

“Make in India” and Ease of Doing Business

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Abstract: The “MAKE IN INDIA” programme is aimed at showcasing India as a global investment destination. The programme is being implemented by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. Further steps by Govt. like the Digital India campaign, invitation to the leaders of all the SAARC countries, US and Japan visit and various business friendly reforms have significantly created a positive business environment in the country. After all these efforts there are still some bottlenecks are there in economy which Government needs to address towards making India a global manufacturing hub. This research paper aims to identify some of the key challenges in the path of development and recommend possible solutions to deal with the same. The data obtained from various sources like W.A.I, World Bank, Ministry of R.T.H., Reports from E&Y various news articles from some of the leading newspapers, this paper has been able to identify the following major challenges in the path of making India a global manufacturing hub and accordingly make a few suggestions regarding possible solutions to deal with each of the issues:

- Land acquisition challenges
- Infrastructure development of major roads and highways in the country
- Improving the ease of doing business in India
- Improving the employability of general and engineering graduates
- Capacity addition in the power sector to meet industrial energy demand

Keywords: Global investment, Commerce, Industry, Business environment, Government

1. Introduction

The recent launch of this campaign by PM where CEO's of about 3000 companies and leading business from 30 countries were present is a step towards new Government's efforts to boost investor confidence in the country. Added with this PM's recent US visit and meeting with CEOs of some of the top global firms like Google, Goldman Sachs, General Electric, Cargill, Boeing and many others definitely set the ground for investment in India.

But in real world scenario there are still a lot of challenges which Gov. has to overcome in order to achieve 10% growth in manufacturing sector a reality. This paper tries to analyse the key issues facing “Make in India” vision and recommend possible strategies to deal with the same.

Issues which the Government has to take care of for turning the “Make in India” vision into a reality

1. Improving the ease of doing business in India

The World Bank report gave India a rank of 142 out of 189 countries in the category for ease of doing business based on surveys conducted in two major cities Mumbai and Delhi prior to the new Govt. came into the power. To increase investor sentiment, it is necessary that the Government works to improve the various components of Doing Business indicators like getting electricity, getting credit, registering property, paying taxes, protecting minority investors, trading across borders, enforcing contracts and resolving insolvency, because these are the key things which a firm looks out before going for an investment decision in a country.

The Ease Of Doing business scores are calculated by surveying the start-ups in the biggest business cities in India. The calculations are based on the time taken for the setting up of the entire company with consideration of legal and other prospects.

The break-up of the Ease of Doing Business score parameter for MUMBAI

DB 2014 Ranks

Topics	
Starting a Business	156
Dealing with Construction Permits	183
Getting Electricity	134
Registering Property	115
Getting Credit	30
Protecting Minority Investors	21
Paying taxes	154
Trading across borders	122
Enforcing Contracts	186
Resolving insolvency	135

Source: Doing Business report, World Bank Group

Some of the suggested reforms for the above mentioned areas of concern are mentioned below

1.1 Starting a Business

Many countries across globe have taken steps to make it easier for starting a business by making procedures simpler or faster by introducing information technology and reducing, eliminating minimum capital requirements or streamlining procedures by setting up a one-stop shop.

We should also adapt a similar approach to reap benefits like financial resources and job opportunities, more registered businesses and greater firm satisfaction.

1.2 Dealing with Construction Permits

To protect public it is important to regularise this sector but excessive constraints on this sector may lead companies to pay bribes to pass inspections or simply build illegally to avoid the delay in time and expenditure. In an effort to keeping compliance costs reasonable while building safety governments around the world have adopted efficient

processes, coherent and transparent rules, stricter deadlines and adequate allocation of resources

1.3 Paying Taxes

Taxes are major source of revenue for the government however the taxation should be practiced with extreme caution so that it does not negatively impact the economy and the investment climate. Policies like retrospective taxation which negatively impact investor confidence shall be done away. Online taxation shall be introduced, also, taxes on essential and elastic goods and services should be very minimal to prevent heavy tax burden on both consumer of producer.

The implementation of **the Goods And Services Tax** will make a positive climate for investment and growth by bringing about benefits like eliminating indirect taxes, state-level sales tax, taxes on transportation of goods and services, entry tax, stamp duty, central sales tax and central sales tax etc.

It will help to build a transparent and corruption-free tax administration. GST will be imposed only at the final point and not at different points as we have in current tax system where a manufacturer have to pay tax when a finished product moves out from the factory and it is again taxed at the outlet when sold. It is estimated that India will gain \$15 billion a year by implementing GST as it would promote boost growth, raise employment, exports.

1.4 Enforcing Contracts

Settling commercial disputes in India is a very lengthy and expensive process. The data collected by doing business shows that contract enforcement takes on the average 1420 days, costs 39.6 % of the claim's value with 46 require procedures. The judiciary must reduce the number of unnecessary formalities associated with dispute settlement and enforce short and strict deadlines for dispute settlement.

