

## EASE OF DOING BUSINESS IN INDIA

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### ABSTRACT

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#### BACKGROUND

Union budget is one of the biggest events in the financial calendar of the country and this year's financial budget saw some great promises made for empowering the small and medium-sized enterprises (SMEs) and the start-up businesses. Our Prime Minister Mr. Narendra Modi has introduced "MAKE IN INDIA" in order to boost our growth rate and to see India as a world leader. This national initiative is designed to facilitate investment, foster innovation, enhance skill development within the country, to protect our intellectual property and thereby build best-in-class manufacturing infrastructure. Ease of Doing Business is one of the important initiatives run by the Government and is crucial to the success of various initiatives such as Make in India, Start-up India, Digital India, etc. The program is being implemented by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. Though the whole Government machinery is putting ample efforts to promote brand "MAKE IN INDIA", there are still some bottlenecks in our economy which Government needs to address towards, making India a global manufacturing hub. The emphasis has been on simplification and rationalization of the existing rules, regulations and introduction of information technology to make governance more efficient and effective. This paper will attempt: 1. Starting a business, 2. Regulatory for Taxation, 3. Improving the ease of doing business in India, 4. Challenges and opportunities for new business startups.

#### KEYWORDS

Business start-up, Central Govt. initiatives, Make in India, Digital India.

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#### BACKGROUND

On 16<sup>th</sup> January 2016, our beloved Prime Minister Mr. Narendra Modi announced bunch of benefits and schemes to promote start-up ecosystem in India in the event 'Start India, Stand up India'. based on this announcement, Government of India announced an Acton Plan that addresses all aspects of the startup ecosystem. To clarify which ventures fall under the preview of start-up, Department of Industrial Policy and Promotion, Government of India has defined start-up as under-

- An entity, incorporated or registered in India.
- Not older than five years.
- Annual turnover does not exceeding INR 25 crore in any preceding financial year.
- Working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

The startup scenario in India is going upward by the day with a wave of entrepreneurship sweeping through the youth of the nation. "Eco-Friendly start ups of India" focuses to see what innovations are bringing this change and how they will affect to society as well as to the economy of the country.

Even though Government is supporting budding entrepreneurs by offering host of subsidies, different benefits, there are still a lot of challenges/hurdles which the Government has to overcome in order to attain 10% growth rate in manufacturing sector.

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#### Government Needs To Work Hard To Overcome Following Challenges

- Provide proper platform for ease of doing business in India by improving parameters like getting electricity, getting credit, registering property, paying taxes, protecting minority investors, trading across borders, enforcing contracts and resolving insolvency, etc.
- Try to acquire wasteland for industrial projects, so that problem of the consents and cost of rehabilitation and resettlement can be minimized.
- Government must also try to improve the employability of general engineering graduates by setting up guidelines for proper industrial training and enough exposure to the real-life systems.
- Government must try to resolve the problems of bureaucratic delays in various infrastructural development projects.
- Government must focus on raising existing power generation as well as gear up projects which help in power generation through other renewable sources.

#### The above Issues can be Resolved in the following manner

- Starting a business - the government of India can take certain positive steps to make it easier for starting a business. Initiatives like making registration procedure easier, simpler and faster, excessive and wide spread use of information technology, reducing minimum capital requirements.
- Regulatory for taxes - as we all know taxes are the major source of revenue for the government. So, the government should try to design such a tax structure which will not negatively impact the economy and investment climate. Tax authorities should see that taxes on essential and elastic commodities are minimal to prevent heavy tax burden on both producers and end users. The implementation of the Goods and Services Tax (GST) will have a positive impact on investment and growth by

introducing benefits like indirect taxes, state level sales tax, taxes on transportation of goods and services, entry tax, stamp duty, central sales tax, & so on.

- Improving the ease of doing business in India – Following are some of the major initiatives taken by the government in the last couple of years to improve 'Ease of Doing Business' in India. Passage of Insolvency and Bankruptcy Code, Time for registering companies reduced, Easier processes for incorporation, Integration of processes through eBiz portal, doing away with requirement for minimum paid up capital, Making tax laws simpler, etc.
- Challenges and opportunities for new business startups - For new and young entrepreneurs, there are some unique challenges that are especially difficult to overcome. We can list out few such challenges like Abandoning another career, Financing, Teambuilding, Dealing with the unknown, Being the visionary, Loneliness, Rule-making, Decision-making, etc.

Due to positive industrial and economical atmosphere created by Government of India, startup businesses have ample amount of opportunities for nourishment. e.g. Demographic dividend, large population, High Mobile penetration, etc.

