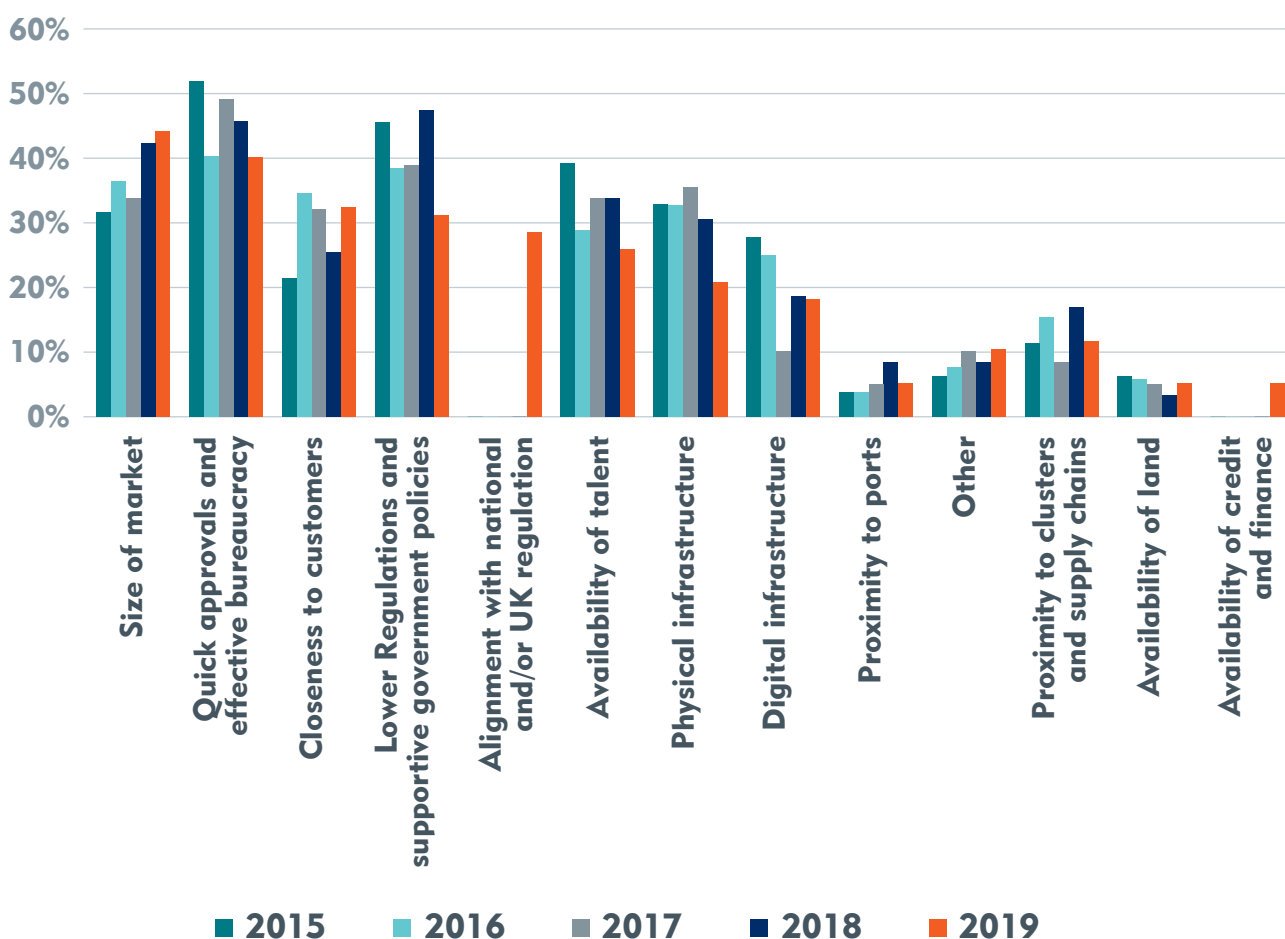
'Size of the market' was the most important factor when UK companies and higher education institutions are determining where to do business in India according to our survey. With states varying in population size from around 200 million people (Uttar Pradesh) to less than 1 million (Sikkim) and further differences in average incomes and other market factors, there is great discrepancy in the size of India's internal markets.

'Quick approvals and effective bureaucracy' was the second most important factor considered by our respondents. The third and fourth most important factors are linked to the top two – with 'closeness to customers' a further facet of market size, while 'lower regulations and supportive government policies' are partly determined by the presence of an effective bureaucracy. Consequently, improving the effectiveness of bureaucracy and lowering regulations to support business should be a priority for all states, particularly those with smaller market sizes in order to compete with larger states.

A new factor we considered for 2019 was the alignment with national and/or UK regulation. By being closer aligned to India's national regulations, or closely aligned with UK regulations, the barriers that regulations can pose may not be so great. It seems that our respondents agreed, with 28.6 percent of companies selecting 'alignment with national and/or UK regulation' as one of the top three most important factors when deciding on where to locate in India.

