Improving Ease of Doing Business in India

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This discussion documents investigates why it is difficult to do business in India. It also looks at the correlation between business growth and unemployment. The document reviews India's protectionist past and current policies and provides recommendations for improving outcomes.

Executive Summary

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1. India ought to be a preferred country to start a business in, considering its huge consumer market, low labour costs, and untapped market potential. However, excessive compliance requirements and poor infrastructure have deterred establishments from expanding and investing.
2. Since there is a concomitant relationship between ease of doing business and the number of jobs in a country, it is in India's best interests to ease government policies and encourage establishments to be set up and to flourish. This will increase the number of jobs in the country and offer employment to the burgeoning young population which is currently suffering from massive unemployment and underemployment.

Introduction

The Global Entrepreneurship Monitor (GEM) 2021/2022 report released by Babson College in the beginning of 2022 pegs India as one of the top five countries to start a business. Despite this potential, India suffers from excessive compliance requirements, poor infrastructure, and rampant rent-seeking, all of which disincentivize establishments from expanding (Dewan, 2021). For example, in the past, many establishments were not willing to increase their employee strength beyond 100 because of the innumerable permissions they would require in case they needed to adjust for redundancies in the future (PRS Legislative Research). This has now been addressed through the recently established labour codes.

This nexus of bureaucracy and complex labour laws hinders business growth in India. This is proven through research conducted by Leal-Rodríguez and Sanchís-Pedregosa (2019) which states that ease of doing business has a direct impact on socio-economic wealth of a country.

Since 2014, India's current government has carried out some significant reforms to ensure entrepreneurs get a better environment to do business in. Important reforms such as improving road infrastructure, removing and decriminalizing some compliances, rationalizing and simplifying labour laws have been implemented by the government to help establishments grow in the country.

Specific government reforms in this area include Mudra Yojana, GST implementation, four labour codes, SPICe Plus, among others.

However, there is still massive scope for improvement and this forms the basis of this discussion document. We cover India's protectionist history, evaluate why ease of doing business is related with unemployment, provide detailed reasons why business growth in India is still a challenge, and suggest impactful policy recommendations.

How Restrictive Labour Policies Impede Job Creation

A major factor which indirectly impacts the "ease of doing business" rankings is the labour market regulations in any country. It has been generally observed that rigid labour market policies adversely impact them. Such policies cause low productivity, high unemployment, and lead to a growth in informal employment. A study conducted by Basu and Mertens in 2007 (Lee, et al.) concluded that rigid and poor labour regulations have deeply hindered the growth of the Indian economy. They observed that there were 45 laws at the national

Business-friendly policies have a positive impact on labour force participation. We discuss later how Singapore makes it easy for businesses to thrive and has a labour force participation hovering around 69% as opposed to India's which hovers around 46%.

level and close to four times more such laws at the state level. This has led to a massive amount of complexity and regulatory burden on the business owner. According to World Bank estimates for 2004, there were 482 cases of work stoppages on the back of labour issues resulting in the loss of 15 million workdays. This figure is close to zero for China. This has led to flexible contracts, a minimal welfare safety-net and stagnant wages.

Implementation of GST along with technological enablement of various labour-related compliance issues such as single window registration under Department for Promotion of Industry and Internal Trade for the five labour laws in India, along with the launch of Shram Suvidha portal have reduced the effort required for compliance with labour norms to a considerable extent (Ministry of Labour and Employment, Government of India). In a survey conducted by Deloitte on the overall GST performance from 2017-2022 in India, 90% of industry leaders had positive feedback for the tax regime.

