

The Ease Of Doing Business In India: An Assessment

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Are you a business owner looking to expand your business? India is the perfect destination to expand or start a new business. The Indian government began a comprehensive program of regulatory reforms in 2014 with the goal of facilitating easier corporate operations. The initiative is an important factor in the collective efforts to improve the business climate of the country. In 2020, India was ranked 63rd out of 190 countries regarding ease of doing business. India's ease of doing business index improved due to fully integrating multiple application forms into a general incorporation form, dealing with construction permits, improved electronic submission methods and improved rates of resolving insolvency.

General Business, Economic & Cultural Climate: Key Sectors

In the last few years, the Indian economy has been facilitating exponential growth via investment opportunities and the emergence of various unicorn start-ups. The Indian economy withstood the onslaught of the pandemic in 2020. The fiscal growth for the year 2022-2023 was projected to be 7.1-7.6% making India the fastest-growing economy [1]. Approximately 60% of the Indian population is engaged in the agricultural and allied sectors [2]. However, due to multiple factors, it can be observed that the service sector comprises a major percentage of the Indian GDP [3]. Apart from the economic climate, the cultural climate affects the ease of doing business in India.

India is a diverse country with a large population of 1.3 billion people, where more than 50% of its population is under 30, providing a tremendous workforce to contribute towards the growth of the country. Every sector in India facilitates an investment opportunity, giving business entrepreneurs an impetus to grow their businesses and scale new heights. Some of the major sectors contributing immensely to the GDP are information technologies, automobiles, pharmaceuticals, healthcare and telecom services.

Central Government Initiatives And State Reforms

To encourage entrepreneurs and investors, the central and state governments have made reforms in process of Setting up a business in India [4]. Here are a few reforms:

- Construction Permits and Electricity Connection: Changes such as fast-track approval systems for issuing building permits, usage of digital signature, online scrutiny of building plans and reduction in issuance of permits in less than 100 days have taken shape. The cost of obtaining construction

permits was reduced from 23.2% to 5.4% of the economy per capita [5].

Electricity connection is provided within 7 or 15 days based on the Right of Way requirement.

- Trading Across Borders: Central Board of Excise and Customs (CBEC) implemented the 'Indian Customs Single Window Project' to encourage trade allowing importers and exporters to electronically (e-Sanchit) lodge their customs clearance documents at one point.
- Starting a Business: Permanent Account Number, Tax Deduction & Collection Account Number, Director Identification Number merged into a Simplified Performa for Incorporating Company Electronically ("SPICE") for incorporation. Major benefits are that there is no incorporation fee for companies with an authorised capital up to INR 15 Lakh and there is now a more simplified web service for reserving the name of the company with the Ministry of Corporate Affairs and the availability of the Shram Suvidha portal as a common online service for ESIC and EPFO [6].
- Getting Credit: Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Rules, 2011 have been amended to include additional types of charges, including a security interest in an immovable property by the mortgage, hypothecation and machinery, debt including book debt or receivables, intangible assets, patent, copyright, or trademark.
- Resolving Insolvency: The Insolvency and Bankruptcy Code, 2016 introduced a fast-tracked Corporate Insolvency Resolution Process (CIRP) for mid-sized companies. The process for insolvency is completed within 90 days with a maximum extension of 45 days.
- Paying Taxes: There has been a reduction of corporate tax from 30% to 25% for mid-sized companies, and with the introduction of the e-verification system, no physical touchpoint remains for document submission to income tax authorities. The introduction of GST in 2017 has subsumed eight taxes at the Central and nine taxes at the State-level.

Procedures To Legally Start And Formally Operate A Company In India

Business Registration In India is not an easy task. The average time taken to start a business in India is 18 days as compared to 29 days in 2015 [7].