We can also see how these priorities have changed over time by looking at previous years' results:

FIGURE 24
LOCATION FACTORS IN INDIA 2015-19



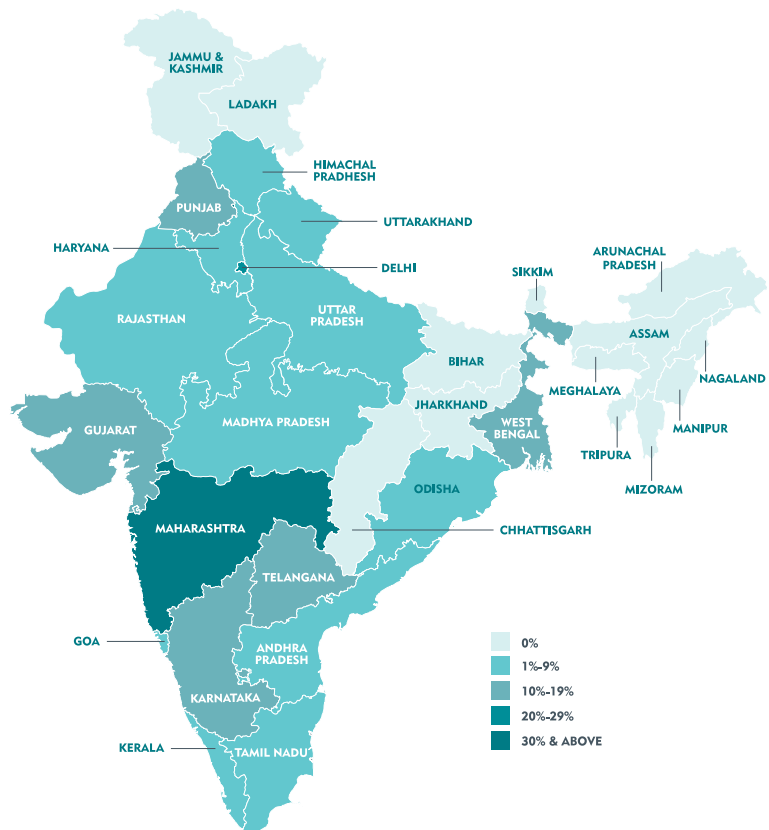
Although the Government of India is pushing its own centralised agenda to develop India and create a better business environment, it has also assigned state governments to improve the business environment at the state level. This has led to competition between states to attract investment, which in turn creates more jobs, economic activity and tax that can be re-invested into state infrastructure such as education, healthcare and physical infrastructure to attract greater investment still. We recommend that Indian states should align their development plans with national policy to attract international investment, while also playing to state strengths, such as education standards and reducing excessive regulations.

6.2 SO WHICH STATES DO OUR UK RESPONDENTS THINK HAVE MADE THE MOST IMPROVEMENT ON THEIR BUSINESS ENVIRONMENT?

As was the case in 2018, Maharashtra has come out clearly as the most improved state in recent years, after it was selected by 36.7 percent of organisations. This is testament to the state-level Government in helping to foster a greater business environment. 20 percent selected Delhi as the most improved Indian state, marking an improvement on last year's survey, and Gujarat was the third most well considered state, after being chosen by 16.7 percent of respondents. The map below shows the most improved states (with the most improved in darker shading).

FIGURE 25
WHICH STATE DO YOU THINK HAS MADE THE MOST IMPROVEMENT IN THE EASE OF DOING BUSINESS IN THE LAST FIVE YEARS?

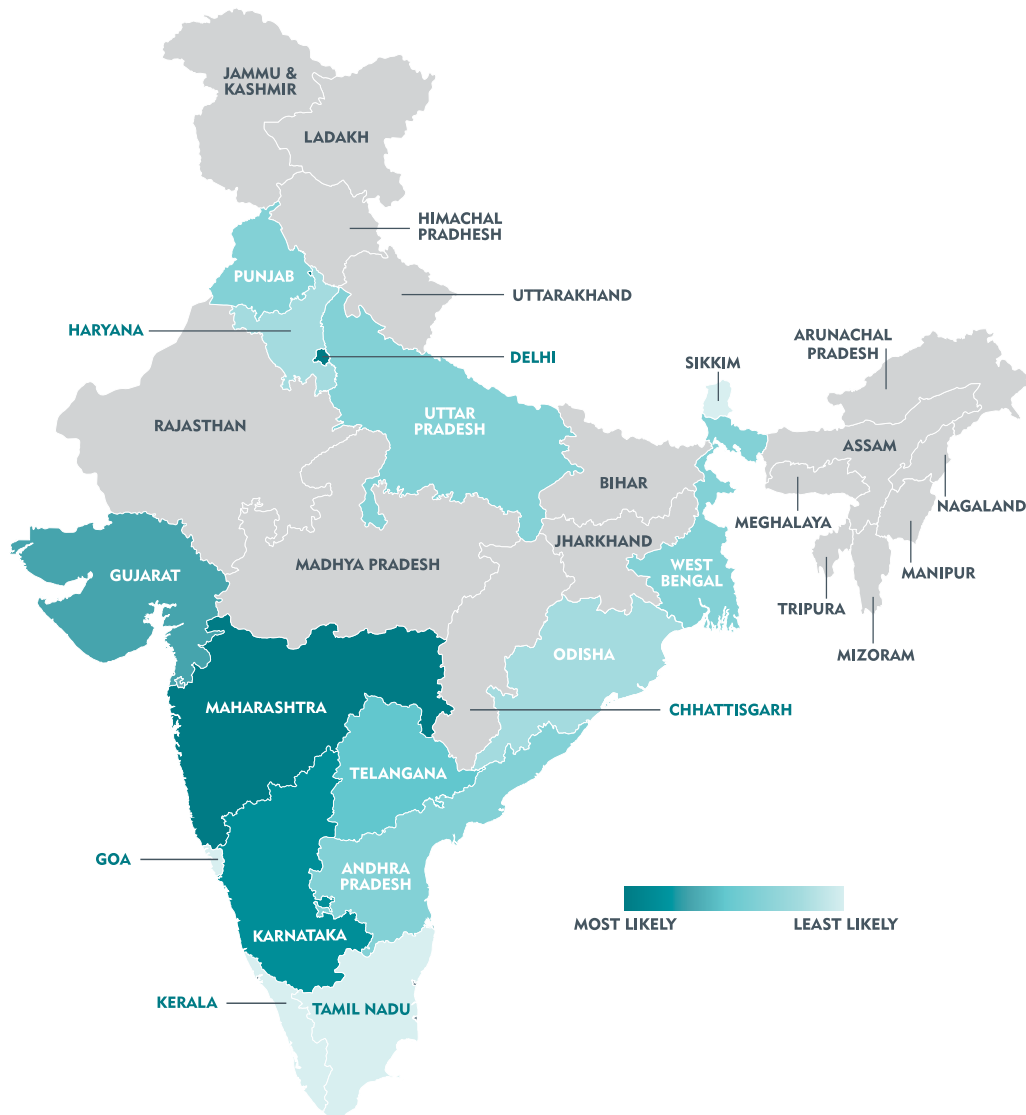
STATE	2019
MAHARASHTRA	36.67%
DELHI	20.00%
GUJARAT	16.67%
KARNATAKA	15.00%
PUNJAB	10.00%
TELANGANA	10.00%
WEST BENGAL	10.00%
KERALA	6.67%
RAJASTHAN	6.67%
ANDHRA PRADESH	5.00%
HARYANA	5.00%
CHANDIGARH	3.33%
MADHYA PRADESH	3.33%
ODISHA	3.33%
TAMIL NADU	3.33%
UTTAR PRADESH	3.33%
GOA	1.67%
HIMACHAL PRADESH	1.67%
UTTARAKHAND	1.67%