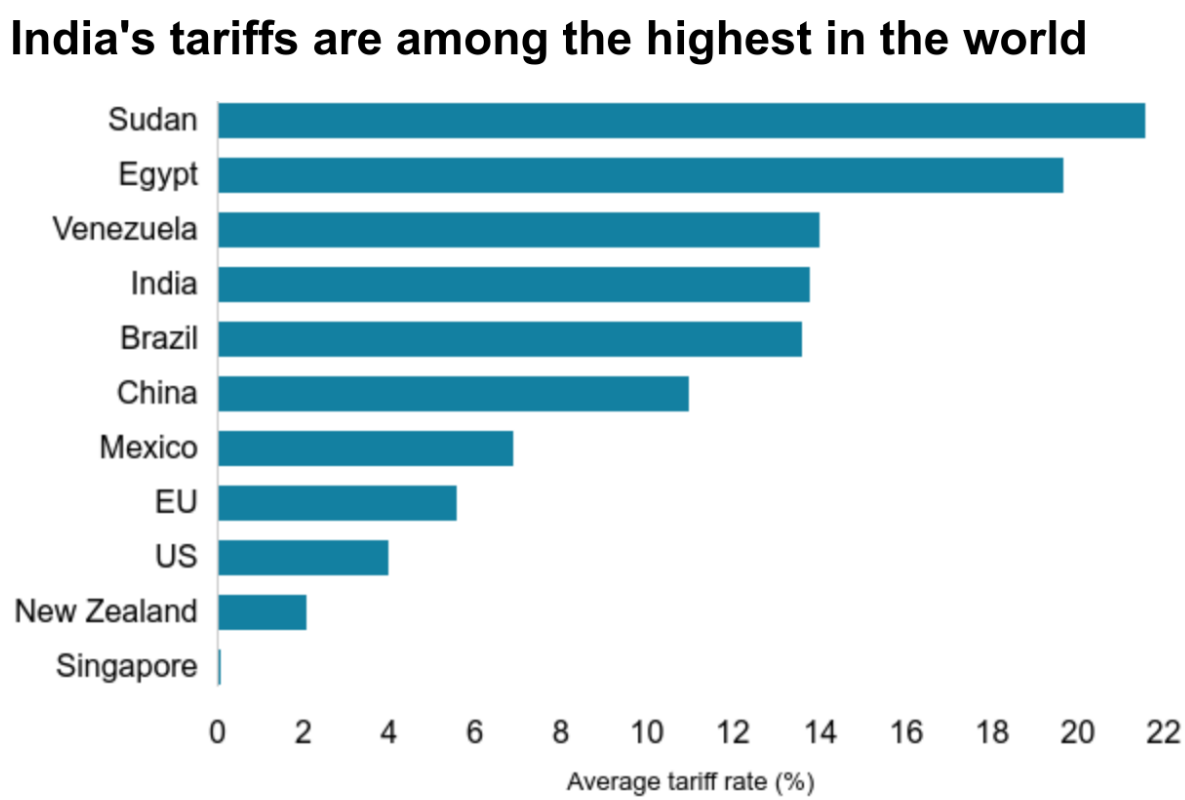
With the doctrine of universalization of social security, gig workers have now been brought under the ambit of the four new labour codes. The code requires the Central government to set up a fund for the social security of gig workers and mandates employers such as ride-sharing services, food and grocery delivery services or other goods and services provider platforms to contribute 1-2% of their turnover which is used for running such schemes. The minimum limit for number of employees which define factories has also been increased, thereby reducing compliance burdens on Micro and Small Enterprises. With the scope of Employees' Provident Fund Organisation being expanded, all organisations with 20 or more employees will be brought under its ambit to provide social security to employees, incentivising them to pursue full-time employment. Many more such changes have been primarily to bring more employees within the safety net.

The new labour code goes a long way in reflecting the current state of the economy. It is supposed to include more firms and employees within its scope, make the legal architecture simpler and reduce the cost of compliance (Arora, et al, 2021). Such reforms are supposed to help ease of doing business and make the Indian business ecosystem more competitive.

Gano-an, et al. (2019) state that improving ease of doing business can impact the extent of success of entrepreneurial intention. In India, this can be deduced from employment and GDP data. As per the Economic Survey 2021, India has created a net of at least 4.36 million new jobs every year between 2011-12 to 2017-18. The percentage of salaried workers in the labour market has gone up from 18% to 23%. In absolute numbers this means, 26.2 million new jobs with 12.1 million jobs in the rural areas and 13.9 million in urban areas. Proportion of women workers in the formal sector has also gone up from 13% in 2011-12 to 21% in 2017-18. The Economic Survey (2018-2019) cites reduction in compliances, easing of labour laws, improvement in infrastructure, and introduction of technology in several areas as reasons for these developments.

India's 'License Raj' History

For large parts of India's independent economic history, trade policies have tended to be protectionist in nature. Chan (2019) points out that once India became independent in 1947, it spent several decades trying to evade international trade: a true mark of protectionism.



Source: 1. WTO Most Favored National Simple Tariff, 2019

2. Why India is one of world's most protectionist countries, BBC, 2019

Manur (2022) states that the period between the year India got independence and the year economic liberalisation was introduced in India (1991) is characterised by a large public sector, socialist policies, massive spending by the government, high unemployment with added underemployment, and unimaginable poverty.