2. Land Acquisition Challenges

Acquiring land is a very important initial stage for establishing a manufacturing firm. Under the new law developers have to get consent of 70 per cent of land owners in the case of public-private partnership projects and up to 80 per cent of people whose land is acquired for private projects. Rehabilitation and resettlement are the main issues associated with it which may lead to conflict.

In states like Haryana and UP land acquisitions have several time lead o disputer which ultimately results in huge project delays.

The alternative can be for the Gov. is to acquire only wasteland for industrial projects, this will solve the problem of the consents and the costs of rehabilitation and resettlement and therefore lead to speedier execution of projects.

According to wasteland index of India the following is classified as wasteland in India:

- Degraded forest

- Barren
- Gullied land
- Salt affected land
- Ravenous land
- Shifting cultivation
- Salt encrustation
- Snow covered area
- Steep sloping area
- Upland without scrub
- Waterlogged area
- Land with scrub

A total of 552692.26 square kilometres of wasteland exist in India out of the total geographical area of 3287263 square kilometres as per the data given in Wasteland atlas of India 2013, This vast amount of wasteland can be used as a huge potential for setting up manufacturing facilities .Moreover the acquisition of these land will hardly generate any criticism and hence a speedier execution can be assured for development projects.

3. Improving the Employability of General and Engineering Graduates

Human resources are the greatest asset of any firm. Company will set up their plants in India only if they able to find requisite amount of good quality skilled labour in the country the agriculture sector which employs 51% of total workforce has only 17% contribution in the GDP and around 22% of workforce which is employed in manufacturing contributes 26%.

However, various surveys conducted reveals that a huge gap exist between graduate skills and market needs. As per a survey by E&Y for FICCI 75% of IT graduates, 55% of manufacturing, 55% of healthcare and 50% of Banking and Insurance graduates are deemed unemployable.

Moreover the NASSCOM infers that of around 3 million engineering graduates only 10 to 15 % are employable. It is thus important to find the possible reasons which cause low employability of Indian graduates in general and engineering graduates in particular.

In most of the engineering colleges the curriculum is theoretical in nature and students are not made aware of the applications of the theories in the industries, it shows the lack of interaction in industry and institutes. This issue must be addressed by setting up guidelines for proper industrial training and enough exposure to the real life systems.

4. Infrastructure Development of Major Roads and Highways in the Country

Well developed and well maintained infrastructure, particularly, roads and highways. Are vital for efficient movements of raw and final products across country as roads carry 65% of its freight in the country. India has a total of 48.65 lakh kilometre of road network consist of NH (92,851 Km), State Highways (1,38,489 Km), Rural roads, Major District Roads, and Urban roads (All together 46.34 Lakh kilometre) as per figures from website of MRTTH as on

31st March, 2014. NH comprise 1.7% of India's total road network but carry 40% of road traffic with only 10000KM highways are 4 lanes.

Gov. should adapt PPP mode to broaden the highways and their maintenance. As most of these conversion projects are stuck at various stages of bureaucratic delays Gov. should impose proper policy for such matters and ensure the proper guidelines and timelines are followed.

Government should implement smart traffic control systems which works on real time data monitoring on vehicular traffic flow obtained through sources like traffic cameras and can be used to control the sequence and duration of traffic signals at major junctions across India.

5. Capacity Addition in the Power Sector to Meet Industrial Energy Demand

Without power no industry can be set up in a country. India has an installed capacity of 253.389 GW as of August 2014. In a May 2014 report by India's CEA, India had an energy requirement of 1048672 MU of energy out of which only 995157 MU of energy were available and out of a peak demand of 147815 MW, 144788 MW was the supply.

As per the 17th electric power survey out of the total demand 35% demand is from industrial sector which will go further as the manufacturing facilities will go up. Gov. had targeted a capacity addition of 88,537MW in 12th year plan but as of now only 46,766MW addition is completed as of august.

Delay in environmental clearances and shortage of fuel supply are some of the major challenges faced by the Indian power sector. the Government should focus on raising domestic coal production and improving quality of the existing mines by ensuring efficient and transparent allocation of coal blocks to fulfil the gap caused by de allocation of coal mines by supreme court Moreover, the Government should also work on scaling up other renewable sources of power like Hydro by focusing on resource rich states All environmental and safety factors must be considered in total before execution of any power project.

6. Conclusion

As we can see that the ease of doing business score wet down from 142 from 134 last year. But the data was obtained till May 2014 whereas most measures taken to improve the current system were taken after that. The various steps taken by the government to improve the policies and making them transparent, to fast track the decision making, to bring reforms in labour laws, Land law and taxation have kick started the manufacturing sector and shot the GDP growth by 5.7 % in the last few months.

If the governing bodies continues to work in current way the manufacturing sector will certainly will certainly grow to make India a manufacturing hub.

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