There is a clear regional pattern, with the most improved states as considered by our respondents predominantly located in West India.

Next, we asked respondents whether they are expanding their operations in India and which State(s) they are planning to enter or expand operations to in the next 12 months, in order to see how this regional pattern might change in the future.

FIGURE 26
WHERE UK COMPANIES ARE EXPANDING IN INDIA



Like our previous question, Maharashtra and Delhi were the top two states, owed to their existing pro-business environment and positive business trajectories.

Karnataka, Gujarat and Telangana were the next most popular states in which companies are looking to enter or expand in.

As our previous findings indicate, these states are leading India in terms of market size, quick approvals and effective bureaucracy, closeness to customers, and lower regulations and supportive government policies.

To illustrate how States are improving their business environment, we looked in greater detail at five states that the UKIBC have worked closely with in recent years to show what they have been doing in recent years to improve the ease of doing business and attract investment. They are: Maharashtra; Gujarat; Telangana; Karnataka; and West Bengal. All five were regarded by at least 10 percent of our UK respondents as the states to have made the most improvement on ease of doing business.

Maharashtra

As one of the most industry intensive states of the country, accounting for 15 percent of India's GDP (USD 430 billion), Maharashtra has created an environment that is welcoming to business and attracts new investment from around the world.

Core industries in Maharashtra include automobile, IT/ITES and textiles. The state has also started focusing on new businesses and industries, including electric vehicles, next gen logistics, defence, aerospace, start-ups, innovation, cloud computing, fintech and tourism.

In order to further accelerate the pace of industrialisation, the state has come up with a progressive Industrial Policy in 2019. Incentives under this new Industrial Policy are in the form of power subsidies, interest subsidies, stamp duty exemption, electricity duty exemption and an Industrial Promotion Subsidy in the form of State GST. The State has made it an imperative to create efficient, robust and transparent construction permit procedures to attract investment and facilitate the ease of doing business.

The Government of Maharashtra has entrusted the Maharashtra Industrial Development Corporation (MIDC) as the agency with the task of promoting investment and industrial development within the state. Reforms that the state has undertaken in recent years to simplify procedures include:

- Establishing the Maharashtra Industry Trade & Investment Facilitation Cell as a sole point of contact for getting the necessary approvals, No Objection Certificates, Registrations, etc.
- Important technological improvements to create Single Window access systems at the Departmental level to ensure process transparency and efficiency, including online availability of information to reduce delays.
- A smart and comprehensive IT based construction permit system for all plan related approvals. The system includes features such as: single window clearance system for all investor-centric services; online form submission, payment and tracking facility for plot holders and the appointed architects; and the identification of buildings that need inspection based on automated risk assessment and the computerised allocation of inspectors.

Gujarat

Gujarat is one of the leading industrialised states in India. State GDP at 2017-18 market prices was USD 190 billion, registering a growth of 14 percent over the previous year. It is a leader in sectors such as chemicals, petrochemicals, dairy, drugs and pharmaceuticals, cement and ceramics, gems and jewellery, textiles and engineering.

Gujarat has developed world class infrastructure. As per the 2018-19 State Budget, the government has allotted USD 221 million for the development of road transport, and is additionally developing a High-Speed Rail passenger corridor from Ahmedabad to Mumbai. These, and other developments, have helped Gujarat to attract over USD 11 billion of FDI from 2014 to 2019.

