

White Paper on **MANUFACTURING SECTOR**

Prepared by

MADHU SIVARAMAN



Centre for Public Policy Research
Breaking Business Barriers
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Address:

Centre for Public Policy Research
'Anitha', 1st floor, S.A. Road, Elamkulam
Kochi, Kerala, India- 682 020

Ph : +91 484 6469117 / 4043895

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SECTION 1 - INTRODUCTION

1.1 Introduction to Ease of Doing Business

The “Ease of doing business” is a World Bank index which is widely used to rank 189 countries for their present business laws and regulation environment every year. The index however does not take into account general conditions like macroeconomic indicators, market proximity, infrastructure etc. Further, “Ease of doing Business” ranking is characterised by the average of 11 sub-indices like starting a business, getting credit, electricity, registering property etc. A higher ranking indicates efficient and simpler regulations for business and strong protection of property rights. This index not only identifies the source of the obstacle for doing business in a country, but also serves as the basis for policymakers to compare the regulatory environment for business across countries and design more compelling regulatory reforms for future.

India is one of the fastest growing economies in the world and has become one of the most attractive investment destination in the world. On analysing “Ease of doing business” index for 2016, we observe that India has moved up its ranking to 130, up by 4 units as compared to the previous year. The improvement in ranking is mainly because of the ongoing reforms and the 2 major drivers are, “Distance to frontier” sub index where India outperformed all the South Asia countries since 2004. The biggest improvement came from “Getting Electricity” sub index where the ranking jumped to 70 in 2016 from 137 in 2015. In order to complement its economic growth, India has to set major reforms to improve “Ease of doing business” ranking and attract more investors.

While Government of India (GOI) is constantly encouraging investments, the Department of Industrial Policy and Promotion (DIPP) is complimenting the government's initiative by taking several initiatives to ease doing business in India. The future reforms taken by GOI must ensure that India is on equal footing amongst other countries in terms of flexible, favourable, efficient and transparent business environment.

With this in view, the British High Commission (BHC) has initiated a study called “Breaking Business Barriers” for various sectors in India which focuses on stakeholder engagement and arriving at insights around business barriers. Specific recommendations have been identified for each of these sectors. The main objective of this report is to emphasize on the retail sector and the various barriers faced by businesses. We hope that the findings of this report would help bring the issues of retail sectors to the forefront and also serve as a reference point for the imminent need to pursue reforms in business policies and processes.

1.2 Introduction to Breaking Business Barriers

Centre for Public Policy Research (CPPR) in association with the *British High Commission (BHC)* has taken up an initiative '**Breaking Business Barriers**' aiming to curtail the regulatory barriers in

setting up, operating and exiting a business in the state of Karnataka, Kerala and Tamil Nadu. The initiative focuses on easing the business in seven sectors - Drugs and Pharmaceuticals, Education, Energy, Information Technology (Hardware & Software), Infrastructure, Retail and Manufacturing.

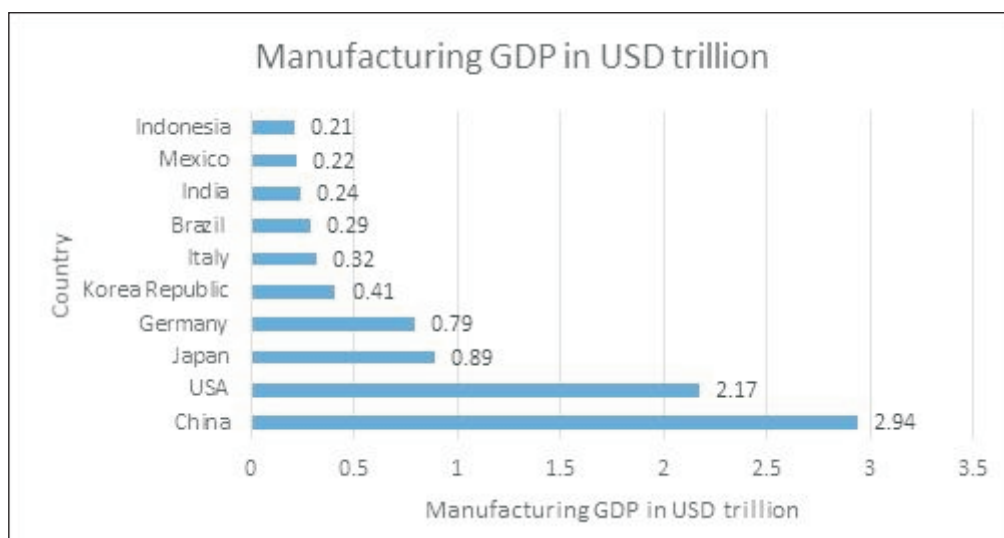
The initiative intends to enhance the development of a business-friendly environment in these states, by removing the regulatory barriers in doing business. The collaboration with the stakeholders has helped to identify the issues and challenges faced by them in operating the business and work towards finding a solution. In this regard, CPPR organized round table meetings with the Government representatives and business community in order to understand all relevant information regarding policies, taxation regimes, rules and other general information for doing business.