However, every business has some legal compliances to follow before starting business transactions. Here is a step-by-step guide:

- Finding an Available Company: To register a company, you must check whether the proposed name of the business is available. This can be done online where applicants may check the availability of their proposed business name on the Ministry of Corporate Affairs website. If approved, the selected name appears on the website [8].
- Obtaining a Director Identification Number (DIN): A Director Identification Number (DIN) is an identification number that is provided to any existing or potential directors of companies that are incorporated. This can be obtained by filling out a DIN-1 application form [9]. A permanent DIN is issued after verification of the documents sent along with the form.
- Obtaining an Incorporation Certificate: To apply for an incorporation certificate, one can find forms on the official Ministry of Company Affairs website: e-form 32, e-form 1 and e-form 18. Along with Form 1, the Registrar of Companies must be provided with one copy of MoM and AoA [10].
- Obtaining a Permanent Account Number (PAN) and Tax Account Number (TAN): Filing Form 49A is required for the application for PAN. After PAN is

obtained, the physical version of the PAN card is delivered to the registered address. TAN is a special number issued by the income tax department to businesses required to deduct or collect tax at the source. To obtain PAN or TAN, fill out form 49B at the NSDL website [11].

- Obtaining a certificate under the Shops and Establishment Act- A statement that includes the employer's name, company's designated name and permanent postal address and business category must be provided to State Shop and Establishment Inspector along with the payment of applicable fees. Trade license registration must be registered within 30 days of the opening of the business.
- Applying for GST Registration: GST registration is mandatory for any business providing or seeking to supply goods and services across states with an annual turnover of more than INR 20 Lakhs [12].

Conclusion

India is an emerging market with a lot of potential for new businesses and foreign investment. For entrepreneurs, India is the ideal location for conducting business because of the country's advantageous economic, cultural, and legal considerations. For investors, the anticipated increase in the upcoming fiscal year is optimistic, particularly for those in the information technology, automotive, pharmaceutical, healthcare, and fintech industries. Technology is being used by the Indian government, both at the federal and state levels, to improve economic conditions in the country. Due to the significantly less requirement of complex procedures and compliances, the country's ranking on the ease of doing business index has increased rapidly.

FAQs

Can I start a business in India without registering it?

Even though you are not obliged to register to run a business, especially a sole proprietorship, you must do so to collect and file state taxes. As long as your company is lawful and complies with all licencing and tax regulations, operating an unregistered firm is acceptable.

Why is India good for startups?

The government of India has taken multiple initiatives to encourage start-ups in the economy. These start-up initiatives have allowed sustained economic growth due to their many benefits including funding, tax breaks, support for intellectual property rights, streamlined public procurement and access to international markets.

Who is eligible for Startup India Scheme?

A startup should be running for at least 5 years and individuals applying for the scheme should be above 18 years. A start-up should not be the result of the reconstruction of business and should have an annual turnover of fewer than 25 crores. With certain registrations, companies providing new products or services can apply for the scheme [13].

What is the procedure to get a business registered as a startup?

The Indian Government develops new initiatives and incentives to support startups in India with the goal of reversing the nation's trend of job searchers into employment creators. To carry out this concept, the Department of Industrial Policy and Promotion (DIPP)/Startup India Scheme for Startups under the Ministry of Commerce and Industry was established.

The five-step plan to get a business registered as Startup with DIPP has been set out below:

Business registration

Register with the DIPP Startup India Scheme

Collect the documents

Select the tax benefits

Acquire the DIPP Registration Certificate

[1] Indian economy to grow 7.1-7.6% in current fiscal: Report - Times of India (indiatimes.com)

[2] [NIPHM_TC_2018_19.pdf](#)

[3] Economic Survey: Services sector contributed over 50% to India's GDP | Mint (livemint.com)

[4] <https://www.makeinindia.com/eodb>

[5] [Embassy of India, Hague, Netherlands : Ease of doing business in India \(indianembassynetherlands.gov.in\)](#)

[6] [Ministry Of Corporate Affairs - SPICe+ Forms \(mca.gov.in\)](#)

[7]

<https://economictimes.indiatimes.com/news/economy/policy/it-takes-29-days-to-start-a-new-business-in-india-world-bank-report/articleshow/49564063.cms>

[8] <https://www.mca.gov.in/mcafoportal/showCheckCompanyName.do>

[9] <https://www.mca.gov.in/MinistryV2/applyfordin.html#:~:text=The%20user%20is%20required%20to,DIN%20application%20fee%20is%20paid>

[10] https://www.mca.gov.in/MinistryV2/incorporation_company.html

[11] <https://incometaxindia.gov.in/Pages/tax-services/apply-for-tan-online.aspx>

[12] <https://reg.gst.gov.in/registration/>

[13] <https://www.bajajfinserv.in/start-up-india-scheme-eligibility#:~:text=Age%3A%20Individuals%20applying%20for%20this,25%20crore.>