Overall exports from Gujarat increased 22 per cent in 2017-18 to USD 66 billion and the state ranks first in India by total area covered within Special Economic Zones (SEZs), with 17 SEZs in operation.

The state government has framed policies in almost all key sectors, including power, ports, roads, agriculture and minerals. As one of the leading Indian States on solar power, Gujarat plans to announce a new net metering policy providing financial support to solar power generating households.

In recent years, the State has undertaken numerous actions towards improving the ease of doing business, including:

- Common Gujarat Development Control Regulations (GDCR), which create uniform by laws for Municipal Corporations, Urban Development Authorities, Area Development Authorities, and Gram Panchayat.
- Increasing the validity of licenses. For example, the validity of No Objection Certificates issued by the Gujarat Pollution Control Board has been extended to 10 Years, as have the validity of factory licenses.
- Third party certifications for pollution-related clearances and boilers have been made available with a list of agencies authorised to issue such certificates and conduct inspections.
- The state has comprehensive details of land banks along with GIS System and digitised land records. This has immensely helped businesses to identify favourable land parcels for their projects. Applicants can apply online for land in industrial estates.
- Introduction of an Investor Facilitation Portal (IFP), through which applicants can get over 100 business related approvals online. Key features of the IFP include a common application form, online payments, a DigiLocker, online tracking, SMS/email alerts, digitally-signed certificates and timelines for giving clearances by government officials.

Telangana

Telangana is India's ninth largest state by GDP, with an estimated USD 120 billion GSDP. The state economy is led by agriculture, IT and biotechnology. In 2017-18, the tertiary sector accounted for 63.7 percent of overall GSDP. In the same timeframe, export of IT and IITES products reached USD 14.5 billion. Leading IT companies like Facebook, Google, IBM and Microsoft hold significant presence in the state capital, Hyderabad.

Telangana accounts for approximately 20 percent of India's pharma exports. The state is a pharmaceutical manufacturing hub, attracting more than USD 1.5 billion worth of investment in the life sciences sector in the past four years. The state government has enacted plans to set up a pharma city and promote public private partnership to develop the state's pharma sector further.

Aerospace and defence is another industry actively targeted by the state government. The state is already home to aerospace and defence parks and is in the process of creating further ones to expand the industry and become a national hub.

Cumulative FDI inflows into Telangana from 2000 to 2019 totalled USD 18.5 billion.

Telangana ranked first in the Government of India's Ease of Doing Business 2016 rankings. Out of 340 reforms communicated by DPIIT that year, Telangana achieved compliance in 324. The state has continued to be amongst the top performers in subsequent years, ranking 2nd in 2018.

Some of the major initiatives taken by the State to improve the business environment in recent years are:

- The introduction of Internet of Things Policy to create an atmosphere conducive for IoT specific businesses and manufacturing units.
- Set up a National Investment and Manufacturing Zone (NIMZ) to promote industrial growth and focus on manufacturing and employment generation.
- Renovation and Modernisation of two hydropower projects.
- Improvements to power supply availability, including becoming the first state in India to provide round-the-clock uninterrupted supply of power free of cost to farmers.
- A single-stop clearance facility that ensures swift clearances to set up industries based on self-certification by the entrepreneur.

Karnataka

Karnataka is the fourth largest and one of the fastest-growing states in India with a USD 197 billion economy growing at 9.6 percent at constant prices. The State has the fourth-largest skilled workforce in India and is home to several premier education institutions. With good rail, road and air connectivity, logistic support, and excellent telecommunications network, the State's robust physical infrastructure has created a conducive environment for industrial development.

The State has identified focus sectors to drive economic development: automobiles and auto components; pharmaceuticals and medical devices; engineering and machine tools; knowledge-based industries; cement; steel; sugar; logistics; renewable energy; aerospace and defence; electric vehicles; healthcare and wellness; and education.

With more than 400 R&D and innovation centres, the largest number of technical and medical institutions and the highest number of start-ups in Asia, Karnataka is a powerhouse of innovation.

The Government of Karnataka has recognised the potential impact of disruptive technologies and has established eight Centres of Excellence (CoEs) with prestigious institutions. This includes CoEs for Cybersecurity, Data Sciences and AI, Machine Learning and Robotics and the Internet of Things. These CoEs work with the local ecosystem and nurture start-ups through mentorship, incubation, and market access support.

Major reforms implemented by the State to improve the business environment and facilitate industries are:

- GIS-based availability of industrial land and infrastructure – displaying details about all State-owned industrial areas along with the prevailing land rates and infrastructure.
- Implementation of a robust Land and Building Plan Approval System (LBPAS) across the state for approvals of building plans and change of land use.
- The establishment of three Commercial Courts to resolve commercial disputes in the state.
- The Introduction of self-certifications and third-party certifications to reduce inspection compliances.
- End to end services modules for all industry services such as land allotment, building plan approval, registrations and renewals of factory licenses, boiler registration and renewals, fire No Objection Certificates, utility permits, and more.

West Bengal

West Bengal's GSDP is India's sixth largest at USD 170 billion. The state has experienced impressive growth in recent years; last year GSDP grew at 19.1 percent.

