



Gold Sponsor
POWER2SME

Associate Sponsor
HT
Hindustan Tin Works Ltd

Support Partners

FICCI CMSME

FICCI CMSME SUMMIT 2016

FICCI CMSME

'Propelling MSME Growth:
Ways & Means'

September 19, 2016 - New Delhi

A word cloud graphic on the left side of the main banner, with 'MSME' in large red letters and other words like 'BUSINESS', 'GROWTH', 'STRATEGY', 'FINANCE', 'MARKETING', 'INVESTMENT', 'DEALS', 'PROCESSES', 'MONEY', 'SUCCESS', 'DEVELOPMENT'.

Thank You

Gold Sponsor
POWER2SME

Associate Sponsor
HT
Hindustan Tin Works Ltd

Support Partners





'Propelling MSME Growth: Ways & Means'

Monday, September 19, 2016 – FICCI, Federation House, Tansen Marg, New Delhi

Programme

10.00 am – 10.30 am	Registration & Tea
10.30 am – 11.30 am	<p>Inaugural Session:</p> <p>Opening Remarks & Moderation by: Dr. A Didar Singh, Secretary General, FICCI & FICCI-CMSME</p> <p>Welcome Address by: Mr. Sanjay Bhatia, President, FICCI-CMSME and Managing Director, Hindustan Tin Works Limited</p> <p>Release of Institute of Small Enterprises Development (ISED) & FICCI-CMSME knowledge paper on 'Improving Ease of Doing Business for MSMEs: A Review of Union and State Initiatives in India'</p> <p>Address by: Ms. Pannuda Boonpala, Director, ILO India</p> <p>Inaugural Address by: Mr. K K Jalan, Secretary, Ministry of Micro, Small and Medium Enterprises (MSME)</p> <p>Q&A</p> <p>Concluding Remarks by: Mr. R Narayan, Vice-President, FICCI-CMSME and Founder & CEO, Power2 SME</p>
11.30 am – 11.45 am	Tea Break
11.45 am - 01.00 pm :-	<p>Plenary Session I: Innovation & Technology Upgradation: An enabler</p> <p>Technology is a dynamic concept for MSMEs and technological up-gradation backed by innovation has the potential to spur growth of individual enterprises at the micro level & aggregate industries and economies at the macro level. Adoption of New Technology especially energy efficiency technology and Introduction of new & innovative products, product processes & designs, optimum use of improved raw materials and packaging, etc. are the key factors for MSME competitiveness. There have been numerous efforts, schemes and programmes initiated by the Government to provide support for upgrading of machinery by MSMEs and as well as for providing support for innovation and design.</p> <p>Thus, the session deliberations will focus upon disseminating information about how Innovation and technology advancement can help MSMEs achieve its growth path besides apprising the audience about the schemes & programmes available from the Government to support MSMEs in this regard.</p>

Chair & Moderator	Mr Deepak Pahwa, Managing Director, Bry Air (Asia) Pvt. Ltd. and Executive Committee Member FICCI-CMSME
Panellists	<ul style="list-style-type: none"> • Mr. Manoj Joshi, Joint Secretary-SME, Ministry of MSME • Dr H. Purushotham, Chairman-cum-Managing Director, National Research Development Corporation (NRDC) • Mr. Jitendra Singh Rajput, Head-Design Clinic Scheme for MSMEs, National Institute of Design (NID) • Mr. Vineet Kumar Goyal, Director, Steinbeis Centre for Technology Transfer India • Mr. R G Dharmaji, Chief General Manager, Small Industries Development Bank of India (SIDBI)
	Q&A
01.00 pm – 01.45 pm	Lunch
<p>01.45 pm – 03.15 pm:- Plenary Session II: Centre & State initiatives for improving Ease of Doing Business for MSMEs</p> <p>The Government of India has taken up a series of measures to improve Ease of Doing Business. The emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective. The session will present the various measures introduced by the Central and State Government towards this.</p>	
Chair & Moderator	Mr. Ajay Shankar, Former Secretary, DIPP and Former Chairman, Expert Committee on Regulatory Approval, DIPP
Special Address by	Shri. K C Tyagi, Former Rajya Sabha MP & Former Chairman of the Parliamentary Standing Committee on Industry
Panellists	<ul style="list-style-type: none"> • Mr. Surendra Nath Tripathi, Additional Secretary & Development Commissioner, Ministry of MSME • Mr. Sanjeev Gupta, Additional Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry • Mr. Wazir Singh, Additional Director- Industries Department, Govt. of Haryana • Mr. S. Salee, General Manager (NW-III), State Bank of India, Local Head Office, New Delhi • Dr. P M Mathew, Director, Institute of Small Enterprises and Development (ISED)
	Q&A
<p>03.15 pm - 04.30 pm:- Plenary Session III: How to increase Productivity; adapt Systems & Standards for product acceptability and digital platforms for Consumer outreach activities</p> <p>MSMEs have limited awareness regarding ever changing dynamics of product standards requirements by the domestic & international players for sourcing their requirement. Complying with legalities sometimes is very challenging for MSMEs whereas compliance and delivery systems are the determinants of sourcing. Hence, efforts are required to create adequate awareness among MSMEs to adopt processes and standards for becoming a preferred supplier in the domestic/global value chain.</p> <p>Also MSMEs have to think digital to stay relevant and be up-to-date with the market dynamics. They</p>	

need to use various digital platforms for their outreach activities that can help them in establishing their brand domestically and globally at minimal cost.

The Government of India and other organisations have come out with several initiatives to strengthen MSMEs in the areas mentioned above. Thus, the session would make an attempt to spread awareness among MSMEs about these initiatives/programmes. The session would deliberate on apprising the participant about how to enhance productivity, certified agencies that they could approach for implementing standards in their business operation and product certification and digital platform available for their consumer outreach even to Government departments and agencies.

Chair & Moderator	Dr. H P Kumar, Ex-CMD, NSIC and Director, Power2SME
Panellists	<ul style="list-style-type: none"> • Mr R. Karuppiah, Addl Director General-QA, Directorate General of Supplies and Disposal (DGS&D), Ministry of Commerce & Industry • Mr. Piyush Kumar, Master Trainer - SCORE Initiative, ILO • Mr. Puran Dawar, Chairman, Dawar Footwear Industries • Ms. Sashi Rekha, Director, NABCB
	Q&A
04.30 pm onwards	Networking & Hi-Tea

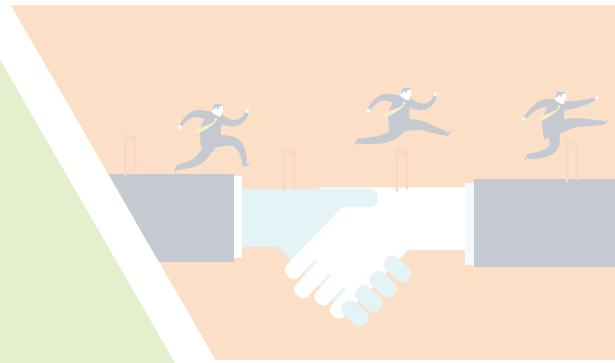


Improving 'Ease of Doing Business' for MSMEs: A Review of Union and State Initiatives in India.





Improving 'Ease of Doing Business' for MSMEs: A Review of Union and State Initiatives in India.



Published by:

FICCI-CMSME and ISED

FICCI-Confederation of Micro, Small & Medium Enterprises (FICCI-CMSME)

Federation House Tansen Marg

New Delhi 110 001

T: +91-011-23487307

F: 91-011-023320714

E: cmsme@ficci.com

W: www.ficci-cmsme.com

Institute of Small Enterprises and Development (ISED)

ISED House, ISED Road, Vennala,

Cochin 682 028

T: +91-0484-2808727, 2808171

F: 91-0484-2809884

E: director@isedonline.org

W: www.isedonline.org

Author

Dr. P. M. Mathew & Dr. J. M. I. Sait

Institute of Small Enterprises and Development

Cochin-682028, India

Disclaimer: The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty expressed is made to their accuracy, completeness or correctness. This document is for information purpose only. The information contained in this document is published for the assistance of the recipient but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient. This document is not intended to be a substitute for professional, technical or legal advice. All opinions expressed in this document are subject to change without notice.

FICCI-CMSME and ISED will not accept any liability whatsoever for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection herewith.