India can be essentially considered a closed economy before the 1991 reforms, owing to socialist development plans.

The industrial policy in post-Independence India was heavily regulated, with the State playing a major role in the shaping up of industries and manufacturing. This was done with the aim of regulating capacity and, in turn, consumption as well as control prices (Sivadasan, 1998). The centrepiece legislation of this industrial policy was the Industrial Development Regulation Act, 1951, (IDRA, 1951) which mandated licenses for manufacturing capacity above a certain threshold or for import capacities above a certain threshold. The act is applicable for factories employing at least 50 workers. The Industrial Policy Resolutions passed in 1956 led to division of industry into schedules, with industries covered in Schedule A being the sole premise of State Enterprises. The industries covered in Schedule B allowed private players with State Enterprises holding a majority stake. The Industrial Policy Notification passed in 1973 further increased regulations for all industries having basis of assets exceeding ₹350 million (Office of the Economic Advisor) with licensing being made compulsory for such industries. State Enterprises and small-scale industries were exempt from this. The Industrial Policy Statement of 1973 further restricted Indian conglomerates and foreign companies only to certain industries.

Foreign Direct Investment (FDI) policies in India were drawn up with the objective of keeping majority control in Indian hands. Most policies introduced by the government were consistent with this objective that discouraged foreign ownerships (Sandesara, 1994). The Corporate Tax policy from 1957 to 1991 levied corporate tax of 15-20% higher on companies having been incorporated outside India compared to their Indian counterparts. The Monopolies and Restrictive Trade Practices Act (MRTPA), 1969 was enacted with the aim of prohibiting monopolistic and restrictive trade practices. Firms both Indian and subsidiaries of foreign companies with assets of more than ₹250 million were put under the obligation of taking license from the Indian government subject to objections and successful public hearings and they were called as MRTP companies (Mohammed, et al, 1984).

The main objective of the trade policy was to promote self-reliance and discourage imports. The two instruments of this policy were tariffs and licenses. Import licenses were used to restrict imports, with government agencies acting as sponsoring authorities and allowing the issue of import licenses of only those goods they deemed essential. These licenses were preferentially given to actual users and not trading houses.

As a result of such suffocating and highly regulated laws and practices, cars, for example were available in only one colour and it took almost 10-15 years to get your car once you booked it, thanks to the License Raj (Qrius, 2019). And that's just one example among a plethora of actual scenarios where consumption was extremely limited for all Indian citizens.

After the 1991 economic liberalisation policies were released by the then Finance Minister Dr. Manmohan Singh in the budget, he ended his speech with, "*But as Victor Hugo once said, 'no power on earth can stop an idea whose time has come.' I suggest… that the emergence of India as a major economic power in the world happens to be one such idea. Let the whole world hear it loud and clear. India is now wide awake. We shall prevail. We shall overcome.*" It was then that India began opening its economic system to the world which can clearly be seen with many foreign companies having multiple offices in India, India's IT sector being massively outsourced to the rest of the world, among other developments.

However, despite these positive steps, India continues to remain a protectionist country, severely hindering itself from economic development.

One major issue with India's economic policies is of tariffs. Prior to 1991, inflated tariffs coupled with the License Raj was a key issue that led to the economic crisis in 1990-1991. When the government reduced licensing requirements for some goods, they made sure that they took a step backward by increasing tariffs on the same goods. On average, tariff revenue from imports rose from 20% in 1980-81 to 44% in 1989-1990. A simple average of all tariffs in 1991 stood at 113%, such was the state of tariffs before economic liberalization (Panagariya).

After all these years, India continues to be a country with some of the highest tariffs in the world. It can be assumed that India is travelling several steps backwards when it comes to its trade policies. According to the Foreign Trade Barriers report released in 2019 by the US, India was considered to be the country with highest tariffs among all major economies, averaging around 13.8%.

As the report mentions further, '*India maintains very high tariffs on a number of goods, including flowers (60 percent), natural rubber (70 percent), automobiles (60 percent), motorcycles (50 percent), raisins and coffee (100 percent), and alcoholic beverages (150 percent). India also operates a number of complicated duty drawback, duty exemption, and duty remission schemes for imports. In addition, India maintains very high basic customs duties, in some cases exceeding 20 percent, on drug formulations, including life-saving drugs and finished medicines listed on the World Health Organization's list of essential medicines.*'

Such protectionist measures have made it arduous to do any kind of business in India, coupled with India's own complex labour laws and a particularly difficult social landscape for both employers and employees to navigate.