With over 4000km of railways, 316,000km of roads and several ports, West Bengal's infrastructure network is vast. Exports totalled over USD 9 billion in 2017-18 - 3% of India's net exports - led by IT, textiles, agriculture and leather exports. Foreign direct investment has mostly come in the manufacturing and telecommunication sectors.

The economy is primarily based on agriculture and medium-sized industry. In fact, West Bengal has the second greatest number of MSMEs of all Indian states. Heavy industry and services are increasing contributors, driven by growth in trade, hotels, real estate, IT, finance, insurance, transport, communications and others. Over 500 IT companies are currently operating in the state, aided by eleven IT parks and five IT-based SEZs.

Manufacturing industries play a significant role in the state economy, including shoes, medicine and pharmaceuticals, and cotton textiles. There are approximately 10,000 registered factories in West Bengal.

To improve the business environment, the State Government have enacted a number of actions in recent years:

- Single window clearance system for Labour Commissionerate, Factories and Boilers Directorates.
- Continuous upgrading of road, maritime and aviation infrastructure within the state and in connection with international trade corridors.
- The establishment of *Silpa Sathi*, a single window agency set up to assist investors in establishing and running industrial units.
- Payment heads have been included under 'Government Receipt Portal System' (GRIPS) to remove the need for a physical touch point for payment of fees such as registration of building and construction establishments.
- A web portal for online registration, renewal, and inspection modules under different Labour laws administered by the Labour Commissionerate.

7. INDIAN ATTRACTION POST-BREXIT

Finally, new for this year, we asked companies whether the UK's exit from the European Union would impact their business with India.

For the majority, it will not impact business with India. However, for those who think it will have an impact, all said that it will mean they will do **more** business with India.

FIGURE 27

YES, WE WILL BE PLANNING TO DO MORE BUSINESS WITH INDIA	25.98%
YES, WE WILL BE PLANNING TO DO LESS BUSINESS WITH INDIA	0.00%
NO, IT WILL NOT IMPACT OUR BUSINESS WITH INDIA	55.84%
DON'T KNOW	18.18%

The UK is well placed to collaborate and provide support to India across numerous sectors, from advanced manufacturing and healthcare, to gaming regulation and higher education, with the UK's technological proficiencies leading in all areas.

India is currently not a first-tier country for a post-Brexit Free Trade Agreement due to the time length envisaged to arrive at an FTA, as outlined by the UK Government⁵. Therefore, it is imperative that non-tariff barriers to doing business are addressed for India to attract increased UK investment and trade.

In the education sector, the reinstatement of the post-study working visa to two years by the UK Government earlier this year is an example of progressive bilateral development.

Two areas where the UK and India can solidify important links is the Common Data Agreement, which UKIBC is encouraging both Governments to negotiate considering it will not only facilitate digital services trade between the two countries, but also set a global standard for others to adopt.

While a second important area in education is the mutual recognition of qualifications. This would provide a tremendous boost to the university-to-university connections and the people-to-people connections which underpin the UK-India trade and investment partnership.

India's growing access to technology presents an enormous opportunity to bring previously exclusive activities to the masses. Consistent investment and development have made the UK a world-leader in science and technology. There are many opportunities for collaboration, from business to universities to research centres. If these opportunities are supported by improvements in the ease of doing business, we should see greater cooperation between the UK and India to continue to grow the already significant relationship that they share.

Sources

5. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/foreign-affairs-committee/global-britain-and-india/oral/98405.html>

CONCLUSION

The results of our survey suggest that India's business environment continues to improve. This is positive news for the Indian government and domestic businesses who have actively set out to improve the country's business environment. For UK companies and higher education institutions this presents a welcome development, expanding the scope for UK-India collaboration, trade and investment.

One of the standout developments has been the continued fall in corruption as a barrier to business. This year, only 17.5 percent of respondents cited corruption as a major barrier to doing business. Although still significant, this represents a huge fall since 2015, when 50 percent of respondents cited corruption as a major barrier.

The most pressing issues, and thus those that UKIBC recommends should be addressed as a first priority, includes 'legal and regulatory impediments' which was cited by most of our respondents again this year, as has been the case in all of our previous reports. The second most prevalent barrier mentioned this year, 'identifying a suitable partner', has increased in prevalence for UK companies and higher education institutions significantly from previous years, highlighting the need to reverse this unwanted trend.

Taxation is another prominent issue, with 'simplification of the Goods and Services Tax (GST)' the second most popular reform priority among companies. However, GST has declined in priority for some companies, down from 24 percent in 2018, and 55 percent in 2016, implying that companies are coming to grips with India's new tax system and India has improved its implementation since the original rollout. So, while India looks to be moving in the right direction on this, it is vital that continued support and supplementary reforms around taxation are continually developed, as well as helping firms where required, to ensure that taxation is as simplified and efficient as possible.

Quality of bureaucracy, which is ranked as the worst component of India's business environment by our respondents, is another matter of urgency, further evidenced by the fact that 'improving the quality of bureaucracy' was the most desired reform by our respondents too. Additionally, regulatory certainty was also considered the lowest rated feature of India's business environment and its lack of certainty an impediment to doing business.

Finally, at a state-level there is a clear preference amongst UK companies and higher education institutions to locate in West India, with Maharashtra and Delhi in particular cited as states in which companies would like to expand in. India should ensure that its most attractive states can compete on a global scale, whilst also ensuring that all states are improving and drawing investment throughout the country.