The website *EasyBiz* (easybizindia.com) India is created for the purpose of giving insights into the policy framework in the three states and measure state competitiveness. The website offers an interactive portal for the entrepreneurs to flag the issue faced by them in operating the business and work with one another to resolve the issue. The portal also has a clear process flowchart of the steps involved in starting a business (licenses, NOC, certificates) in the three states.

SECTION 2 - SECTOR OVERVIEW

2.1 Definition of the sector

In India, the manufacturing sector has gone through transformational changes over the years. The sector currently contributes to about 15-16 per cent of India's GDP (2015) and provides employment to about 12 per cent of the working population. India's share is 2.2 per cent of the global manufacturing output, which is in line with other developed nations like France, UK etc. However, compared to the big manufacturing countries of China and USA; India has lagged behind in manufacturing sector thanks to low productivity, misplaced priorities, archaic laws and high regulation, poor infrastructure, which led to India missing the bus of economic growth during the transition from primary to tertiary. India's manufacturing contribution is around 16 per cent compared to the 50 per cent contribution of services sector. The table below show how India's manufacturing sector stands in terms of GDP (In Trillion Dollars)



Source: Manufacturing sector GDP in different countries (Source: World Development Indicators)

In fact the odds are high in favour of India as there is an emerging middle class, young population and a strong willed government at the helm to create the right strategies and opportunities for boosting manufacturing growth. As per the 2016 Global Manufacturing Competitiveness Index report (Deloitte Global, 2016), India is set to attain the top 5 position as the most competitive manufacturing nation by 2020. Given the size and potential of the manufacturing sector in India, it is essential that the regulatory environment should be reformed and ease out to enable a competitive and competent business scenario in India. Through specific, well- directed reforms on various sub-sectors of manufacturing; India has the potential to attract more entrepreneurs and investments in this sector in addition to producing world class products for the global markets.