Why is it Difficult to do Business in India

There are many issues that contribute to the overall poor performance in doing business in India, a reason why many establishments either do not expand intentionally or choose not to do business in the country. Here are some reasons why India makes it hard for establishments to sustain:

- **Poor infrastructure**

Table 1. Infrastructure Competitiveness of BRICS Nations (2019 ranking among 141 countries)

Index Component	Brazil	Russia	India	China	South Africa
Road Connectivity	69	41	72	10	7
Railroad Density	78	69	39	61	47
Airport Connectivity	17	18	4	2	39
Liner Shipping Connectivity	48	43	25	1	44
Electricity Access	73	2	105	2	107
Reliability of Water Supply	57	50	106	74	88
Overall Infrastructure	78	50	70	36	69

Source: Based on "The Global Competitiveness Report 2019"

Released by World Economic Forum

Corporate growth and investments are being hampered due to the infrastructure deficit in India. S&P Global estimates that this is costing India 4-5% of its GDP due to the infrastructure deficiencies and inefficiencies. The fast growth of the economy is also putting additional stress on physical infrastructure such as electricity, railways, roads, ports, airports, irrigation, water supply, and sanitation systems, all of which already suffer from a substantial deficit.

Monthly updates by Department of Statistics for January, 2021 shows 20% cost overruns on 1487 projects worth over ₹1500 million which has cost approximately ₹4280 billion on the original project cost of ₹21000 billion. The majority of infrastructure projects refuse to offer full schedules for the completion of projects and such projects are running behind schedules with an average delay of four years.

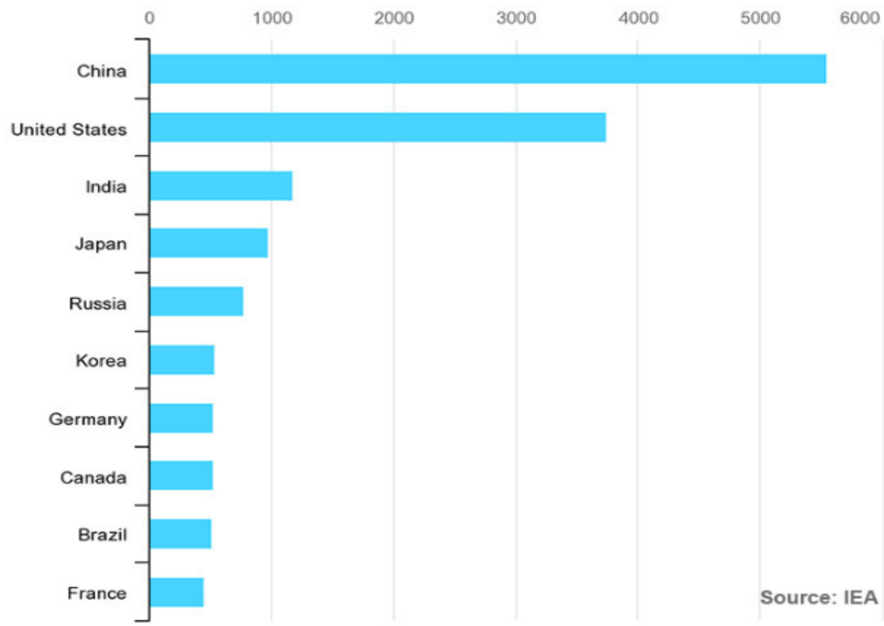
As compared to most developed and BRCS (Brazil, Russia, China, South Africa) countries, India lags far behind when it comes to transport infrastructural development.

Ports and roads are massively overcrowded with an average turnaround time of 2.59 days at the port compared to the global average of 0.97 (Rana, 2021). Container shortages, lack of cutting-edge technological aids and poor port maintenance are to be blamed along with very poor road conditions. A lack of an expansive connectivity to ports from landlocked centers has caused states like Bihar, Jharkhand to suffer and has hampered the prospects of exports of certain items such as agricultural produce.

India's energy requirement is also increasing consistently as people's disposable income continues to increase steadily. Now, an increasing number of people are using electric devices for everyday use, adding to the fact that Indian establishments are also highly reliant on electricity for running offices. Factories and other establishments can now run all hours of the day, seven days a week with the help of machines which also contributes to high energy demand in India. The country easily stands among top 10 countries demanding power.