Content

Abstract	1
1.0. Introduction	1
2.0. Understanding Business Primers in the MSME Context	2
3.0. Ease of Doing Business Index: Conceptual Framework and Tools	2
4.0. Methodological Scaffolding and Ground level Experience	3
5.0. Regional Diversity and the Experience of the States	4
6.0. Gaps in Government Interventions.....	9
7.0. Specific Initiatives for Enhancing 'Ease of doing Business'	13
Selected Bibliography	24
About the Authors	27

A Review of Union and State Initiatives in India.

by

Dr. P. M. Mathew & Dr. J. M. I. Sait

Abstract

*For India, a fundamental question of investment promotion is not simply whether investment has taken place; how it has taken place also is equally important. That gives further signals to the investor community, within the country and outside. The 'ease of doing business' variables do not adequately consider the 'responsible business' dimension of investments. What is the way out after all? The modern economy is knowledge-driven. Therefore, the creation of **knowledge - driven economic governance** alone, can ensure a balance of social and economic goals of investment. The EDP index, undoubtedly, shows India's gain over the years. This paper shows that, the major 'EDB' factors in India relate to technology solutions. Twenty-five years after the kick starting of the process of active liberalisation in the country, these achievements are rather lack-lustre, and they in fact, demonstrates the weaknesses of public governance and economic governance in the country. Technology, by itself, cannot lead to an improvement in investment environment, unless the benefits of technology are closely integrated and built into the mainstream of economic governance. Effective economic governance demands a real command over the economy, armed with the strong background of knowledge resources. In the context of MSME promotion, this is too critical, simply for the reason that it is a too invisible sector. In India's manufacturing agenda, and especially for the successful conduct of flagship programs such as 'Make in India', this second-line role of the MSME sector cannot be ignored. Going by such a criteria, India's unfinished agenda of 'ease of doing business' has to explore more innovative measures and strategies.*

1.0. Introduction

Unlike the traditional focus on technology and foreign capital as the triggers of economic development, in the era of globalization, there has been a remarkable shift in policy perspectives. In the modern world, where global value chains are decisive in economic growth and investment location, the latest trend is one of competitive investment promotion strategies by governments. The volatility of investment also assumes that, the conditions necessary for such investments have to be ensured in the short run. The rules of the game today are explained in terms of the so-called 'ease of doing business'. Based on some global parameters, an index was originally developed by the World Bank, which has been used as a yardstick for international comparison of countries. While the above methodology and index have, of late, been questioned by many scholars, the practice of it being used as a key yardstick still continues. The discussion in the following pages seeks to examine India's perception and practice of 'ease of doing business', in relation to the national level and in the States.

This paper seeks to address three key aspects relating to the so-called 'ease of doing business': 1) a discussion on the conceptual and practical utility of the ease of doing business (EDB) toolkit developed by the World Bank; 2) its relevance in the specific context of India, as also in relation to its regional diversities; and 3) a discussion on the national and sub national experience, on the basis of available evidences and data.

2.0. Understanding Business Primers in the MSME Context

In the traditional text bookish analysis, investment and employment are considered as variables that are positively correlated. Scale of production is often considered as an external factor. The prime consideration was the inflow of foreign capital. This conventional understanding continued, until 1970s, when the question of choice of technique began to be widely debated. The trickle down effect of foreign capital began to be increasingly questioned. The attributes and potential of indigenous entrepreneurship began to be increasingly examined by public policy and practice. Investment cannot be used as a generic term in the SME context. It is part of a culture. SMEs structurally and functionally are very much part of a cultural context. In most parts of the world, as also in India, the services sector is the largest single constituent of SMEs. The services essentially are meant for transacting goods, or to facilitate the basic needs of human life. Naturally, the cultural context is significantly embedded in these activities. In most economic theories of foreign capital and investment decisions, economic factors have their primacy; non economic factors have not gained the place they deserve. Where culture is a dominant factor influencing investment decisions, the entrepreneurial aspirations and achievement motivation are also tuned to such a context. Therefore, the conventional economist's argument and variables relating to attracting investments have serious limitations in this context. This would imply that a number of non economic explanatory variables also need to be considered while discussing the ease with which investment projects get attracted to a particular country or region. Given the above constraints, it is necessary to examine the factors other than mere economic in nature that explain investment flows into a country or region.

3.0 Ease of Doing Business Index: Conceptual Framework and Tools

The Doing Business Report (DB) is a study elaborated by the World Bank Group since 2003 every year that is aimed to measure the costs to firms of business regulations in 185 countries. The study has become one of the flagship knowledge products of the World Bank Group in the field of private sector development, and is claimed to have motivated the design of several regulatory reforms in developing countries. The study presents every year a detailed analysis of costs, requirements and procedures a specific type of private firm is subject in all countries, and then, creates rankings of countries based on that. The **EDB** is an index created by the [World Bank Group](#). Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

4.0. Methodological Scaffolding and Ground level Experience

The EDB index is based on a study of the laws and regulations. It claims to be based on the inputs and verification by more than 9,600 government officials, lawyers, business consultants, accountants and other professionals in 185 economies, who routinely advise the project on or administer legal and regulatory requirements.

The EDB index is meant to measure regulations directly affecting businesses and does not directly measure more general conditions such as a nation's proximity to large markets, quality of infrastructure, inflation, crime, and other social factors.. A nation's ranking on the index is based on the average of 10 sub-indices:

- a. **Starting a business** : Procedures, time, cost and minimum capital to open a new business
- b. **Dealing with construction permits** : Procedures, time and cost to build a warehouse
- c. **Getting electricity** : procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse
- d. **Registering property** : Procedures, time and cost to register commercial real estate
- e. **Getting credit** : Strength of legal rights index, depth of credit information index
- f. **Protecting investors** : Indices on the extent of disclosure, extent of director liability and ease of shareholder suits
- g. **Paying taxes** : Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
- h. **Trading across borders** : Number of documents, cost and time necessary to export and import
- i. **Enforcing contracts** : Procedures, time and cost to enforce a debt contract
- j. **Resolving insolvency** : The time, cost and recovery rate under bankruptcy proceedings

The DB has been widely known and used by academics, policy-makers, politicians, development experts, journalists and the business community to highlight red tape and promote reforms. As stated by the IEG study from the World Bank: "For country authorities, it sheds a bright, sometimes unflattering, light on regulatory aspects of their business climate. For business interests, it has helped to catalyze debates and dialogue about reform.

The ranking of countries on the basis of the EDB index, has been criticized by experts in the World Bank itself. One of the arguments is that, instead of having a single headline index, it would be advisable to have separate rankings for each individual indicator, now aggregated into the main index. There are several crucial problems relating to the index as a barometer that can work as a guideline for investors. The debate was about whether a higher ranking implied that a country was on the right track of private sector development. Another criticism has been that, basically, countries that have no labour regulations what so ever get the best marks.

India now ranks 130 out of 189 countries in terms of EDB, moving up four places from last year's adjusted ranking of 134. The contributing improvement has been in three key areas : 1) Starting a business; 2) Getting construction permits; and 3) Getting Electricity.

5.0. Regional Diversity and the Experience of the States

While there is need for a realistic indicator for measuring the 'ease of doing business', there are two critical factors that make the World Bank EDB tool kit relatively less relevant: 1) regional diversity; and 2) the influence of non economic factors, especially Achievement Motivation and labour market aspirations on the supply side.

Following the MSME Development Act 2006, efforts were taken by various State governments to attract investments from outside. The initiatives were largely focused on three key areas: a) Infrastructure; b) Law and Order; and c) provision of local raw materials at subsidised rates. The track record of most State governments in India on all these fronts has been reported to be much to be desired. While a mass base of self employment can best be created by the poorer sections of the society, the prevailing semi-feudal social relations did not allow such entrepreneurial potential and sparks to be tapped meaningfully. The law and order situation itself remained poor because of such rural power relations. The state of infrastructure remained poor essentially for the poor Plan allocations for capital expenditure. What best could be achieved by the States could be, tapping the centrally sponsored infrastructure projects, which in many cases, did not tally with the local conditions and requirements. What best could be achieved by the State governments, given their limited financial resources, was cosmetic interventions that did not involve much capital expenditure. There was some attempts to improve the state of governance, which summarily boiled down to the enhanced introduction of technology in government transactions. The e-governance experiment, however, did not succeed to a desirable level. This can best be explained in relation to the difference between both the perceptions and practice of public governance and economic governance. While public governance in general, and the poor capacity of government regarding economic governance, remain key constraints relating to EDB, these aspects have not gained due attention so far.

The simplest definition of an 'enterprise' is that it is an organization created for business ventures. Its business is "doing business". Enterprise promotion, therefore, connotes promoting an environment for doing business. While the government has very little to do with doing business per se, it has the responsibility to create an ecosystem that will promote establishment of new businesses by private actors, facilitate their continued sustainability, and eventual exit as and when the purpose is served or the business becomes unviable, physically, financially or otherwise.

The role of the government in enterprise development is to facilitate. The term "promotion" denotes creation, and not restriction or destruction. The role of a facilitator should, therefore, be targeted at creation of facilities. Regulating with restrictive laws is contrary to the spirit and principle of promotion. However, it does not mean absolutely refraining from regulation, as regulation is needed to ensure that an enterprise does not turn to be harmful to itself, other enterprises, or the people at large. In other words, the role of the government should be more of that of a facilitator and less of a regulator. When this is achieved, 'Ease of Doing Business' will prevail.