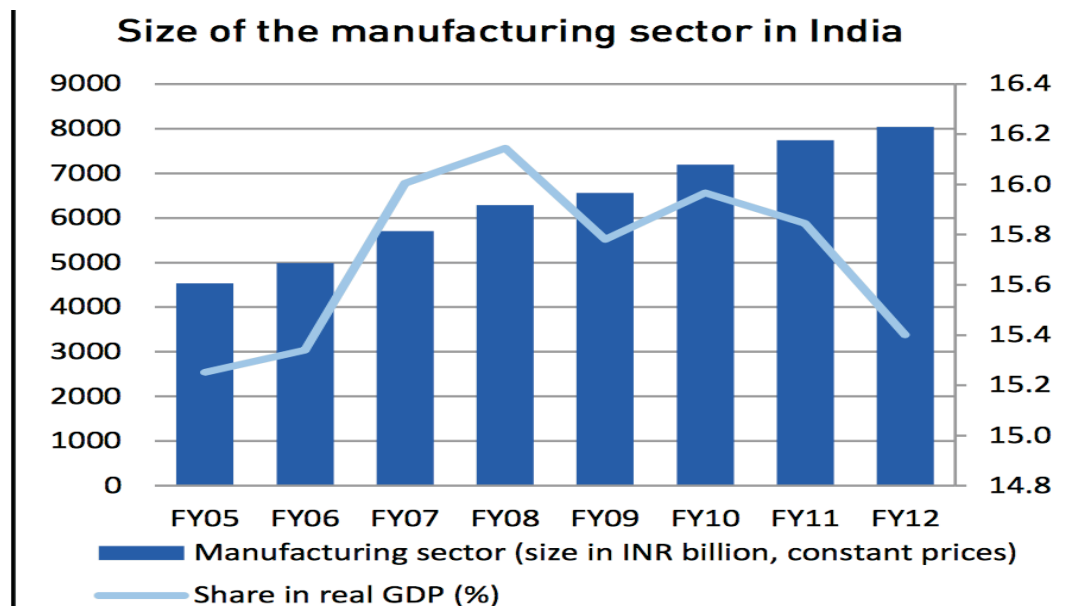
2.2 Manufacturing Sector in India

India's manufacturing sector is a fast growing sector with high growth potential. It is expected to contribute to 25 per cent of the GDP by 2025 as opposed to the current share of 16 per cent as per the National Manufacturing Competitiveness Council (NMCC). The sector contributed to 6 per cent of the nation's exports in FY11 and has been growing at the rate of 20 per cent of CAGR in the past decade (IBEF, 2015). India's growth in the manufacturing sector supersedes the other BRIC countries. This reiterates the strength and potential of the Indian manufacturing sector.

The government is taking several initiatives through training programs in order to ensure availability of skilled workforce. 25 sectors have been identified under the Make in India program aimed at boosting manufacturing output through right policies and strategies. Also, measures have been taken to ease the business climate in the country to encourage new investments and also FDI in the sector. The government set up the National Manufacturing Competitiveness Council (NMCC) to increase the sector's global presence through various initiatives such as SEZs (Special Economic Zones) and NIMZs (National Investment and Manufacturing Zones). The government is also providing various subsidies and incentives for technological up gradation in each sub sector of manufacturing

along with special schemes for Small scale and Medium Enterprises (MSMEs). However, it cannot be ignored that the sector is trying to thrive in a very rigorous regulatory set up. There are several government policies and other regulatory barriers that are keeping the sector from growing to its full potential.

This White paper addresses some of these key issues and suggests a way forward to ease out the barriers in doing business in Manufacturing sector in India. Covering areas of land, labour, licensing and permits, environment clearances and Local Self-Government; the paper aims to focus on specific issues and the measures taken by the government at the Centre and in the three states: Kerala, Karnataka, and Tamil Nadu. The Paper further explores the way forward in terms of the suggestions and reforms mooted in identified areas. This is based on the Research conducted by the Centre for Public Policy Research under its Breaking Business Barriers Project.



Source: RBI, 2012

The manufacturing sector's growth in India has been keeping pace with the overall GDP growth over the past few years. For example, while real GDP grew at a CAGR of 8.4 per cent over FY05-FY12, growth in the manufacturing sector was higher at around 8.5 per cent in the same period. Consequently, its share in the economy has marginally increased during this time to 15.4 per cent from 15.3 per cent. Growth however has remained below that of the services sector (IBEF, 2015).

Strong growth has been accompanied by a change in the nature of the sector -evolving from public sector dominated set-up to a more private enterprise driven with global ambitions. According to UNIDO, India is currently the largest manufacturer of textiles, chemical products, pharmaceuticals, basic metals, general machinery and equipment, and electrical machinery. In the coming years, the sector's role in the domestic and global economy is set to increase even further. A combination of

supply-side advantages, policy initiatives, and private sector efforts are essential to set India on the path of a global manufacturing hub.

2.3 Manufacturing sector in the states: Tamil Nadu, Kerala, and Karnataka

TAMILNADU

The Annual Survey of Industries (ASI) 2009-2010, evaluation conducted by the Ministry of Statistics and Programmed Implementation projected the status of manufacturing sector in Tamil Nadu. The evaluation was based on key factors that include number of factories, capital invested, number of workers, wages, product input and output and value added to the state.

According to the ASI 2009-2010, Tamil Nadu recorded 1.89 million persons engaged in the manufacturing sector, the highest among all states and union territories in India. During this period, the amount of fixed capital in Tamil Nadu rose by 35.9 per cent to INR 1.33 trillion. This increase in fixed capital contributed greatly to the expansion of gross output from INR 3.01 trillion in 2008-2009 to INR 3.76 trillion in 2009-2010 and to a vast increase in net value added, from INR 397.14 billion the previous year to INR 591.55 billion in 2009-2010. As one of the most industrialised states in India, Tamil Nadu has been an economic leader over the years. This is especially evident in Chennai, which has a large portion of India's manufacturing industries.