13

Annual



Consumption of Electricity in Terawatt hour for 2019

Source: [International Energy Agency]

India needs huge infrastructural development when it comes to producing electricity. It is estimated that nearly 20% of the power produced is lost in transmission in India (Jaganmohan,

DISCOMs are the weakest link in India's constant endeavour to fulfil its energy demands. The Power Finance Corporation reported ₹50,281 crore aggregate DISCOM losses in FY21.

2021). This may only get worse considering the state of energy distribution companies or DISCOMs in India. A lack of proper transport and energy production adversely demotivate businesses from operating and sustaining in India.

- **Hard to enforce a contract**

One of the major reasons why India suffers in making it easier to do business is the number of contract breaches that occur regularly and excessive complications and impediments to obtaining justice. It is estimated that an SME businessman will take around 1420 days on average to enforce any kind of contract in the country while the South Asian average is 1075 days. (Business Standard, 2013).

A major reason why this problem exists is that the judicial system in India has a massive backlog that is virtually unsolvable seeing the current state of judicial processes in the country. Justice in India is extremely slow-paced, and an increasing number of people are consciously willing to opt out of the entire process of getting paid their dues for contract breaches. This entire system is deeply woven with rent-seeking behaviour. This is one key area where India clearly needs to improve.

- **Challenges in initial stages of setting up a business**

Several business sectors in India have the potential to grow but they are deterred by the current policies and systemic problems. Spending on real-estate, electricity backup options, and law enforcement fees are just some of the areas where entrepreneurs need to invest while starting a business.

For example, it is estimated that SaaS (Software-as-a-Service) companies in India have the potential to collectively earn $1 trillion, provided the pathway for them to initiate and sustain is eased (Soni, 2020). Till date, despite their financial and employment potential, many SaaS companies are choosing to not list their companies in India. There is always the added advantage of Indian companies getting listed in the US which has a much well-established and complex technological ecosystem for tech companies to thrive. But there are other issues that prevent Indian companies from legally setting up in India.

Many companies for example, are increasingly choosing to officially be registered in Singapore for several reasons. In India, companies are expected to pay 30%+ corporate tax but in Singapore, it's less than 17%. Additionally, the capital gains tax in India hovers between 10-15% but it's 0% in Singapore

(Corporate Services Guide). Apart from this, Singapore has strong intellectual property protection systems. Singapore was ranked second in the world in 2019 by World Economic Forum's (WEF) Competitiveness Report. The WEF also ranks Singapore as the most competitive economy in the world considering its lack of corruption and its educational institutes being regarded as some of the best in the world. Singapore has also been ranked second for its efficiency in the goods market as well first for its efficiency in the labour markets. It has been ranked second for its financial market performance and it tops the infrastructure ranking. Such obvious challenges in India and clear benefits in other countries make companies establish outside the country, thus not contributing to India's revenues.

- **Protectionist international trade policies**

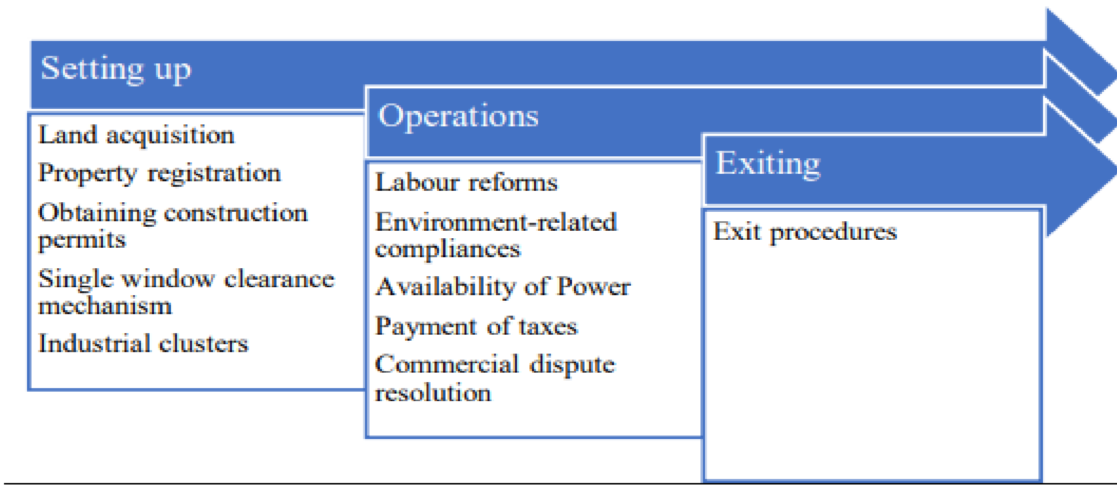
India hopes to triple its exports to $1 trillion by 2025 (Seth, 2020) and the period of April- June, 2021 saw an 85% increase (YoY) (Nandi, 2021) which is incredible considering the unprecedented challenges the world saw on the back of Covid-19. And while the signs look good, there are still some long term challenges that exporters face in India.