Figure 1. Share of Regulation in Governance



What one often finds in emerging economies is contrary to promoting 'ease of doing business' with regulations that tend to be more restrictive than facilitative. This leads to curtailment of the enthusiasm to do business. The bureaucracy and the general public often view the businessman as a parasite on their labour, instead of viewing as a creator of employment and value. These attitudes shape the business processes of public administration. In varying degrees, these processes are shaped by legal provisions, often to the point that they are executing the law. They draw on different sets of knowledge which are generally situational and implicit. The fundamental flaw lies in the fact that, governments are law makers and the laws only say what one should not do and the punishment thereto. The resultant Para-colonial attitude framework is manifested in all government processes, such that the restrictive or regulatory aspects get emphasised even when a liberal policy is drafted. In fact, the concept of a "level playing field" is often largely mythical. In effect, the good policies fail to bring the desired results because of restrictive implementation process. Some of the common examples that can be cited are, too many stations from where permissions are to be obtained, and too many complicated forms to be filled. Most of these stations have their exclusive 'self assumed importance', and the forms demand substantially duplicated information. One of the purposes of the 'Ease of Doing Business' initiative, now being undertaken by many economies, is to curtail these hurdles, if not to eliminate them altogether. While 'ease of doing business', in the real sense should mean, putting in place a proper economic governance system, what is being attempted so far, especially through technological solutions, have only a cosmetic effect. The basic requirements of an effective economic governance system, is a proper knowledge system that can guide policy design and its meaningful implementation. However, most developing countries, as also India, do not have this. In many of these countries, "data" are collected in order to backstop or justify what the government is already doing by way of public programmes, and not to run economic governance smoothly, to the ultimate benefit of businesses and to the economy.

Box .1

Public Governance and the Economic Governance are Not the Same

There is, however, a major conceptual clash between public governance of enterprise development and the economic governance of enterprise. In the context of public governance, Enterprise development is considered one among the various public programmes of the Government. Economic Governance refers to the system of Institutions and procedures needed for achieving economy related objectives, such as co-ordination of economic policies to promote enterprise and entrepreneurship for the country and for its citizens.

Developed economies have gone ahead with the elimination process, with the use of information technology tools, which, of course, emerging economies like India have successfully emulated to some extent. The initial impetus was provided by 'Save the Tree' movement to curtail the use of wood based paper.

Historically, public initiatives for enterprise promotion have been considered as co-terminus with enterprise development. This is essential for the reason that, the very objective of enterprise promotion, especially small enterprise promotion, is self-employment generation. There is, however, a major conceptual clash between Public Governance of Enterprise development, and its economic governance. In the context of Public Governance, Enterprise development is considered one among the various public programmes of the Government. Economic Governance refers to the system of Institutions and procedures needed for achieving economy related objectives, such as co-ordination of economic policies to promote Enterprise and Entrepreneurship for the country, and for its citizens. A good bureaucrat need not be good at promoting enterprise in government.

Ever since the 1990s, when information and communication technologies were actively promoted in the country, e-governance has become a prominent subject both in the semantics and practice of development in India. The term e-Governance includes two crucial concepts; 1) extensive use of electronic technology; and (2) exercise of governance. There has been an implicit argument that the use of electronic technology leads to enhanced level of efficiency in the work process. It is also assumed that public governance becomes as easier as the process time, and also the effort involved comes down significantly. On these lines, e-governance has become the major agenda of the Union and State Governments, thereby involving significant investment for State initiatives. However, the findings of various evaluative studies indicate a mixed picture regarding the benefits of e-Governance.

An area which needs serious attention is the reliability of data produced by various agencies. Meticulous scanning of official data on enterprise development, at the ISED Small Enterprise Observatory, has brought to light serious anomalies with such data. One of the desirable functions of e-governance is to make available data on line for consumption by all stakeholders and researchers. With incongruous data not only the stake holders are misled, but the deliberations get either misdirected or become perfunctory, ultimately leading to spurious policies and strategies, making the democratisation of policy development a futile exercise.

The e-Government systems, so far developed, claim that they enable the citizenry to carry out all their functions without visiting the offices, either by oneself personally or through a nearby customer service centre(like Akshaya in Kerala) The experience of many people responding to our enquiries at various forums have been rather painful - the pain that e-government seeks to avoid or mitigate. In general there were complaints about (1) the need to visit the government office concerned to prove the genuineness of the transactions such as payment of land tax; (2) insistence on Aadhar card on irrelevant matters (e.g. Survey on Coconut Subsidy even in respect of households without coconut trees) and in the context when the central government has already indicated that Aadhar is not mandatory.; (3) want of expertise at the Akshaya Centres resulting in inefficient

handling of customer services and lack of awareness about the procedural requirements of the services to be obtained from government agencies through Akshaya causing delays and expenses; insistence by certain departments that the requests for services should mandatorily be submitted through Akshaya centres and refusal to accept the same at the counter (4). Exorbitant charges levied by CSCs for services. In effect the complaints point out to the lack of preparedness for the service delivery. Development of efficient softwares alone does not guarantee efficacy of the endeavour unless the agents of delivery are adequately trained and equipped with process knowledge to handle the full spectrum of services. Of course, more than training it means creating and sustaining a culture.

5.1. Role of Governance in Enterprise Development

In the domain of enterprise development, there can be two broad approaches to e-governance: (a) supply side approach; and (b) demand side approach. e-Governance is concerned with changes in two fields. First, it demands changes in the internal government operations that come about as IT is used increasingly for automation, cooperation, integration among government agencies and as tools assisting in decision making processes. While such use of IT has been going on for more than three decades, the current spark of interest in the field due to other reasons. As a positive result of accelerated globalization, external operations are getting transformed, and information and services increasingly become available on the Internet. This has prompted government agencies to organize their operations on the understanding that citizens and enterprises will respond on a self-service basis. The abundance of websites and web based information exchanges prove the point. There are many experiments on the more extensive and systematic, goal oriented, use of IT in the public sector. But, so far, these exercises do not often appear to have adequately incorporated the views, concepts, and history that make up a democratic government in developing the e-governance regime.

The term 'government' covers several aspects of managing a country, ranging from the very form of government, down to strategic management, and to daily operations. e-Government generally covers all these areas, and incorporates goals of more efficient operations, However, they often neglect the need to provide better quality of services and increased and better quality citizen participation in democratic processes. These requirements point out to the need for qualitative improvements and purpose-defined approaches in data collection, data processing, identification of issues and deliberation of the issues with the help of pertinent data for arriving at actionable solutions. Solutions derive their acceptability only when both the beneficiary and the implementer believe in the capacity of those solutions to remedy or mitigate the problem. The situation defines the need for cooperation and involvement of both sides. The marketing management dictum "the consumer is the king" should be the guiding principle here. The entrepreneurs know, and believe that they know, their problems and their solutions. The role of government is to convince them that they are either right or wrong, with authentic data supplied through an appropriate knowledge platform. When promotional or development policies are framed, wider and well structured articulation is necessary to encourage the 'affected' entities to come up with their knowledge of the problem and suggestions for solutions in order to properly direct their course, avoiding

misapplications, misapprehensions and even mistrust, such that the beneficiaries also assume ownership of the policy, which then becomes easily implementable.

Dr. APJ Abdul Kalam, former President of India and a visionary in the field of e-Governance has aptly summarized the basic challenge lying before the country: "e-Governance, has to be citizen-friendly. Delivery of services to citizens is considered a primary function of the government. In a democratic nation of over one billion people like India, e-Governance should enable seamless access to information and seamless flow of information across the State and central government in the federal set up. No country has so far implemented an e-Governance system for one billion people. It is a big challenge before us."(emphasis added) In India, the way government institutions conduct their business has evolved over time, and is codified in different Statutes, Rules, Regulations and procedural manuals enacted or formulated over a wide span of time (with many processes even continuing from the colonial period). On the other hand, the scope and complexities of governance, along with the government machinery, have expanded over time. The advent of ICT has led to the recognition that these technologies provide unique opportunities to redesign government processes, not only to provide better services and reliable information to citizens, but also to improve efficiency and effectiveness within government institutions.

The basic idea behind such re-engineering is to avail of the opportunity provided by ICT in transforming governmental processes, and not just in modifying them. Michael Hammer and James Champy, in their landmark book 'Reengineering the Corporation - A Manifesto for Business Revolution' (1993) introduced the concept of business process re-engineering, where they observed: "Re-engineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed." According to them, first, there has to be conviction within the organization that process re-engineering will lead to greater efficiency and efficacy. However, this conviction should lead to the realization that ICT offers the opportunity to accomplish it now and not later. Second, the rationale for each step involved in a process - both for activities which lie totally within the organization and those which involve outside entities - needs to be examined with the express aim of identifying the steps which can be simplified or eliminated altogether. In the case of government organizations, the needs of the citizens assume the centre-stage.