During the 2009-2010 period, Tamil Nadu witnessed the growth in 3 sectors - machinery and equipment (M&E), chemical and chemical products (C&CP), and computer, electronics and optical products (CE&O). The machinery and engineering sector accounted for 16.72 per cent of total net value added compared with 11.14 per cent in the previous year, surpassing the automobile sector as the top contributor to the total net value added of Tamil Nadu's manufacturing sector. The C&CP and CE&O sectors accounted for 3.71 per cent and 3.61 per cent of total net value added, respectively, up from 2.36 per cent and 2.73 per cent during the previous year although their contribution in terms of total net value added remained small.

KERALA

Kerala's position is 12th in the industrial ranking among the major 16 States in India. The industrial sector of Kerala employs 15 per cent of the total workers against the national average of 9 per cent. There are about 300 large and medium scale industries and 1,66,000 small scale industries, most of them are located in the coastal area. According to the recent reports published in the Economic Review 2014, the MSMEs sector showed a growth of 11 per cent till 2010-11, whereas growth rate was 19 per cent in 2011-12 and 14 per cent in 2012-13 (Kerala Stat, 2011). It has recorded consistent growth in the MSME sector with a 15 per cent increase of 13,043 units in 2012-13 to 14,997 units in 2013-14. This has shown a further 3 per cent upward trend in 2014-15, with a total of 15,455 units.

KARNATAKA

Karnataka is one of the more industrialized states in India and is the fifth largest contributor to India's manufacturing GDP. 18 per cent of Karnataka's total GDP is created by the manufacturing sector.

90 per cent of all FDI in Karnataka is concentrated in Bangalore, which is set to have been a flaw of the Industrial policy of Karnataka. Karnataka has a large manufacturing capacity in electronics, garments, aerospace and defence, automobiles, biotechnology, and steel production. However, it has been losing investment to established industrial states such as Maharashtra, Gujarat, and Tamil Nadu. Karnataka's manufacturing sector only saw a marginal growth of less than 1 per cent between 2005 and 2011 (Task Force Report, Karnataka, 2015).

Karnataka has been able to attract domestic and global players from certain sub sectors in manufacturing. The State even though an attractive destination does not offer favorable industrial policies in comparison to the other states of India. The Invest Karnataka Summit has helped regain some of its lost glory with existing companies like Bosch, and GSK expanding its growth.

2.4 Regulatory Framework

India's regulatory structure in Manufacturing sector is tightly controlled. Currently, the government regulates land approvals, environmental clearances, operational licenses and permits etc. There are multiple approvals to be obtained and individual departments regulate each of these. The various regulatory bodies governing this sector include Registrar of companies, state pollution control board, Department of factories and boilers, State electricity board, Ministry of forests and environment, and Department of labor.

2.5 Recent Initiatives taken by the Government

The Government of India has made a strong call for developing manufacturing sector in India through the Make in India campaign. This program is aimed at attracting investments to India, boost indigenous production including skill development and protection of Intellectual Property Rights. As part of the program, the government has set in motion a plethora of reforms and initiatives aimed at boosting ease of doing business. A closer analysis of the initiatives is required given the entire gamut of things were the initiatives are spread. These include Land and Labour, Environment Clearance, License and Permits, Finance and Tax. The report seeks to focus on some of these which have brought 'Ease of Doing Business' into the limelight of action. The degree of reforms aimed and the progress in Doing Business rankings of the World Bank are related but not extensive to really influence the decisions of the entrepreneurs and investors.

The Government of India had come out with a National Manufacturing Policy in 2011 to promote investment and output in the sector. This policy sought to increase the sector's contribution to GDP,

increase employment in the sector and promote sustainable growth through energy efficiency and optimal utilization of natural resources.

The policy has over the years enabled implementation of the following initiatives in the Manufacturing sector

- 100 per cent FDI is allowed in Special Economic zones
- The government set up NIMZ (National Investment and Manufacturing Zones). Eight Investment Regions along the Delhi Mumbai Industrial Corridor (DMIC) project have been announced as NIMZs recently by the Ministry of Commerce and Industry
- Incentives and subsidies were offered to small and medium scale companies in various operational taxes
- An alternative exit mechanism process is on the anvil
- Banking regulations of the RBI will be liberalized in the case of investing in MSMEs.
- Timelines is set to be defined for all the permits and clearances. Government has brought in major steps in pushing for reducing the timelines for construction permits (notification issued by Ministry of Urban Development), setting up business (EBiz portal)
- Single window clearance will be established for companies setting up within NIMZs.