A lack of access to trade finance has also hurt the prospects of exporters in India. Hussain (2021) states that a high cost of finance (on the back of compliances like Know Yor Customer or KYC and Anti Money Laundering), high collateral requirements, a lack of awareness and extremely complex procedure have massively hindered exporters. Creating and preparing a large set of documents for each stage of shipping stage is making the entire process cumbersome and time consuming. While the number of mandatory documents has been brought down to three – the bill of landing, commercial invoice and packing list –the list of additional documents is wordy and verbose.

Trade barriers in terms of tariffs often make export and import to India financially challenging. India has some of the highest import duties in the world. This leads to various sectors, dependent on imported products, such as textiles, becoming less competitive compared to its neighbours such as Bangladesh. An inconsistency in tariff regimes with frequent rate escalations and adjustments makes it difficult for exporters to keep up and impacts competitiveness.

Policy recommendations

The road to make India a highly easy and preferred place to do business in is going to be an incredibly long one. Even if market-friendly policies are implemented, the long-term impact of those policies is going to be gradual. However, unlike India's protectionist past, policymakers and governments need to ensure that they are constantly moving forward. Here are some ideas on how to do that:



Key Factors influencing Business Environment

Source: Ease of Doing Business in India: Challenges & Road Ahead: Ashutosh D. Gaur, Jasmin Padiya via International Conference on Technology and Business Management

Develop a labour law framework that empowers both establishments and workers

India is in dire need of simplifying the archaic labour laws that have created a complex judicial process that both workers and establishments tend to avoid. A labour law framework that reduces the number of current compliances and simplifies the archaic laws is key to unlocking India's potential for economic growth, especially in the manufacturing sector (PRS Legislative Research).

Recently, the Union government formally implemented the four labour codes that simplify the existing framework to a considerable extent, but scope for massive improvement exists.

For example, even as gig workers are increasing every day in India, there are no well-defined labour laws to protect them. This is a difficult situation for employers too because gig workers are working with multiple platforms simultaneously, sometimes making attrition rate high for particular establishments.

We discussed this at length in our podcast on food and grocery delivery platforms facing a worker shortage.

The four new labour codes proposed by the government will definitely make it easier for establishments to expand and contribute to economic growth but they may make it harder for workers to collectively bargain for their rights and in the long run, their rights are likely to be compromised (Sundar and Mishra, 2022).

This is why perhaps the government needs to reevaluate on how they can make it easier for establishments to thrive while workers' rights are also protected at the same time. Motivated workers coupled with a liberal environment for establishments to initiate and sustain is the need of the hour.

Although several recommendations can be made for improving the overall structure of India's labour law framework and the impact of said recommendations after implementation can take several years to be substantial, here are a few areas where the Indian government needs to focus:

- **Mitigate rent-seeking**:

Rent-seeking society is quite prevalent in India (Mathew, 2021). Business establishments continue to suffer from rent-seeking behaviour emanating from the administration which prevents them from seeking expansion. Duflo, et al (2003) state that one impactful way to fight rent-seeking is to transfer the bargaining power to sedmarginalised groups. This means that compliance and labour policies must be implemented in a seddecentralised manner, instead of central planning. Additionally, reducing government intervention in India's entrepreneurial and business environment, along with making decisions based on sortitions can also help curb rent-seeking. This will ease the regulatory and compliance stranglehold around establishment owners' necks.