Should the Government of India take these recommendations on board, its aim to make India a global top 25 EoDB nation could be realised in the near future. This, in connection with the huge opportunity that the Indian market presents, should see even greater UK trade and investment in India, both from companies and higher education institutions who are already active in India and prospective investors.

Contributors

Richard Heald, OBE – UKIBC Group Chief Executive
 Kevin McCole – UKIBC Managing Director
 Kealan Finnegan – UKIBC Policy and Advocacy Manager

Design

teammagenta

APPENDIX

This appendix is the outcome of extensive business consultation conducted by the UK India Business Council (UKIBC) following interactions with Minister Piyush Goyal, Indian Minister of Commerce, at JETCO in July 2019 and with his senior officials in New Delhi in September 2019.

The objective of the appendix is to set out impediments that limit the flow of UK investment into India, and to propose reforms that will boost UK investment, create jobs, enhance skills and introduce new technologies – all prerequisites for economic growth.

These recommendations touch on both broader government policies and more specific sectoral regulations that can help to leverage India's global trade advantages.

ADVANCED MANUFACTURING

India is expected to become the fifth largest manufacturing country in the world by the end of 2020 with advanced manufacturing and engineering forming a central pillar in the Government of India's economic vision.

There is immense opportunity here for UK businesses to emerge as important contributors, helping India meet its ambition in the sector by developing skills, expanding the market, and realising the growing potential of India as an exporting hub. The UK is not simply a leader in advanced manufacturing, but an innovator pioneering Industry 4.0.

This is where the UK and India's capabilities, needs, and ambitions align. The story, however, is not as simple as ensuring demand meets supply. Real market-access barriers remain, preventing both business and Government from maximising our collaborative potential.

Across our numerous consultations with advanced manufacturing and engineering businesses across the UK-India corridor, UKIBC has collated some key recommendations:

- **Strengthening International Partnerships.** The ongoing simplification and reform of India's defence procurement and offset policies would encourage foreign investment, provide greater access to technology, and accelerate the indigenisation of both India's defence equipment and the development of its wider manufacturing sector. Following international best practice for discharging offsets will boost 'Make in India' and significantly promote exports from India.
- **Expanding FDI in Defence.** Further enabling FDI in defence will encourage foreign business to manufacture in India, facilitating the transfer of technology, global standards, and expertise to indigenous partners. This helps build a supply-chain ecosystem for India to develop larger and more complex defence programmes.
- **Fast, efficient, and transparent customs approvals.** Simplified regulation supporting effective enforcement and compliance will reduce bottlenecks for businesses and the costs of implementation and bureaucracy for Government. Efficient customs procedures can tackle potential day-to-day corruption opportunities, whilst lower import tariffs empower international business to invest and manufacture in India.

- **Strengthening IP Enforcement.** Strong Intellectual Property protection is the cornerstone of innovation. Strengthening India's IP enforcement enhances India's manufacturing sector's confidence and comparative advantage, especially in the ease of developing and deploying digital technology.
- **Increase G2G Interactions.** Bilateral G2G dialogues need to occur regularly between all levels of UK and Indian Government. Buy-in from Government helps to ease negotiations and showcase how we can be better partners. Ensuring regular G2G dialogues also consult business-partners further underlines our manufacturing expertise, capability, and needs with one powerful voice on the international stage. This reiterates our manufacturing offer with Government where demand in the sector, especially in aerospace and defence, is directly generated.
- **Better Infrastructure Facilities.** Infrastructure development is critical for improving India's manufacturing competitiveness and achieving higher growth. Successful infrastructure development can provide a boost to many sectors, including steel, defence, automotive, railways, real estate, among others.
- **Clear Registration Standard Guidelines.** UKIBC would like to recommend developing registration standard guidelines, which can be compared with other international guidelines such as British Standard European Norm, which will help companies to access the Indian market more easily.
- **Regulatory Barriers.** In India, the registration process for non-agricultural pesticides such as Biocides / Industrial preservatives is not yet in place. A process to grant import permits has been introduced to allow business to continue while the registration process is developed. This process includes renewals on an existing (annual) basis, which can lead to a market uncertainty, which is one of the biggest barriers in attracting investment.

The Government of India is right to be open to international collaboration on the basis of what each country can offer India. The UK's advanced manufacturing and engineering offer is grounded in innovation, leading the world in aerospace, defence, future mobility, and digital manufacturing.

To this end, UK businesses are eager and willing partners that can add significant value through mutual and reciprocal knowledge, skills, and technology transfer. However, as indicated above, there are several market access barriers that limit FDI into India.

DIGITAL INNOVATION AND DATA SERVICES

India is on the cusp of implementing legislation that will govern the use of its personal data caches.

In evaluating the Indian draft Personal Data Protection Bill 2018 in light of business needs, existing approaches to international data protection, and India's own AI ambitions, the recommendations below will strengthen and enhance the Bill's ability to minimise data misuse and maximise India's unique data opportunity:

- **Efficient dispute resolution.** Resource and expertise should be committed to ensure that the provision for separate tribunals to hear disputes between data principles and data fiduciaries, as well as further adjudication panels to hear appeals, have the capacity to operate efficiently and effectively. Significant investment needs to be made into fostering data expertise to ensure cases are heard fairly by qualified professionals.