Land

The National Land Records Modernization Program (NLRMP) launched by Government of India in August 2008, aimed to modernize management of land records. This has been one of the slowest movers in implementation as states have an important role in it. Some of the states have taken on the mission to digitize land records. Availability of Industrial Land is still the major impediment for manufacturing growth. The cost of buying and acquiring land has gone up in urban centres which have the benefit of infrastructure. Experts opine that Land markets be rationalised. India enacted the Land Acquisition, Rehabilitation and Resettlement Act, 2013 to create a framework to deal fairly with the displaced. However, inefficient land markets remain a major impediment to economic growth, as property rights are sometimes unclear and the process for land acquisition is time-consuming. India can reinforce property rights by demarcating land holdings through geospatial surveys and provide standardised title to landowners through digitising records.

The below table shows how the top states have favoured over other states in executing land records management.

States/ UT	RoRs Completed	Stopped Manual Issue of RoRs	Accorded Legal Sanctity to Computerized Copy of RoR	Started Mutation Using Computers	Placed RoR Data on Website	Digitized Cadastral Maps	Issuance of Records of Rights (RoR) from Tehsil Computer Centre	Issuance RoR through Kiosks/Common Service Centres at Town/Village level	Issuance of Digitally Signed RoRs
Gujarat	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Goa	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Madhya Pradesh	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

Source: Department of Land Resources, 2015

The Records of Rights (RoR) which is the crucial legal instrument for land and related transactions is supposed to be processed, analysed and digitized from the Village level to the state level. The status track shows how we have progressed in providing a seamless and efficient land management system for the benefit of the industries and people alike. Below is the status of three states:

States/ UTs	RoRs Completed	Stopped Manual Issue of RoRs	Accorded Legal Sanctity to Computerized Copy of RoR	Started Mutation Using Computers	Placed RoR Data on Website	Digitized Cadastral Maps	Issuance of Records of Rights (RoR) from Tehsil Computer Centre	Issuance RoR through Kiosks/Common Service Centres at Town/Village level	Issuance of Digitally Signed RoRs
Karnataka	Yes	Yes	Yes	Yes	Yes	Under progress	Yes	Yes	Yes
Kerala	Under progress	No	No	Under progress	No	No	No	Yes	No
Tamil Nadu	Yes	Yes	Yes	Yes	Yes	Under progress	Yes	No	No

Source: Department of Land Resources, 2015

Karnataka has been one of the first states to digitize land records through its Bhoomi project. The Bhoomi is set to have computerized 20 million records of land ownership of 6.7 million farmers in the state. Unlike the states of Gujarat and Goa, the state is yet to fully digitize and develop maps for ease of access.

In the state of Tamil Nadu, Patta or Chitta Extract can be procured from its online land portal (eservices.tn.gov.in). Land records, Land verification and Patta details can be accessed through its online portal. The *Tamil Nadu Land Administration Management Scheme* was introduced in 2008 to facilitate the Land management system and has shown signs of improvements recently. DTCP (Directorate of Town and Country Planning) approved layouts, sanctioned from 2009, are available online. Likewise, layouts approved by CMDA (Chennai Metropolitan Development Authority) from 2000 onwards and building plans sanctioned by CMDA from 2006 onwards can be verified online (Shyam Sundar, 2015).

Kerala has an online portal for land records, Bhoomi Keralam. However this has not been integrated nor a trusted source for land records. The state is yet to fully operationalise land record management which is causing significant difficulties for industries and citizens to procure, sell and make other transactions. Online verification of land records is not possible in Kerala. The E-Rekha system which is supposed to host cadastral data and meant to act as the data directory has not been effective. Significant bolstering is required for the state to improve the process of land registration, acquisition and other land based transactions suitable to attract investments.

Labour

A host of issues affect Manufacturing units because of labour regulations in India. It is estimated that 44 central and about 100 state laws is in existence. The following issues have been of significance to Indian labour system were the government has been over the recent year focusing its reformative steps. These include

- Working Hours (for Women and Overtime)
- Strict code of conduct for Labour Union
- Inspections
- Documentation (separate register)
- Compliances, especially for smaller firms
- Retrenchment process

Significant amendments made by the Central government to the Labour laws is set to influence the progress of manufacturing sector especially in the small scale segment. For eg: Factories Act has been amended wherein the units operating without electricity would be considered as a factory if they employ 40 workers, and units operating with electricity would be treated as a factory if they employ 20 workers. This will exempt the smaller units from the application of the Factories Act and enable lesser compliance benefitting entrepreneurs.