#### 15 Items Proposed in the Start-up India Action Plan

1. Compliance Regime based on Self-Certification: Objective is to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low.
2. Startup India Hub: An all-India hub will be created as a single contact point for start-up foundations in India, which will help the entrepreneurs to exchange knowledge and access financial aid.
3. Rollout of Mobile App and Portal: An online portal, in the shape of a mobile application, will be launched on April 1 to serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders.
4. Legal Support and Fast-tracking Patent Examination at Lower Costs: A fast-track system for patent examination at lower costs is being conceptualised by the central government. The system will promote awareness and adoption of the Intellectual Property Rights (IPRs) by the start-up foundations.
5. Relaxed Norms of Public Procurement for Startups: whenever a tender is floated by a Government entity or by a PSU, very often the eligibility condition specifies either "prior experience" or "prior turnover". Such a stipulation prohibits/ impedes Start-ups from participating in such tenders.
6. Faster Exit for Startups: In the event of a business failure, start-up may be wound up within a period of 90 days from making of an application for winding up on a fast track basis.
7. Providing Funding Support through a 'Fund of Funds' with a Corpus of INR 10,000 crore
8. Credit Guarantee Fund for Startups: Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged.
9. Tax Exemption on Capital Gains.

10. Tax Exemption to Startups for 3 years.
11. Tax Exemption on Investments exceed Fair Market Value.
12. Organizing Startup Fests for promoting Innovation and Providing a Collaboration Platform.
13. Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program.
14. Exploiting Private Sector Expertise for Incubator Setup.
15. Making Innovation Centers at National Institutes.

#### Union Budget 2017 for Small Businesses and Start-ups

Union budget is one of the biggest events in the financial calendar of the country and this year's financial budget saw some great promises made for empowering the small and medium-sized enterprises (SMEs) and the start-up businesses. The finance minister announced some great tax exemptions and policies for the small businesses and start-up companies that the start-up ecosystem in India will truly cheer in the upcoming days.

#### 5 Key Announcements from Budget 2017 for Businesses

1. Reduction in Income tax rate to 25% for domestic companies.
2. Reduction for presumptive taxation rate by 2%.
3. Extension of Income Tax holiday Start-ups.
4. Extension of Minimum Alternate Tax (MAT).
5. Relaxation for Carry forward of Losses in case of lesser promoter voting rights.

**Similarly, the Government of India is also trying to Create Healthy Platform for the Growth and development of Start-up Businesses. The Union Budget Focuses on following some Issues-**

- Infrastructure Investment.
- Stress on the GST.
- Automation in the approval of the FDIs.
- Emphasis on the skill training.
- Special incentives for the SMEs in the pharmaceutical sector.
- Development in the property construction sector.
- Promoting digitalization in the SME and MSME sector.
- Development of oil reserves.

**One of the Major Problems faced by Startups is of Capital Funding that can be resolved as-**

1. Bootstrapping your startup business.
2. Crowd funding As a Funding Option.
3. Get Angel Investment in Your Startup.
4. Get Venture Capital for Your Business.
5. Get Funding From Business Incubators & Accelerators.
6. Raise Funds by Winning Contests.
7. Raise Money through Bank Loans.
8. Get Business Loans from Microfinance Providers or NBFCs.
9. Govt. Programs That Offer Startup Capital.
10. Quick Ways to Raise Money for Your Business.

#### Detailed Steps and Explanation of Procedure to Start Business in India

##### Procedure 1.

Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal (National)

**Procedure 2.**

Obtain digital signature certificate online from private agency authorized by the Ministry of Corporate Affairs (National)

**Procedure 3.**

Reserve the company name online with the Registrar of Companies (ROC) (National)

**Procedure 4.**

Stamp the company documents at the State Treasury (State) or authorized bank (Private)

**Procedure 5.**

Get the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs (National)

**Procedure 6.**

Make a seal (Private)

**Procedure 7.**

Obtain a Permanent Account Number (PAN) from an authorized franchise or agent appointed by the National Securities Depository Ltd. (NSDL) or the Unit Trust of India (UTI) Investors Services Ltd., as outsourced by the Income Tax Department (National)

**Procedure 8.**

Obtain a Tax Account Number (TAN) for income tax deducted at source from the Assessing Office in the Mumbai Income Tax Department.

**Procedure 9.**

Register with the Office of Inspector, Shops, and Establishment Act (State/Municipal)

**Procedure 10.**

Register for Value-Added Tax (VAT) at the Commercial Tax Office (State)

**Procedure 11.**

Register for Profession Tax at the Profession Tax Office (State)

**Procedure 12.**

Register with Employees' Provident Fund Organization (National)

**Procedure 13.**

Register for medical insurance at the regional office of the Employees' State Insurance Corporation (National)

**CONCLUSION**

As we can see that the ease of doing business score went down from 142 to 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 Labor laws, Land laws 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 continue to work in current way the manufacturing sector will certainly grow to make India a manufacturing hub.

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