5.2. Economic Governance

'Economic governance' refers to the system of institutions and procedures established with a view to achieving national objectives in the economic field, namely the coordination of economic policies to promote economic and social progress for the country and its citizens. Economic Governance consists of the processes that support economic activity and economic transactions by protecting property rights, enforcing contracts, and taking collective action to provide appropriate physical and organizational infrastructure. In India, the specifics of these systems and procedures often are laid down by some key ministries or some Act of the Parliament, the implications of which are often unclear even to the nodal Ministries. Since the implications of law are rather unclear to the business community, they often engage in strategies such as agitation and lobbying. This often results in the

appointment of official Committees, which come out with some recommendations. The committees, given their wide terms of reference and the limited time available, are practically not able to do full justice to their work. Many countries of the world have effective economic governance systems, wherein, knowledge inputs relating to an economic constituency flow regularly, and they are widely debated as part of the parliamentary process (e.g.: The State of Small Business (USA), White Paper on SMEs (Japan), The State of Small Businesses in Korea).

Government often cost too much, but delivers too little. It is not sufficiently responsive and is deficient in accountability. Good governance has been advocated since the advent of automation. Information technology or computation methodology provided a base for mechanization of the tasks hitherto being carried out manually, there being no fundamental change in operations. When communication was added to the information technology, the flow of information became possible, and Good governance started emerging. e-Governance has the potential to offer new ways of doing things by improving government processes, connecting citizens, and building interactions with and within the society. With communication as a powerful tool e-governance has been contributing more effectively. It provides for: (a) replacing manual handling of information (automation); (b) supporting human-executed information processing for making, communicating and implementing decisions (informatisation); and (c) creating new information processes or supporting new human-executed information processes such as , new methods of public service delivery (transformation).

Heeks (2001) enumerates two sets of direct and objective benefits that will accrue by these three processes:

- (1) Efficiency gains (cheaper governance; larger and faster output)
- (2) Effectiveness gains (governance that works better; being innovative, production of new outputs;

As a corollary it will provide internal benefits such as better personnel motivation or political control, and external benefits of catalysing the local IT industry by demonstrating the benefits. As an economic development exercise, it will enable supplying of the requisite supports and services to the enterprises and start-up expeditiously and just in time. In the reverse case it will enable feedbacks from the citizenry on the effects and deficiencies of the services provided as also suggestions for appropriate remedial measures.

6.0. Gaps in Government Interventions

Alternative methodologies of measuring 'ease of doing business' also exist. An analysis of the Public Affairs Index for 2016 provides a comparative picture of the achievements and performance of the States in relation to parameters that have an impact on enterprise development. Unlike the 'ease of doing business' index, the Public Affairs Index (PAI) offers a more realistic measure, which depicts the Indian reality better. This index captures ten variables that are more representative of the Indian situation

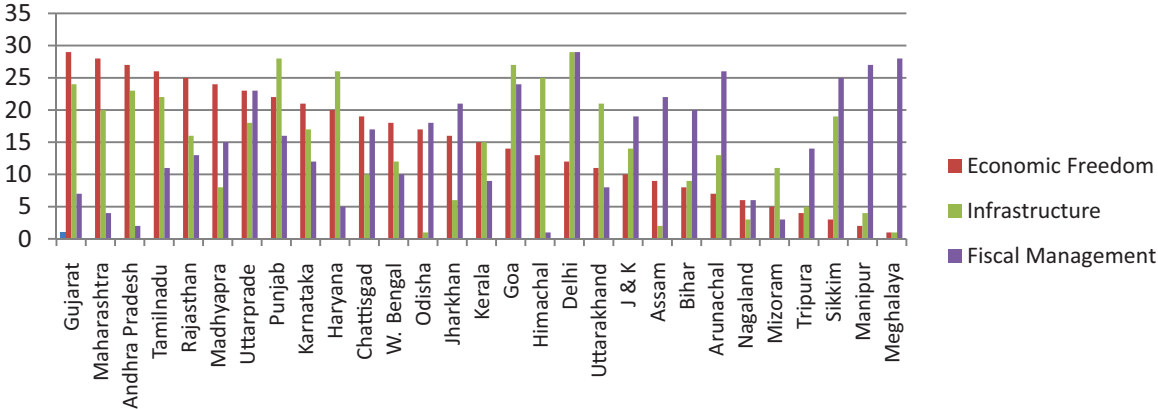
6.1. Analysis of PAI Data

Enterprise development depends on certain conducive factors like the freedom of choice or economic freedom enjoyed by the people, besides availability and quality of appropriate infrastructure and the fiscal discipline of the government. Public Affairs index built on these parameters ranks various Indian states. The extent of Economic Freedom is reflected in the level of ease of doing business prevalent in the State. The number of business entities in the formal sector is also an indication of the open mindset of the people towards entrepreneurship. A high index of business activity is indicative of the relative efficiency of the administrative set up in the state in promoting and supporting enterprises and entrepreneurship. The PAI results were reworked by the **ISED Small Enterprise Observatory** to the context of the present discussion. The following data and the charts indicate the relationship between the observed advancement of the states and the effect of the selected parameters.

State	PAI Rank				Ease of doing Business Rank by DIPP	Rank in GDP growth	Social Protection	Transparency
	Overall	Economic Freedom	Infrastructure	Fiscal Management				
Andhra Pradesh	14	3	7	28	2	14	26	19
Arunachal	16	23	17	4	28	13	8	29
Assam	26	21	28	8	20	26	17	6
Bengal	12	12	18	20	11	17	4	12
Bihar	29	22	21	10	19	29	29	15
Chhattisgarh	21	11	20	13	4	22	20	3
Delhi	9	18	1	1	14	2	19	7
Goa	11	16	3	6	18	1	22	14
Gujarat	7	1	6	23	1	7	24	18
Haryana	18	10	4	25	13	4	28	8
Himachal	5	17	5	29	16	11	9	4
J & K	15	20	16	11	25	21	5	24
Jharkhand	28	14	24	9	3	25	27	11
Karnataka	3	9	13	18	9	12	3	2
Kerala	1	15	15	21	11	8	6	1
Madhya Pradesh	25	6	22	15	5	24	7	13
Maharashtra	6	2	10	26	8	5	18	9
Manipur	13	28	26	3	29	27	16	25
Meghalaya	17	29	23	2	26	20	15	21
Mizoram	4	25	19	27	24	16	1	16
Nagaland	23	24	27	24	27	15	13	28
Odisha	27	13	29	12	7	23	21	20
Punjab	8	8	2	14	15	10	25	5
Rajasthan	20	5	14	17	6	19	10	17
Sikkim	10	27	11	5	23	3	2	27
Tamilnadu	2	4	8	19	12	6	11	26
Tripura	24	26	25	16	22	18	23	23
Uttarakhand	19	19	9	22	21	9	14	22
Uttar Pradesh	22	7	12	7	10	28	12	10

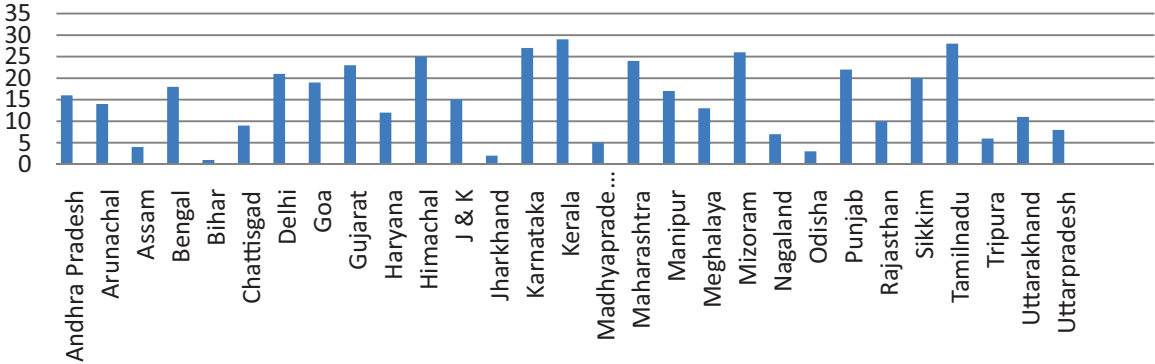
Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

The Index reveals that the major industrial and manufacturing states stand at the top of the list amongst large states such as Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu and Rajasthan. Amongst the smaller states, Goa and Himachal Pradesh are at the top. Kerala, Assam and Bihar are at the bottom along with Manipur and Meghalaya. This contrasting picture of different states in India points to the importance of the need to bring Economic freedom or economic liberty which will increase the ability of members of a society to undertake economic actions.