Shram Suvidha portal has for the first time sought to consolidate the data management process of labour. Labour Registrations related to Building & Other Construction Workers Act, Inter-State Migrant Workmen Act, Contract Labour Act and Payment of Gratuity Act etc has been now made uniform through the portal, which will now act as the single source of reference for Labour Departments and other entities on any matter related to Labour. Self Certification is being mooted for the following legislations.

Environment

The government has developed categorisation of industries based on Pollution Index as Red, Orange and Yellow. A new category of white category to cover industries into solar energy and other renewable energy has been initiated. The following norms have been applied

- Industrial Sectors having Pollution Index score of 60 and above - Red category
- Industrial Sectors having Pollution Index score of 41 to 59 -Orange category
- Industrial Sectors having Pollution Index score of 21 to 40 -Green category
- Industrial Sectors having Pollution Index score incl. & upto 20 -White category

Out of this 60 industrial sectors are in the red category, 83 in orange, 63 in green and 36 in white category based on the Pollution Index norms(CPCB, 2016).

Telangana has been one of the few states to have listed the industries which come under these categories. The government of Tamil Nadu is working towards categorising its industries which is set to help the majority of small scale industries who are into auto component, solar etc industries.

Tamil Nadu and Kerala have integrated clearances under Air Act and Water Act under the Online Consent Management system developed by the Ministry of Environment and Forest (MoEF). Out of the 6 states, Chhattisgarh has been able to add more permits and clearances to the system and extent the validity of the licenses.

While cadastral maps have been developed by the states; very few information is made available online. The Western Ghat Environmental Committee headed by Dr Madhav Gadgil has mapped the sensitive forest regions and zoned areas where industrial or any commercial activities shall not be allowed (Gadgil, 2013).As per response by Nirmala Sitaraman, Minister for Industries and Commerce on Starred question (April 29th, 2016) some of the recent measures moved towards ease of doing business on environment clearances include taking out the requirement of Environment Impact Assessment eased for industrial sheds, schools, colleges and hostels up to 1,50,000 square meter of build-up area and enabling online process for applying for Environment and Forest Clearances.

Role of Local Self Government

State's has the power to enact Single Window Clearance Act: Entry 24 in List II of Schedule 7 of the Constitution of India for setting up of industrial undertakings in the State. Panchayats, Municipalities and Corporations have specific powers under Section 233 of the Panchayat Raj Act and to Entry 6 in List II of Schedule 7 of the Constitution of India. This power is essential to regulate establishment of factories or installation of machineries to secure public health. The Panchayat is vested with the power to deal with any post- operational violations. The role of LSG's in licensing of industries will be crucial in the coming years especially in State of Kerala.

SECTION 3-WAY FORWARD

This section discusses the various issues that exist in the manufacturing sector in India. Right from the issues in entry to the issues in the exit process, there are several barriers that concern this sector. It is necessary to understand what other factors influence the manufacturing sector in India and how they can be overcome.

	ISSUE	SUGGESTED REFORMS
ISSUES IN LAND AVAILABILITY, ACQUISITION, CONVERSION AND CEILING LIMIT	Allocated land is limited and land acquisition is a costly affair. Often in land acquisition, the compensation package is not timely and lastly, the allocated land needs to have good logistics in terms of connectivity to road, rail and other public transport systems.	It is easier to occupy land with readymade availability of basic infrastructure like water, electricity and sewage connections that are already in place. This calls the need for more industrial parks to be made available.
	Land conversion is a cumbersome and time consuming process. By the time an entrepreneur identifies a land and converts it, he gets to begin operation of the unit, only a year later. There is also a paddy and wetland conversion act which is in place in Kerala which prevents any form of land	Land conversion process needs to be more streamlined. The Land Ceiling Act in Maharashtra is a good model to follow as the process of land conversion has been made easy. Dry land can be previously converted by the government and kept available for industrial requirements. Land ceiling act can be liberalized to a higher threshold and expansion of an industry can be encouraged.