- **Repeal archaic laws**

Until recently, India has had a complex and tightly interwoven legal framework that brought unnecessary complications to the compliance process. A significant number of the laws have overlaps that can be exploited by legal counsel against the interests of the establishment owners. An example would be discrepancies in wage requirements for employee benefits. According to the Payment of Wages Act, 1936, wage protection will be extended to employees with maximum wages of ₹24,000 per month (Desai and Rana, 2017). However, the Payment of Bonus Act pegs wage eligibility at ₹21,000 per month (Sharma, 2015) and at the same time, the Employees' State Insurance Act offers benefits to those employees who have maximum wages of up to ₹15,000 provided these employees come from the Road Transport, Hotels, Restaurants, Cinemas, Newspaper, Shops, and Educational/Medical Institutions' factories and establishments with a maximum employee limit of 20 (Union Government). The Indian government's recent attempt at repealing some of these laws and simplifying labour laws into four different codes can have a positive impact on entrepreneurial growth in the country. The government must carry out timely surveys to determine the impact of these four labour codes and identify the missing gaps. Additionally, more committees of qualified judges should be set up to identify which other archaic laws need to be repealed.

Build better infrastructure

The World Bank estimates that India will need to invest $55 billion per annum in the next 15 years to meet the infrastructural demand of its population. The best way that India can hasten infrastructural development is through creating an environment for Urban Local Bodies to easily access credit through private sources (Kouamé, 2022)

In a study conducted by Statista on ranking countries according to their quality of infrastructure, India scored only 68.1. The lowest ranking country Bolivia was only around 10 points below India at 57.1 (Statista, 2022).

India has perennially dealt with the issue of weak infrastructure. Although successive governments have launched schemes that focus on improving India's infrastructural problems such as National Master Plan (GatiShakti), there remains to be a wide gap between what the country needs right now and what it has actually accomplished to build. Even ambitious projects in India are marred by contractor-related issues, construction permits, scams, and financial woes.

Despite all these issues, India remains to be a lucrative option for global investors who are drawn towards the country's youth population's work potential, increase in disposable income, and availability of low-cost labour (Ghani, 2022). This is exactly what the country needs to capitalise on: making financial investment in Indian infrastructure attractive to global investors who might be willing to spend on clean energy infrastructure, more effective modes of transport, and

We discuss more about how India can attract foreign investment for infrastructure in our document titled Takshashila-Hudson Blue Paper - Restarting the Post-Pandemic Indian Economy.

improving the status quo by introducing technology to archaic models used in the country.

Improve trading across borders

Solutions to the issue of India's restrictive international trade policies require a multi-pronged approach which includes an overhaul of national infrastructure, improving ease of access to credit, simplification of overtly complex processes and stability in tariff regimes. With the Sagarmala Programme, there has been a push to modernising and expanding port infrastructure. Reducing turnaround time to 1-2 days from 2.59 days in 2022-24 will be a step in the right direction. With ambitious target of building 30 km of highway in a day as well as setting up an indigenous shipping line, these steps will go a long way in alleviating various infrastructure related problems.

Recommendations of creating single window systems for all credit related needs right from application, documentation to dispute resolution will save exporters time and money. Reduction in credit insurance premiums, faster disbursals of fund and creating custom credit products for exporters in the MSME sector will allow faster and easier access to credit. OECD's Economic Survey of India (2019) recommends a further reduction in export documentation and a cut in customs compliance time.

Various other measures such as releasing shipments before finalisation of customs duty, lowering penalty for voluntary disclosure of breaches by traders and reducing the number of documents and digitising submission have been undertaken. Last but not the least, the WTO has called for reduction in tariffs in India along with making it simpler and more predictable. There has been an all-around call for cut in tariffs right from trading partners such as the US as well as players within the country. A graded move towards three slabs – 0-2.5% for raw materials, 2.5-5% for intermediates and 5-7.5% for finished goods has been recommended by the Confederation of Indian Industry (Ramakrishnan, 2021).

Improving Trade Within Indian Borders

Inter-state in India is not always smooth and seamless. It is marred by a variety of issues including issues around varying regulations on movement of goods from state to state, delays due to administrative reasons and inspecting agencies as well as poor road infrastructure which is responsible for the movement of approximately 64.5% of all freight within India (Bhattacharya, 2019).

India has a road network of approximately 6 million kilometers. This includes the primary road system with the national highways, secondary road systems including the state highways and the tertiary road systems consisting of rural roads. While the Union government is working at a brisk pace of laying national highways completing 141,190 km of national highways against a set target of 200,000 kms for 2024-25, there is an urgent need to onboard states and work on improving the secondary and tertiary road network in Indian states. There is gradual over-crowding of high-density roads with issues around overloading vehicles causing serious crashes and corruption.