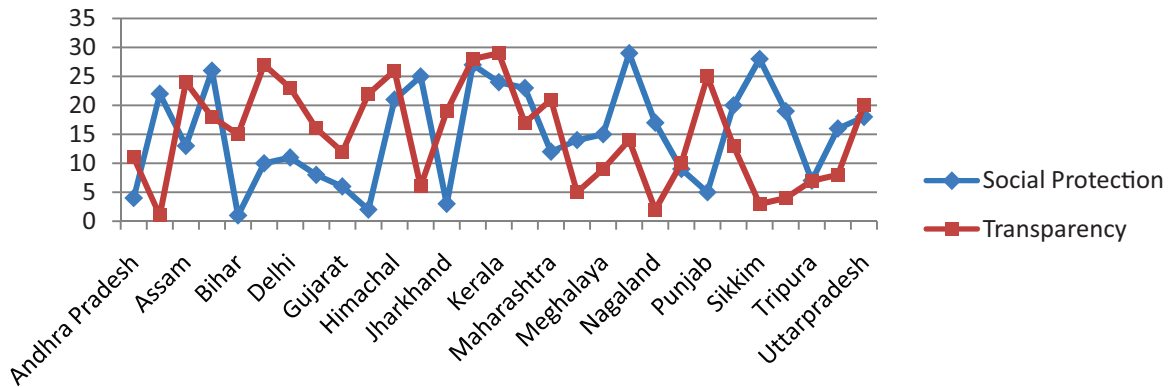
Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

**Overall PAI Ranking Scores
Top Rank Score = 29, Least Score = 1**



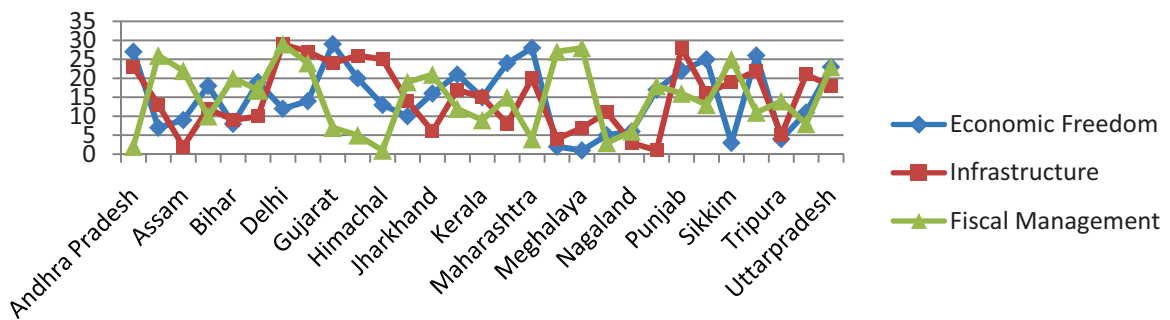
Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

- State - wise PAI Rates



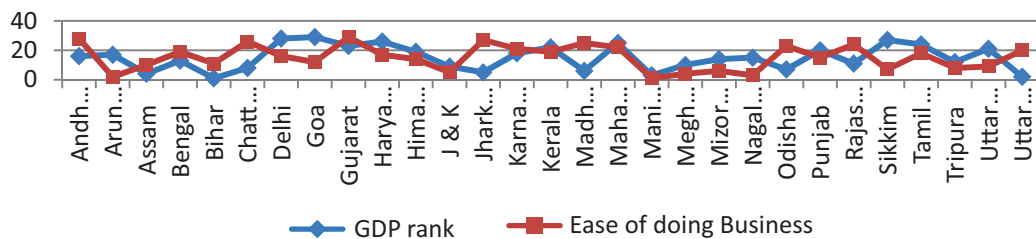
Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

PAI RANKING SCORES OF ECONOMIC PARAMETERS



Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

Ranking of States on SGDP and Ease of Doing Business



Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

(<http://www.gktoday.in/blog/public-affairs-index-pai/>)

7.0. Specific Initiatives for Enhancing 'Ease of doing Business'

The Union Government and the States have already initiated several steps for enhancing 'ease of doing business'.

7.1. Union Government Initiatives

India's rank in the Doing Business Report 2015 was 142 among 189 countries which improved to 130 in the Doing Business Report, 2016. Against the background of the 'Make in India' initiative, Government of India has emphasized on the importance of 'Ease of Doing Business'. It is working extensively on improving India's rank, as per the World Bank Index. A 98 point Action Plan for State business reforms was prepared by the Department of Industrial Policy and Promotion in December, 2014. The Action Plan was implemented by the States/Union Territories by 30th June, 2015. An assessment of implementation of these reforms was carried out by DIPP and published on 14th September, 2015. The assessment included ranking States on the level of implementation of the 98 point Action Plan. A similar exercise has been undertaken for the year 2016. A 340 Point Action Plan has been prepared for implementation by the State Governments after detailed stakeholder consultation. State Governments have been requested to complete these reforms by 31st March, 2016. An online Dashboard for status update by the State Governments on the Action Plan and real-time ranking of States will be launched on 1st April, 2016. State Governments shall be able to upload evidence of completion of each action point. On validation of the same by DIPP, the rank of the State is expected to be updated accordingly.

At the national level, the achievements over the past two years deserve special mention. These can be broadly discussed under the following categories: a) technological interventions; b) procedural interventions; c) and legislation. However, the experience shows that, the major type of intervention has been technology-related.

7.1.1. Technology-related Interventions

- a. Registration for Permanent Account Number (PAN), Tax Deduction Account Number (TAN), EPFO (Employees' Provident Fund Organization) and ESIC (Employee's State Insurance Corporation) and incorporation of company can be done through a single form on eBiz portal.
- b. Online and real time registration of ESIC and EPFO has been introduced.
- c. Physical submission of documents for export and import is not required. They can be submitted electronically by using digital signatures.
- d. Custom ICEGATE Portal has been integrated with Food Safety and Standards Authority of India (FSSAI), Animal and Plant Quarantine, Drug Controller and Wildlife Control Bureau for imports.
- e. Shram Suvidha Portal has been launched to facilitate risk based Inspections, submission of common electronic returns under 8 Labour Acts and issue of Labour Identification Number.

- f. One-stop access for Investors to know more about Investment opportunities and information on number of licenses/approvals required from Government agencies.
- g. User-friendly features such as Payments through net banking, credit & debit cards, status tracking, SMS alerts and Help-desk support enabled.
- h. Single face of Government - Composite Application Form and one-time payment designed for obtaining approvals from multiple Ministries/Departments viz., Ministry of Corporate Affairs, Central Board of Direct Taxes, Ministry of Labour & Employment including Employees' State Insurance Corporation & Employees Provident Fund Organization.
- i. Elimination of multiple visits to different agencies. Investor can apply for 20 Central Government services; 14 Andhra Pradesh, 14 Odisha and 2 Delhi state Government services have been integrated with eBiz IT platform, as detailed below.

S. No.	Ministry/ Dept.	Service
1.	Central Board of Direct Taxes (CBDT)	Changes or correction in PAN data
2.	Ministry of Labour and Employment (MoL&E)	Registration under the Contract Labour Act, 1970
3.	Ministry of Labour and Employment (MoL&E)	Registration under the Building and other construction workers Act, 1996
4.	Ministry of Labour and Employment (MoL&E)	Registration under the Inter-State Migrant Workmen Act, 1979

COMPOSITE APPLICATION FORMS INTEGRATED

List of joined-up (L3) services		
S.No.	Service	Department /Ministry
1.	INC-29 with 7 services viz., Name Availability (MCA), Director Identification Number (MCA), Certificate of Incorporation (MCA), PAN (CBDT), TAN (CBDT), Employer registration of EPFO and ESIC	Ministry of Corporate Affairs, CBDT, EPFO & ESIC
2.	INC-7 with 5 services viz., Certificate of Incorporation (MCA), PAN (CBDT), TAN (CBDT), Employer registration of EPFO and ESIC	Ministry of Corporate Affairs, CBDT, EPFO & ESIC
3.	5 registration services under Employer registration under EPFO and ESIC Act, Contract Labour Act, Building and other Construction Workers Act, and Inter-state Migrant Workmen Act	Ministry of Labour & Employment

7.1.2.Procedure-related Interventions

- a. Requirement of minimum paid up capital and common seal under the Companies Act 2013 done away with.
- b. Time taken for obtaining PAN and TAN on eBiz portal has been brought down to T+1 days.
- c. Provision for applying for company name and Director Identification Number (DIN) at the time of incorporation with single Form-INC29 has been made.
- d. Provision for online payment of EPFO and ESIC contributions has been introduced.
- e. Requirement of bank account for registration with EPFO and ESIC has been eliminated.
- f. Central Registry Rules have been amended to record security interests of all types of property.
- g. Number of documents required for imports and exports have been reduced to three.

7.1.3.Legislation

- a. Insolvency and Bankruptcy Code with provision of easy and faster exit, has been passed by the Parliament.

7.2.State Level Initiatives.