	<p>use planning from 2009 onwards.</p> <p>Land ceiling acts in all the states are different and this stunts the growth of industries. In Kerala for example, an entrepreneur cannot possess over 15 acres of land.</p>	<p>Land banks can be maintained by the government of each state. A GIS Mapping can be in place specifying the area, infrastructure available and location of the land. Clarity and consistency required for enforcing Land Ceiling Act in states.</p>
<p>SINGLE WINDOW</p>	<p>Multiple licenses / permits and clearances required to be obtained by an entrepreneur in order to set up an industry.</p> <p>Each of these approvals are provided by individual departments and this is a cumbersome process.</p>	<p>Even though a single window process is in place, it does not integrate all the government services currently. State and Central regulations need to be assessed. Suitable legislations shall be put in place to empower Single Window systems at the state level, For eg: Pollution, Labour etc.</p> <p>Integrate the services of LSG's into the single window systems mooted. Clarity required for Appeal provision for LSGs and overriding powers of Single Window Clearance Board.</p>

<p>INFRASTRUCTURE</p>	<p>Inadequate infrastructure available in the industrial parks. It is time consuming to obtain water, power and sewage connection.</p> <p>These basic infrastructural needs are not in place when land is obtained.</p>	<p>Basic infrastructural needs like water, power and sewage connection are to be made available at the stage of land acquisition.</p> <p>Industrial parks shall have partnerships with companies for providing utility services in an effective manner</p> <p>Right to Service (RTS) as enacted in Kerala shall be adopted as a model in Karnataka and Tamil Nadu for services offered by the Departments of Industries, Factories and Boilers, Pollution Control Board etc.</p>
<p>ISSUES IN MULTIPLE LICENSES</p>	<p>Over 30 licenses/ NOCs are required. Each takes 2-4 weeks to obtain. They are to be separately obtained from multiple departments in order to apply to set up a new institution.</p>	<p>Single window system needs to be in place which integrates all the required government services to set up an industry.</p> <p>The documentation process can be simplified and user friendly. Common Application Form (CAF) mooted by the government shall be put in force to integrate and systemise the problem. State portals S (Single Window systems) should have links to the Ebiz portal. Licenses shall be taken at the state level with central licenses</p>

		<p>integrated with the state platform. Suitable legislations, technical infrastructure shall be developed</p> <p>Self-Certification shall be implemented for Boiler License, Environment License under Green Category, Labour regulations, Legal Metrology, Dangerous and Offensive Trade License (Kerala and Tamil Nadu)</p>
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<p>ISSUES OF LABOUR EMPLOYMENT AND INSPECTIONS</p>	<p>Inspection for various Labour laws have proved cumbersome and posed difficulty to the entrepreneurs.</p>	<p>Uniform inspection criteria should be established at the central level. Computerized inspection should be put in place, to ensure the inspector selection and time period for</p>
	<p>Labour regulations have also created an incentive for firms to stay small and depend on informallabour. By staying small, manufacturing firms do not have to comply with labour regulations. By staying small, however,</p>	<p>inspection is randomized. Haryana Inspection Policy shall be adopted where only 5 per cent of the industries are inspected through random selection till 5 years.</p> <p>Labour laws related to employment registration, ESI/PF shall be eased, as most firms stay small due to the regulations. This in turn affects their</p>

	<p>firms cannot exploit economies of scale, lowering productivity.</p> <p>During inspections, entrepreneurs are often harassed and penalized without proper reasons. There is no benchmark set at the central level for a penalty. It is based on the discretion of the inspector, thus not uniform even within the same sector in a state.</p>	<p>economic growth and output. Ease of laws, including adoption of simplified compliance process will help. Self Certification shall enable easier compliance with strict monitoring.</p> <p>Building & Other Construction Workers Act, Inter-State Migrant Workmen Act, Contract Labour Act and Payment of Gratuity Act need to have Self Certification provisions at the state level. Currently only Karnataka has come out with a Self Certification Scheme. Kerala and Tamil Nadu need to follow Self Certification schemes for the above mentioned Acts.</p> <p>Shram Suvidha Portal shall be integrated as part of Labour online systems at the state level for registration and inspection. A timeline of 2-3 years could be specified for integration of inspection through these systems.</p> <p>Shops and Establishment Act Registration need to be added to the portal for integration. This will assist small scale units in saving time and resources and also reduce burden on state departments and municipal offices</p>
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<p>ENVIRONMENT</p>	<p>Clearance time for Land approval, NOC from Energy Department, NOC from LSG, approvals from Transmission and Distribution companies, etc takes approximately 6 months- 1 year. For eg: Kerala it takes 8 months</p> <p>Categorisations based on Pollution are not known to the entrepreneur. Instances were an industry is asked to pay penalty or take permit after setting up and operating is reported</p>	<p>Reduce the timeframe and developed deemed consent systems for efficacy through integrated system. Enable submission of documents (viz. EIA report, NOC issued by PCB, EMP and minutes of public hearing) via electronic means.</p> <p>To develop and publicise list of industries to be covered under each category. Process Clearances based on category</p> <p>GIS area maps of CRZ, Wetlands, Dense and moderate forest region etc to be made public</p>