- Provide sufficient time for implementation. The draft Personal Data Protection Bill does not provide sufficient time for implementation of the requirements. The data protection authority may issue codes of practice on several important matters up to 12 months from the notified date, which leaves only 6 months for data fiduciaries and data processors to implement changes required by these codes of practice.
- A truly independent regulator. Appointments and removals of people to or from the Data Protection Authority governing board should be based on tech savviness and experience. Appointments to and from the Board should be recommended by a truly independent committee without Government influence.
- Prioritise a Common Data Agreement. We recommend that proposals making the case for a UK India Common Data Agreement (CDA) become a priority for the UK-India Tech Partnership to enact.

We are confident that there is a unique and unparalleled opportunity for our Governments to pioneer a Common Data Agreement facilitating transformative business innovation in AI.

If the UK India Tech Partnership prioritises such an agreement, it will enable businesses on both sides to take full advantage of our complimentary AI expertise, data wealth, and ambition. This will complement the target of both the UK and India to become world leaders in their respective tech-fields and chart a course for each to fulfil their AI strategies and potential.

FOOD AND DRINK

India's population and economic growth are driving expansion in the organised and packaged food and beverage sector. Current opportunities for value-added food and beverages are generally limited to higher income consumers in the markets. Their consumption patterns and preferences are shaped by the emergence of fine dining restaurants, cafes, quick service restaurants, supermarkets, processed foods, larger refrigerators, 24-hour television food channels, easier access, dual earning households, larger disposable incomes, and the introduction of the convenience cuisines.

By some estimates, market size of the food and drink industry in India will reach GBP 325 billion by 2020, contributing around 14% of manufacturing gross domestic product (GDP), 13% of India's exports, and 6% of the total industrial investment.

UK food and drink companies see India as a priority market for investment, but one in which they currently face challenges due to recent regulatory change. Imported food products can be subject to multiple regulatory authorities that sometimes have overlapping responsibilities. Despite efforts to improve the business environment, the GOI has not lowered tariffs or noticeably improved access for imported food and agricultural products over the past several years.

Key recommendations for the Food and Drinks sector are:

- Basic Customs Duty. The principal impediment to market access remains high Basic Custom Duty (BCD) on imported food and drinks. While import tariffs on consumer food products range from 0 to 150 percent, most products face tariffs in the range of 30 to 40 percent. However, for Scotch whisky the BCD is 150% ad valorem. The dynamics of the Indian F&D market have changed significantly in the recent years including that for the spirits market. As a result, there is near agreement among the industry in India, domestic and imported, that the BCD should be reduced substantially. This would drive down costs for companies using bulk Blended Malt

Scotch Whisky in the production of Indian whisky. This trade accounts for approximately 80% of total Scotch whisky volumes exported to India.

- **Regulatory Reforms at the State Level.** Any market where state governments have taken up retail trade of alcoholic beverages, UK & other Multi-National Companies (MNCs) are facing major issues regarding market access. It has been observed that most national/global brands are not made available in the government retail outlets. The respective state governments' procurement policies are not transparent, and orders are placed based on discretionary authority of officials, irrespective of the end-consumer preference and market demand. In case the Government is in the retail trade of Alcobev, fair sourcing practice through adoption of a transparent and fair policy is essential to resolve this issue. The procurement formula should reflect national sales trends and consumer choice for all brands. Brand owners should be allowed to supply their brands based on their market demand analysis. Also, some State Governments like Madhya Pradesh impose differential levies between 'local players' and other companies including the UK companies who are bottling their brands in those states. This increases the cost of the brands supplied in the market by any MNC having national/global brands and is tantamount to an artificial restriction imposed on the MNCs to operate in the market. We also request for states to allow pricing freedom to the businesses as this will not only help the businesses to grow but will also be prudent in enabling higher revenue generation for the state authorities.
- **Streamlining of Food and Drinks Standards related to imports under Ease of Doing Business.** UK companies are committed to supporting various GOI initiatives and are devoted to support FSSAI with proportionate legislative measures that assure a high degree of consumer protection and level playing field for businesses based on established science and internationally accepted standards. For example, Codex and the European Food Supplements Directives (2002/46/EC) do not place any restriction on mere combination products for the nutraceutical sector yet it is required by Food Safety and Standards Authority of India (FSSAI) regulations. Several additives are not mentioned in the FSSAI regulations despite the higher acceptance range in international standards. For example, according to the nutraceuticals regulations, Magnesium Stearate is only allowed up to a level of 2 percent while both CODEX and EU regulations allow the same additive at quantum satis/GMP. Also, the UK business and international trade requests for regulatory impact assessment, which enables businesses to have a rational transition period for sell through of the existing inventory.

UK businesses believe that alignment with various international standards for food and drink will reduce compliance costs, improve the ease of doing business environment, improve India's food safety and hygiene standards, and help attract investment in the sector and create employment.

HEALTHCARE

Healthcare is among India's largest economic sectors in terms of employment and revenue. The industry has grown 10 percent in the last few years and is expected to reach USD 145 billion by 2019 and exceed USD 280 billion by 2025. The industry employs – directly or indirectly – over 2.7 million people and generated one million jobs between 2010 and 2015 in high-skill areas like research, development and manufacturing.

Despite the sector's importance, government healthcare spending remains low. We commend the Ministry of Health plan to increase public spending on health to the targeted 2.5% of GDP, announced by Health Minister Harsh Vardhan in the Rajya Sabha in August 2019.