Legal framework surrounding the trucking industry in India is also partly responsible for the friction in inter-state trade. The Carriers Act lays down the responsibility of the loss or damage of goods on the carrier itself without adequately defining "loss or damage of goods" Poor highway safety, civil disturbances and bandhs have contributed to this liability on the carriers increasingly. The provisions within the Motor Vehicles Act regarding the trucking industry are heavily outdated. For example, the Motor Transport Workers Act Act allows for eight-hour shifts for truck drivers while studies have shown that no more than 4-6 hours shifts should be allowed for safety reasons (Debroy, 2022). Apart from this, the high cost of financing, a lack of organised wayside amenities and frequent vehicle detention are some of the other concerns that hinder smooth inter-state trade via trucking.

The indirect tax regime in India was highly fragmented with state levying custom duty, excise duty, and Central sales tax. The state levied motor vehicle tax, passenger and goods tax, sales tax and entry tax. Octroi and tolls were levied by local bodies. Such a fragmented system with a myriad number of taxes only added to the challenge of smooth transport of goods. The GST regime implemented by the government has been a huge help in reducing this compliance burden. It has led to abolition of octroi and other such levies ending corruption at the local level to a huge extent. Border checkpoints, traditionally called nakas in India have disappeared and there has been an improvement in transport times by 33% after implementation of GST (Press Bureau of India's booklet on GST, 2022).

Reduction in compliance burden and regulation

India is one of the most over-regulated markets in the world according to a survey conducted by Political and Economic Risk Consultancy Ltd (PERC) (The Economic Times, 2011). While the 1991 reforms transformed the country from a government-controlled quota regime to a more liberalised market-driven economy, the reforms related to the legal and regulatory compliances have not kept pace and this in turn has not turned India into a fertile ground where businesses can be set up easily despite a massive population and growing consumption.

1,536 laws govern doing business in India of which 678 laws are implemented by the Union government. More than half of these laws carry imprisonment clauses. These laws have led to over 69,233 compliances that businesses have to follow of which 25,377 are the Union level. These compliances have led to 6,618 annual filings of which 2,282 are at the Union level and the rest at State level (Chikermane and Agrawal, 2022).

For manufacturing industries, the units need to comply with nearly 70 laws and regulations. These units also face multiple inspections every year and as many as 100 returns have to be filed every year to meet the compliance burdens for the laws and regulations. For industries having less than 20 employees, the average cost per employee for complying with the tax filing regulations comes to a hefty ₹20,181 and this cost is on average 1.28% of turnover for companies having turnover <₹20 million i.e. MSMEs (Deloitte Report on Cost of Compliance in Manufacturing).

While the present-day Union government continues to cut compliance requirements and regulation by eliminating 22,000 compliances and de-criminalising 103 offences (Suneja (2021)), there is a long road ahead to reduce the regulatory chokehold that is getting in the way of doing business easily and throttling the economy and the GDP. Some policy recommendations for that include:

- **Centralise compliance requirements**: Srivastava (2021) recommends creating a master document that can list down compliance requirement for each service. A master listing can help entrepreneurs' in saving time for other purposes instead of running behind authorities for figuring out the right compliance measures.

- **Decriminalise compliance offences**: A number of compliance offences in India have criminal punishments. This has only impeded entrepreneurial growth in the country. India needs to remove criminalization in several compliance offences and convert those to financial penalties for officials (TeamLease RegTech, 2022).

- **Outsource compliances**: In a few areas, the government can try adopting international standards for certification that establishments can easily obtain through third parties, instead of pushing for national standards which require running post to pillar for certification. For example, the Haryana State Government allows third-party auditors to carry out compliance audits independently, thus reducing regulatory burden on the government (Damodaran and Singh, 2020).

Conclusion

The road to making India a preferable place to do business in is not an easy one but it is brimming with policies that makes one hope.

Indeed, if India becomes a place where businesses can thrive irrespective of states or areas, employment is bound to increase, thereby contributing positively to solving the country's unemployment crisis. What India needs is key infrastructural policies that can spur development and a labour law framework that can help establishments grow without constraints. These beneficial policies will not only spur economic growth but also

We discuss about Indian women's household burden and alleviation ideas in our discussion document titled Women's Labour Force Participation in India.

protect workers' rights, incentivising them to diversify their job options. Infrastructural improvement will make it easier for women to reduce their household chore burden, especially in the rural areas. Thus, such policies are intertwined in a complex and tight manner and even the slightest improvement in any will have a positive impact on the overall system.

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