	<p>Lack of uniformity in validity and renewal of clearances for environment</p>	<p>Validity shall be fixed for a longer period depending on the nature of license. Consent to Establish certificate (CTO) to have Renewal system instead of fresh NOC</p> <p>State level preferences shall be accommodated. For eg: Kerala needs to Rationalise CRZ rules in backwater regions and for small commercial enterprises</p> <p>Public hearings to be made more effective -include public consultations before preparation of Environmental Impact Assessment, address the issues put forth so as to avoid repetition of concerns. Ensure inclusive representation of stakeholders.</p> <p>In place of MoEF/State Government, submission of documents to a private regulator reporting to the Government shall be explored. Scrutiny and site-visits may also be facilitated by the same private entity, instead of the Govt machinery. Ultimately, the regulator could submit a report to the EAC,</p>
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		who, while submitting recommendations to the MoEF, can forward the regulator's report, as well.
FINANCE	<p>Access to credit is difficult. High interest rates and multiple document requirements add to the burden of the entrepreneurs.</p>	<p>Access to finance through institutional credit can be promoted. Documentation and Due Diligence by banks shall be simpler and faster. Transaction time for loan reimbursement and lending, swifter means for payment need to be implemented.</p> <p>An easier process with lesser documentation would attract more investors to this sector. Book Keeping exemption for SSI units shall be extended to Medium scale units.</p> <p>Government shall not involve in financing of entrepreneurs and industries. Private equity investments shall be encouraged through clear norms by RBI, SEBI etc. Startup Funding mechanism shall be incentivised based and not funding based. Suitable exemptions shall be granted subject to a competitive process.</p>
	States such as Tamil Nadu	Exit policy for industrial units need

<p>ISSUES IN EXIT PROCESS</p>	<p>and Andhra Pradesh do not have the necessary legislation or an exit policy mechanism in place.</p> <p>A clear exit process should be defined as without it, makes business closure difficult.</p> <p>In a sector where business exit policies are inflexible, it is difficult to attract new investment.</p>	<p>to made clear and easier. While the Bankruptcy Code has improved the situation; the process compliance of winding up and exiting is still cumbersome. Asset reconstruction, Debt Restructuring etc shall be enabled for smaller units also. Entrepreneurs shall be made aware of it.</p> <p>Comprehensive checklists are to the provided by the government for the all required documents.</p> <p>The industrial dispute act should be amended to include a timeline for settling claims and disputes enabling exit process easier.</p>
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SECTION 4- CONCLUSION

Manufacturing sector is a subject of national concern. The above discussed challenges are faced commonly across India. Easing a few of these barriers would help in enabling investments, generate employment and boost economic growth. The Make in India provides a great opportunity to structure and develop the right strategies for the manufacturing push. India need to look for developing a niche market for its manufacturing products than imitate the China example. Entrepreneurs with ideas and innovation need to develop products which are of international standards and marketable in other countries. This requires a significant revamp of the regulatory environment where the entrepreneurs are treated as flag bearers of Indian economy. Adopting the strategies will go a long way in taking India to be a major economic power in the world.

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The following Projects Members have contributed to developing this Report:

BBB Project Team

Aravind Anand Shankar

Dr D Dhanuraj

Madhu Sivaraman

Pooja Sundaresh

Prasant Jena

Seppi Sebastian

Sibin Sabu

Tanya Fransz

Research Interns

Anil Methipara

Archana MV

Pallavi George

Raunak Deo

Copy Editor

Pradipti Jayaram

Admin Support

Minna Joseph

Raju T Mathews

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Centre for Public Policy Research
'Anitha', 1st floor, S.A. Road, Elamkulam
Kochi, Kerala, India- 682 020
Ph : +91 484 6469117 / 4043895

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