The State level initiatives, confined to the level of a few States only, is essentially technology related interventions. Some of the thrust areas in this regard are as follows:

- 1) Online filing and payment of Value Added Tax and Central Sales Tax have been implemented by many State.They have eliminated pre-registration VAT inspections and replace them with post-registration advisory visits.
- 2) Common Application Form and established dedicated single windows, backed by legislation or state notifications to establish and empower them, is another area of intervention. Clear time-lines have been laid down for processing applications related to construction permits which will help investors to plan their construction effectively.
- 3) Self-certification under the Minimum Wages Act, 1948, the Shops and Establishment Act and Payment of Wages Act, 1936 has been introduced by some States..
- 4) Some States and UTs issue factory licenses with a validity of 5 years or more. Under environmental procedures some states have exempted green industries from Pollution Control Board clearance prior to business startup.

A comparative summary view of such interventions by various State governments is given in the following table:

STATE GOVERNMENT SERVICES INTEGRATED ON e-BIZ PLATFORM

Andhra Pradesh (14 Services)

S.No	Department	Service
1.	AP-Ground Water Department	Permission to draw Ground Water
2.	AP-Department of Factories	Approvals of plans from Factories Department
3.	AP-Department of Factories	Factories License
4.	AP-Department of Factories	Annual Filing under Factories Act
5.	AP-Fire Department	NOC from Fire Services Department
6.	AP-Department of Industries	Industrial Incentives (Power)
7.	AP-Department of Industries	Industrial Incentives (VAT)
8.	AP-Department of Industries	Allotment of Scarce raw materials
9.	AP-Department of Industries	MSME Registration
10.	AP-Department of Industries	NOC Acknowledgement from GM, DIC for MSME
11.	AP-Department of Drug Controller	License for manufacturing Bulk Drugs and Formulations
12.	AP-Department of Town & Country Planning	Permission from TCP for Site and Building
13.	AP-Commercial Taxes Department	VAT Registration
14.	AP-Commercial Taxes Department	Central Sales Tax (CST) Registration

Odisha (14 Services)

S.No	Department	Service
1.	Industries Department, Odisha	Project Evaluation cum Allotment of Land
2.	Directorate of Factories & Boilers, Odisha	Registration under Boilers Act
3.	Labour Directorate, Odisha	Registration under Shops and Establishment Act
4.	Labour Directorate, Odisha	Registration of Establishment Employing Contract Labour
5.	Water Resources Department, Odisha	Permission to draw Water for Industries-Ground Water & Surface Water
6.	Directorate of Factories & Boilers, Odisha	Approvals of Plan under Factories Act, 1948
7.	Department of Energy, Odisha	New Power Connection
8.	Housing and Urban Development Department, Odisha	Permission for Site and Building

S.No	Department	Service
9.	Directorate of Factories & Boilers, Odisha	Factories License under Factories Act,1948
10.	Housing and Urban Development Department, Odisha	Completion cum Occupancy Certificate
11.	Commercial Taxes Organization, Odisha	VAT Registration
12.	Commercial Taxes Organization, Odisha	CST Registration
13.	Odisha State Pollution Control Board	Consent to Establish
14.	Odisha State Pollution Control Board	Consent to Operate

Delhi (2 Services)

S.No	Department	Service
1.	Factories Department	Factory Filling
2.	BYPL (BSES Yamuna Power Limited)	New Power Connection

Source: Compiled by FICCI-CMSME

7.3.City Level Initiatives

Besides the steps taken at the national and State levels, the special steps taken in the context of mega cities deserve special mention. Central Government is working with State Governments of Maharashtra and Delhi, to bring India within top 50 ranks. The achievements and initiatives broadly relate to the two cities of Mumbai and Delhi.

7.3.1.Legislation related

Unified building Bye-laws have been notified (Delhi).

7.3.2.Procedure Related

Requirement of inspection has been removed to make registration of Shops and Establishments real-time(Mumbai).

- Commercial divisions and appellate divisions have been established in Bombay High Court

- Online registration of Value Added Tax (VAT) with real-time Tax Identification Number (TIN) allotment has been introduced(Delhi).
- Commercial divisions and appellate divisions in Delhi High Court have been established.

7.3.3.Technology Related

1. Municipal Corporations in Delhi have introduced fast track approval system for building permits with features such as:
 2. Common application form
 3. Use of digital signature for filing application and issue of permits
 4. Online transfer of application and receipt of NOC
 5. Online system has been integrated with Airport Authority of India (AAI), Delhi Urban Arts Commission (DUAC), Delhi Metro Rail Corporation (DMRC) & National Monument Authority (NMA).
 6. Delhi VAT Sewa App has been developed whereby permanent business registration is done without need for field verification by VAT inspector. This step has eliminated instances of corruption and irregularities during field verification.
 7. VAT and Profession tax registration has been integrated into a single process(Mumbai).
 8. Municipal Corporation of Greater Mumbai has introduced fast track approval system for building permits with features such as:
 9. Common application form
 10. Online transfer of application and receipt of NOC
 11. Online system has been integrated with AAI & NMA.
 12. In Delhi, all sub-registrar offices have been digitized and sub-registrar's records have been integrated with the Land Records Department.
 13. In Maharashtra, all property tax records have been digitized.

PAI INDEX 2016

OVERALL	TRANSPARENCY AND ACCOUNTABILITY	WOMEN AND CHILDREN	DELIVERY OF JUSTICE	SUPPORT TO HUMAN DEVELOPMENT	CRIME, LAW & ORDER	SOCIAL PROTECTION INDEX	RANK	ENVIRONMENT	ECONOMIC FREEDOM	ESSENTIAL INFRASTRUCTURE	FISCAL MANAGEMENT
KERALA	KERALA	Manipur	Meghalaya	Sikkim	Manipur	Mizoram	29	Arunachal	Gujarat	Delhi	Delhi
Tamilnadu	Karnataka	Mizoram	Tripura	Manipur	Tamilnadu	Sikkim	28	Tamilnadu	Maharashtra	Punjab	Meghalaya
Karnataka	Chattisghad	KERALA	Arunachal	Mizoram	Nagaland	Karnataka	27	Mizoram	Andhra	Goa	Manipur
Mizoram	Himachal	Sikkim	KERALA	Himachal	Mizoram	W. Bengal	26	Karnataka	Tamilnadu	Haryana	Arunachal
Himachal	Punjab	Nagaland	Delhi	KERALA	Gujarat	J & K	25	Nagaland	Rajasthan	Himachal	Sikkim
Maharashtra	Assam	Arunachal	Tamilnadu	Goa	KERALA	KERALA	24	W. Bengal	Madhyapradesh	Gujarat	Goa
Gujarat	Delhi	Himachal	J & K	Punjab	J & K	Madhyapradesh	23	Sikkim	Uttarpradesh	Andhra	Uttarprade
Punjab	Haryana	Tamilnadu	Uttarakhand	Nagaland	Himachal	Arunachal	22	Gujarat	Punjab	Tamilnadu	Assam
Delhi	Maharashtra	Tripura	Mizoram	Uttarakhand	Punjab	Himachal	21	Himachal	Karnataka	Uttarakhand	Jharkhand
Sikkim	Uttarpradesh	Assam	Chattisgharh	Karnataka	Sikkim	Rajasthan	20	Maharashtra	Haryana	Maharashtra	Bihar
Goa	Jharkhand	Andhra	Nagaland	Meghaland	W.Bengal	Tamilnadu	19	KERALA	Chattisgarh	Sikkim	J & k
W. Bengal	W.Bengal	Odisha	Goa	Tripura	Arunachal	Uttarprade	18	Odisha	W. Bengal	Uttarpradesh	Odisha
Manipur	Madhyaprad	Karnataka	Haryana	Tamilnadu	Uttarakhand	Nagaland	17	Andhrapradesh	Odisha	Karnataka	Chattisgarh
Andhra	Goa	Maharashtra	Himachal	Andhra	Maharashtra	Uttarkhand	16	Assam	Jharkhand	Rajasthan	Punjab
& K	Bihar	Meghalaya	Madhyapradesh	Haryana	Goa	Meghalaya	15	Punjab	KERALA	KERALA	Madhyapradesh
Arunachal	Mizoram	W. Bengal	W. Bengal	Delhi	Andhra	Manipur	14	J & K	Goa	J & K	Tripura
Meghalaya	Rajasthan	Uttarakhand	Manipur	J & K	Karnataka	Assam	13	Tripura	Himachal	Arunachal	Rajasthan
Haryana	Gujarat	Punjab	Maharashtra	Maharashtra	Meghalaya	Maharashtra	12	Meghalaya	Delhi	W. Bengal	Karnataka
Uttarakhand	Andhrapradesh	Haryana	Odisha	Arunachal	Chattisgarh	Delhi	11	Manipur	Uttarakhand	Mizoram	Tamilnadu
Rajasthan	Odisha	J & K	Andhra	Odisha	Tripura	Chattisgarh	10	Rajasthan	J & K	Chattisgarh	W. Bengal
Chattisgarh	Meghalaya	Goa	Sikkim	Rajasthan	Bihar	Odisha	9	Madhyapradesh	Assam	Bihar	KERALA
Uttarpradesh	Uttarakhand	Chattisgarh	Uttarpradesh	Gujarat	Rajasthan	Goa	8	Haryana	Bihar	Madhyapra	Uttarakhand
Nagaland	Tripura	Delhi	Gujarat	W. Bengal	Odisha	Tripura	7	Uttarpradesh	Arunachal	Meghalaya	Gujarat
Tripura	J & K	Madhyapradesh	Rajasthan	Assam	Assam	Gujarat	6	Bihar	Nagaland	Jharkhand	Nagaland
Madhyapradesh	Manipur	Gujarat	Karnataka	Chattisgarh	Madhyapradesh	Punjab	5	Goa	Mizoram	Tripura	Haryana
Assam	Tamilnadu	Uttarpradesh	Punjab	Jharkhand	Jharkhand	Andhrapradesh	4	Chattisgarh	Tripura	Manipur	Maharashtra
Odisha	Sikkim	Rajasthan	Assam	Uttarpradesh	Uttarpradeah	Jharkhand	3	Jharkhand	Sikkim	Nagaland	Mizoram
Jharkhand	Nagaland	Bihar	Bihar	Madhyapradesh	Delhi	Haryana	2	Delhi	Manipur	Assam	Andhra
Bihar	Arunachal	Jharkhand	Jharkhand	Bihar	Haryana	Bihar	1	Uttarakhand	Meghalaya	Odisha	Himachal