By tackling a number of outstanding issues in the healthcare sector, the GOI can achieve its objectives of providing high-quality drugs and medical technology to its citizens, encourage innovation in the sector, and promote the Make In India initiative.

To enhance a bilateral growth and innovation in healthcare space, the UKIBC recommends the following:

- **Price Controls.** In India, price controls can deter FDI and adversely impact the quality of both imported and domestically manufactured drugs and medical products, as well as hinder the formation of public-private partnerships in the sector
- **Reducing the frequency of policy revisions around drug prices.** Frequent revisions around drug pricing can lead to a chaotic situation in the market. Therefore, the UKIBC recommends government develops a long-term sustainable plan around drug pricing to increase predictability and therefore business confidence
- **Exemptions in public procurement process.** We recommend the GOI actions time-bound exemptions or relaxations in the public procurement process based on market share and product differentiation and adopts Trade Margin Rationalization (TMR) for medical devices. Pricing and other regulatory mechanisms should support innovation and the introduction of new technology, and ensure a level playing field in the public procurement process
- **Increased support from Government in R&D initiatives.** Policymakers may also consider de-linking the costs of R&D from the eventual price of the drug. This can be achieved through a deal funded by the government that rewards companies for making a new drug or formulation available in the market.

HIGHER EDUCATION

Indian Students are at the heart of the UK's world-class and outward facing Universities and Higher Education institutions. Building effective and mutual international collaboration between the UK and India is one of the most important steps that can be taken by both Governments to improve our long-term economic relationship.

It was very encouraging to see some of the UKIBC's key recommendations adopted in the draft National Education Policy, including mutual recognition of qualifications, simplification of the education regulatory framework, embracing online courses, and greater international collaboration. The new policy's emphasis on quality, learning outcomes, teaching and research is clearly to be applauded, as is the decision to set-up an Inter-University Centre for International Education (IUCIE), specifically to support the internationalisation of higher education.

Taking all these positive developments into consideration, the recommendations below seek to expand on mutual UK India Higher Education objectives:

- **A UK-India Mutual Recognition Agreement.** Currently, Indian authorities do not recognise foreign qualifications including the 1-year master's programmes offered by UK universities, which is recognised widely elsewhere. This acts as a major barrier because it means that Indian employers are missing out on highly educated and highly motivated graduates.

Mutual recognition of qualifications will be a true gamechanger for India's Higher Education system as it will give a real boost to collaborations and will attract more foreign students to

come and study in India – one of the key objectives of the new policy. It will enable students to seamlessly transition between both countries, unlock new opportunities and create wide ranging cross-border linkages that go well beyond the Higher Education sector. In our experience, mutual recognition continues to be the single most desired reform from both UK and Indian universities and will be transformational for the Indian economy when it is launched.

- Look beyond the overall ranking to identify UK universities with the specialisms to fit India's requirements.

The UKIBC believes that the Government of India's intention to allow the top-ranked 200 foreign education providers to partner with top Indian institutions is a step in the right direction. However, limiting participation to the top 200 will not achieve the MHRD's goal of attracting the world's best courses to India. To truly unlock the potential of India's young population, the UKIBC believes that a more flexible approach is needed. This means not only welcoming foreign courses that best fit India's requirements, irrespective of where the delivering institution is placed on overall rankings, but also allowing them to collaborate with any Indian institution that exhibits a real need and capacity for collaboration.

Thus, we recommend that all institutions within India, public and private, irrespective of tier, UGC category, or NAAC score be permitted to forge international partnerships should such a partnership demonstrate, to both parties, real added value. Limiting this could prevent many Indian higher education institutions from accessing the very teaching and research resources they need to improve and deliver for students and employers regardless of their focus or tier. By looking beyond the global Top 200, the new policy will facilitate collaboration with foreign higher education institutions in a way that matches India's social and economic priorities with the best curriculum from across the world to effectively unlock the potential of India's higher education ecosystem.

- Establishing a clear roadmap of guidelines for foreign universities to operate in India. Foreign universities would greatly benefit from a clear set of guidelines on how to operate in the Indian education landscape. Ideally, this should be tailored to fit the various higher education models of universities and business schools. The guidelines should lay down the specific rules and channels of engagement associated with each structure. Despite a strong appetite for collaboration from both Indian and foreign institutions, the absence of such a roadmap and the uncertainty around the rules of establishing international partnerships has been detrimental to partnerships that could have flourished.

UK INDIA

BUSINESS COUNCIL

WHO ARE WE?

The UK India Business Council believes passionately that the UK-India business partnership creates jobs and growth in both countries. Through our insights, networks, and policy advocacy, we support businesses to succeed.

GET IN TOUCH

UK INDIA BUSINESS COUNCIL LONDON

15th Floor, Citibase, Millbank Tower
21-24 Millbank London SW1P 4QP
enquiries@ukibc.com
Tel: +44 (0)20 7592 3040

UK INDIA BUSINESS CENTRE GURGAON

WeWork DLF Forum, Cyber City,
Phase III, Sector 24,
Gurugram Haryana – 122002
enquiriesindia@ukibc.com
Tel: +91 (0) 124 502 6059

DOING BUSINESS IN INDIA HELPLINE

For support call +44 (0)20 7592 3040

WEBSITE

www.ukibc.com