THE CONSTRUCTION OF PAI: METHODOLOGY

TRANSPARENCY AND ACCOUNTABILITY

Transparency	: Adherence to Number of services provided under e-Governance Plan
Accountability	: Lok Ayukt Constituted / Bill passed; Individual website; Chair persons appointed; percentage of ACB cases disposed; Panchayat Devolution Index Score

WOMEN AND CHILDREN

Child	: Crime against children; percentage of child labour; percentage of beneficiaries under ICDS; child sex ratio; percentage of malnourished children
Women	: women working population ratio; Utilization of Janani Suraksha Yojana Funds; Female literacy rate; Institutional delivery

DELIVERY OF JUSTICE

Pendency of cases in High Court and District Courts; vacancy of presiding officers in the High court and District Courts

SUPPORT TO HUMAN DEVELOPMENT

Education	: Education Development Index; ASER Learning levels; no. of higher education colleges per one lakh population; Educational expenditure as percentage of GDP
Health	: IMR; Average population served per hospital bed; full immunization; Health expenditure as percentage of GDP

CRIME, LAW & ORDER

Violent Crimes	: Rapes, murders, dowry deaths per ten lakh population
Atrocities	: Custodial deaths per ten lakh population; police firings
Policing	: No. of police personnel per ten lakh population.

SOCIAL PROTECTION

Public Distribution System	: Allocation and offtake of grains under PDS
----------------------------	--

Social Justice and Empowerment : Percentage of pension beneficiaries of the total population above 60; percentage of households with no land; Incidence of crimes against SC/ST

Minority Welfare : Number of minority children give pre metric scholarships; unemployment rate; percentage of manual labour

Employment : unemployment rate; percentage of manual labour

ENVIRONMENT

Pollution and environmental violation : Suspended particulate matter; SO2 emission; NO2emission; no.ofviolations

Increase or decrease in forest cover; renewable energy as percentage of energy generated

ECONOMIC FREEDOM

No. of Industrial entrepreneurs memorandum filed;

Ease of doing business;

No. of registered MSMEs

ESSENTIAL INFRASTRUCTURE

POWER : T & D Losses; percapita consumption; percentage of houses electrified;

WATER : %age of houses with safe drinking water; Irrigated vs agricultural area; Existence of Water Regulatory Commission and Ground Water Act; ROADS AND COMMUNICATIONS: Percentage age of surfaced roads; Road density ; Percentage of households with cellphones

FISCAL MANAGEMENT

FRBM Indicators: Revenue Surplus / deficit; fiscal surplus / deficit; debt burden - as percentages of GDP

Revenue Generation and Develop Expenditure : Per capita Development expenditure; State's own tax revenue growth

8.0. Policy and Practice

The doing Business Report ranks a country on 10 parameters. Reforms that have already been taken place in India, fall under each of these parameters is as follows:

Starting a Business: Registration with ESIC and EPFO has been made real-time by eliminating all physical touch-points. The requirement of opening a bank account has been removed as a mandatory condition for registration with ESIC and EPFO. The system of issuing PAN and TAN has been put in place together within T+1 days on an application using digital signatures on the ebiz platform. PAN and TAN numbers can be issued on CBDT's portal within T+3 days without digital signature. Maharashtra state has combined the process of registration with VAT and profession tax. The registration will now be granted in 24 hours and the same has been adopted by Delhi VAT. Form INC 29 has been launched by Ministry of Corporate Affairs to avail 3 pre-registration services viz. 'Name Availability', 'Director Identification Number' and 'incorporation of company' with one form and one payment.

Construction Permits: Municipal Corporation of Greater Mumbai (MCGM) has completed the process of single window approval by integrating with internal departments as well as, AAI and NMA through a common application form. NOCs from Maharashtra Industrial Development Corporation (MIDC), Director of Industries, Collector and Maharashtra Housing and Area Development Authority (MHADA) have been eliminated. It has also introduced digital signing of building permit application, as well as sanctioned maps, thereby eliminating need of physical submission of documents. The manual application for grant of construction permits has been discontinued. Municipal Corporations of Delhi has completed the process of single window approval by integrating with internal departments as well as DMRC, Delhi Fire Services, DUAC, AAI and NMA through a common application form. NOC from Labour Department of Delhi Government is not required if no manufacturing activity is undertaken in the building. It has also introduced digital signing of building permit application, as well as sanctioned maps, thereby eliminating the need of physical submission of documents. Manual submission of application for grant of construction permits has been done away with. Ministry of Urban Development and Delhi Development Authority (DDA) have notified the Unified Bye-laws. Color coded maps have been developed by AAI, NMA, DUAC and DMRC to enable applicants to determine whether NOC is required for the land for which permission is applied for.

Getting Electricity: Maharashtra and Delhi have implemented the lump-sum charges for electric connection thereby removing the need of an estimate and an inspection for the same. They have also made online application for connections above 100KVA mandatory. Delhi Electricity Regulatory Commission has revised the application format of Delhi Electric Supply Code and Performance Standards Regulations, 2007 for faster release of electricity connection. The distribution licensees have been directed to process applications in the revised format along with the declaration form.

Following are the two documents required for getting electricity connection.

1. Identity proof
2. Proof of ownership/occupancy of premises

Trading Across Borders: Central Board of Excise and Customs (CBEC) has implemented Single Window Interface for Facilitating Trade (SWIFT) (online single window for clearance of goods) on the ICEGATE portal by integrating FSSAI, Animal Quarantine, Plant Quarantine, Drug Controller and

Wildlife Control Bureau for imports. Customer risk management system has been extended to other regulatory agencies to ensure risk- based inspections. Limit on the number of consignments released under direct delivery has been removed by Ministry of Shipping thereby facilitating prompt delivery of goods. Terminal handling receipts have been eliminated from Jawaharlal Nehru Port Container Terminal which cuts down the time taken for the containers at the port. Filing of import and export declarations and manifests has been made online with digital signature. An electronic messaging system between Shipping lines and custodians for electronic delivery order has been introduced. Customs Clearance Facilitation Committee has been set up at every major customs seaport and airport at Central level. The system of physical control and locking of public and private warehouses by Customs is dispensed and it is replaced with record based controls. 24X7 customs clearance facilities and documents required for export and import has been reduced to three.

Enforcing Contracts: The Arbitration and Conciliation Act has been amended to reduce the time taken in arbitration proceedings and grounds on which an award may be challenged. Commercial Appellate Division Bench and Commercial Division Benches are functioning in Bombay High Court and Delhi High Court.

9.0. Lessons and the Way Forward

The traditional concepts of industrialization has undergone a sea change under the globalization era. Where the global value chains dictate the rules of the game, 'ease of doing business' cannot remain as a stand-alone criterion. It is not simply attracting new investments, but the way business performs is also equally important. It is the 'triple bottom line' that is significantly decisive in influencing the global value chains, not simply the cost of production. The question is not simply whether investment has taken place, how it has taken place also is equally important. That gives signals to the investor community, within the country and outside. This is the whole logic and rationale of 'responsible business'. The 'ease of doing business' variables do not adequately consider these variables. Beyond this, every democratic country has some objectives of social policy, which need to be built into the agenda of investment promotion.

What is the way out after all? The modern economy is knowledge- driven. Therefore, the creation of **knowledge- driven economic governance** alone, can ensure a balance of social and economic goals of investment. The discussion in the earlier pages of this paper show that, the major 'EDB' factors in India relate to technology solutions. Twenty-five years after the kick starting of the process of active liberalization in the country, these achievements are rather lack-lustre, and they in fact, demonstrates the weaknesses of public governance and economic governance in the country. Technology, by itself, cannot lead to an improvement in investment environment, unless the benefits of technology are closely integrated and built into the mainstream of economic governance. Effective economic governance demands a real command over the economy, armed with the strong background of knowledge resources. In the context of MSME promotion, this is too critical, simply for the reason that it is a too invisible sector. In India's manufacturing agenda, and especially for the successful conduct of flagship programs such as 'Make in India', this second-line role of the MSME sector cannot be ignored. Going by such a criteria, India's unfinished agenda of 'ease of doing business' has to explore more innovative measures and strategies.

Selected Bibliography

Abdul Kalam, A.P.J.(2003): "Implementing e-Governance Reforms", Inaugural address at IIT Delhi during International Conference on e-Governance, 18th December, 2003; (reproduced in '**Compendium of e-Governance Initiatives in India**', ed. Piyush Gupta & R.K. Bagga; <https://www.csi-sigegov.org/publications.htm>); http://arc.gov.in/11threp/ARC_11thReport_Ch6.pdf accessed August 10, 2016, <http://www.igi-global.com/chapter/effectiveness-government-delivering-services/42550>

Anon,(2008: "**Expert Voice: James Champy on Re-Engineering**", 2002"; <http://www.cioinsight.com/c/a/Expert-Voices/Expert-Voice-James-Champy-on-Re-Engineering/>; (extracted on 24.09.2008)

Backus, Michiel(2001): "**E-Governance and Developing Countries: Introduction and examples**" Accessed August 8, 2016

Benjamin R. Rockart J. Scott Moarton, M. and Wyman, J. (1984):'**Information technology, A strategic opportunity**', Sloan Management review Spring: 3-10.

Bhatnagar Subhash(2004; '*Promoting e-Governance - The SMART Way Forward Implementing e-Governance Reforms*;',in : '**e-Government - From Vision to Implementation**' (New Delhi,Sage Publications).

Charlemagne(2010):**But what would economic governance mean?**

Department of Transport, U.K(2016: '**Consultation on implementation of Directive 2014/90/EU and equipment standards for domestic ships and vessels**'

Digital India, 2015, "e-Kranti-Electronic Delivery of Services",

http://...../E-governance/eKranti-Electronic-delivery-of-services_Digital-India-Programme.html Accessed August 8, 2016, e-taal, 2015, <http://etaal.gov.in>, Accessed August 8, 2016

DIPP (undated) **Ease of Doing Business: Getting a Building Plan Approval in Delhi**

DIPP (undated) **Ease of Doing Business: Getting a Building Plan Approval in Mumbai**

DIPP (undated) **Ease of Doing Business: Getting an Electricity Connection in Delhi**

DIPP (undated) **eNewsletter - May 2016**

DIPP (undated) **Initiatives on Improving 'Ease of Doing Business' in India as on 7th June, 2016**

DIPP (undated) **Report of the Expert Committee on Prior Permissions & Regulatory Mechanism - Annexures Annex - I | Annex - II-A | Annex - II-B | Annex - III | Annex - IV | Annex - V-A | Annex - V-B | Annex - VI | Annex - VII | Annex - VIII | Annex - IX | Annex - X | Annex - XI | Annex - XII**

DIPP (undated) **State Business Reform Action Plan implementation guide for states**

DIPP (undated) **Report on assessment of Implementation of Business Reforms by States**

DIPP (undated) **Minutes of the meetings - DIPP's Expert Committee on Regulatory Approvals**

DIPP (undated) **Major Initiatives on Improving 'Ease of Doing Business' in India**

DIPP (undated) **Best Practices to Improve the Business Environment across states/UTs in India**

DIPP (undated) **Recommendations to States (340 Final Points)**

DIPP (undated) **Response to State's Comments**

Govt of India (2015): **Report of the Committee on 'Ease of Doing Business'** (Chairman: Ajay Shankar) (New Delhi, DIPP)

Heeks, Richard (2001): **Understanding e-Governance for Development** (Institute for Development Policy and Management, University of Manchester). <http://www.iimahd.ernet.in/egov/ifip/dec2001/article3.htm>, accessed August 10, 2016

Heeks, R. (2001a). **Building e-Governance for Development: A Framework for National and Donor Action**. (The i-Government working paper series; No. 12). University of Manchester.. Publication link: 32557ed0-0e37-4272-8298-1e3d2b68073c

Heeks Richard (1999), '**Reinventing Government in the Information Age - International Practice in IT-enabled Public Sector Reform**' (Routledge, London and New York).

Mathew, P.M. and J.M.I.Sait (2015): **From e-Governance to Economic Governance**, ISED Policy Briefs Series, (Cochin, ISED).

Institute of Small Enterprises and Development (ISED) (2015): **India Micro, Small and Medium Enterprises Report 2015** (Cochin, ISED).

ISED Small Enterprise Observatory (2014): **Micro, Small and Medium Enterprises in India: A Mid-term Agenda for 2014-19** (Cochin, ISED)

Mathew, P.M (2000): **Small Enterprise Development: The experience of the South and the North**

Mathew, P.M (2003): **Beyond Old Equations: Small Enterprise Experience and Perspectives in India** (with Foreword by Dr. George Assaf, South Asia Regional Director, UNIDO) (New Delhi, Kanishka Publications)

Ministry of Micro Small Medium Enterprises (2014): **Press Note** - 23rd September 2014; http://msme.gov.in/WriteReadData/Whatsnew/pressmeet_english.pdf accessed August 7, 2016

Moily, Veerappa (2008): "**Government of India- Second Administrative Reforms Commission, Eleventh Report-Promoting e-Governance The SMART Way Forward**" (http://arc.gov.in/11threp/ARC_11thReport_Ch6.pdf)

NeGd(2016: "**Krishi**" <http://negd.gov.in/e-krishi> Accessed August 9,2016

Oommen, M.A.(1995): '**Devolution of Resources from the State to the Panchayatiraj Raj Institutions; Search for a Normative Approach**', ISS Occasional Paper Series, No 18,(New Delhi, Institute of Social Science).

Oommen, M.A.(2009): '**Report of the Committee for Evaluation of Decentralised Planning and Development**', (Trissur, Kerala Institute of Local Administration (KILA)

Pramila Devi (undated): '**E-Governance for Small and Medium Enterprises in a Developing Country like Fiji: Potentials and Problems**

Public Affairs Centre India (2016): '**Public Affairs Index, 2016**

Raphel, Jose C, (2000): '**Decentralised Planning in India**', Anmol Publications Pvt.Ltd. New Delhi.

Shodhganga, ud, shodhganga.inflibnet.ac.in/bitstream/10603/8482/.../12_chapter%204.pdf
accessed August 9, 2016

United Nations(2016): '**Un E-Government Surveys, Public Administration and Development Management** (Department of Economic and Social Affairs). <https://publicadministration.un.org/en/Research/UN-e-Government-Surveys> Accessed, August 10,2016

UNPAN (2016): United Nations Public Administration Network, Country Studies:
<http://www.unpan.org/Library/MajorPublications/UNEGovernmentSurvey/PublicEGovernanceSurveyintheNews/tabid/651/mctl/ArticleView/ModuleId/1555/articleId/51150/Default.aspx>
Accessed August 10,2016

About the Authors

Dr. P. M. Mathew, Senior Fellow and Director at ISED, is an economist by training, specializing on industrial policy, and private sector development. Winner of the 'Oshikawa International Award', instituted by Asian Productivity Organisation (APO), Tokyo, and of Birla National award in Economics, Dr. Mathew did his studies and training in India, the Netherlands and in U.K. He was Senior Chevening Fellow of the Foreign and Commonwealth office (FCO), U.K. Dr. Mathew has been working in consulting and advisory roles with the UN system, Government of India, and with several international organizations. He has written widely on public policy, enterprise development, and local economic development.

Dr. J. M. I. Sait, formerly Chief Technical Advisor at the UNIDO, is Senior Fellow at the Institute of Small Enterprises and Development. He did his studies in the United States and in India. His specializations include, industrial policy and planning, local economic developments, industrial reengineering, marketing, and SME Finance, Dr. Sait has significant hands on international experience in the organisation of Global Investor Meets. He serves in consulting and advisory roles with several international organizations.



FICCI-Confederation of MSMEs

Federation House, Tansen Marg, New Delhi 110 001.
T: 91-11-23487260; 23487307 F: 91-11-23320714
E: cmsme@ficci.com W: www.ficci-cmsme.com



Institute of Small Enterprises and Development (ISED)

ISED House, ISED Road, Vennala, Cochin 682 028
T: +91-0484-2808727, 2808171 F: 91-0484-2809884
E: director@isedonline.org W: www.isedonline.org