

January 2016 - March 2016

EDITORIAL

Red Tape to Red Carpet

The Government of India continues to introduce various reforms to propagate the concept of Ease of Doing Business. The entire reformation has been based on simplification and rationalization of the existing laws and usage of information technology to make India a business favourable Country.

India was ranked 134th in the Doing Business Report- 2015 released by the World Bank, in the same report released for the year 2016, India is now ranked at 130. The jump in four ranks for India, according to the report, is attributed to 'starting a business', 'dealing with construction permit' and 'getting electricity' categories. Ease of doing business has been a focus area of the Government since May 2014, and its efforts have come in for praise in the said Report. The Report further applauds the legislative changes that eliminated various obstacles to start business operations.

The aforementioned legislative changes has brought welcome change in various sectors and is likely give the required impetus for the growth, modernization and development in the said sectors. Approval processes have also been relaxed for setting up of branches, liaison and project offices in India. For various identified sectors such approvals can now be given by certain banks, as against the earlier requirement of Reserve Bank of India's approval for the same. Another major boost to the ease of doing business has been brought around by the Urban Development Ministry by releasing the Model Building Bye-Laws which provide for setting up of a single window clearance system for establishing new projects including swift environment clearances. This aims to put an end to all kinds of existing malpractices.

The Government is also considering amendments to the Companies Act, 2013 in order to simplify the private placement process, easing incorporation process and removing the restriction on layers of subsidiaries and investment companies. The Government has further announced its plans to enforce legislations such as the bankruptcy law and public contracts dispute resolution bill. For ease in mergers and acquisitions, the government has raised the financial threshold limit for companies seeking a nod from the Competition Commission of India for proposed mergers and acquisitions. These are all welcome steps and indicate that the Government wants to ensure that the law does not come as a hurdle for investments coming into India.

The Union budget for the financial year 2016-17 focuses on efficient and effective governance, rationalization of taxation and de-stressing the economy. The Government's focus in terms of ease of doing business has been not just for corporate entities but also for ordinary people, with attempts being made to remove irritants in their dealings with the Government. The Union Budget contemplates changes in the manner Indian entities receive foreign direct investment (FDI) and foreign portfolio investment (FPI). The budget is, overall, in the right direction insofar as ease of doing business is concerned. Initiatives like Make-in-India, Startup India, Mudra and Skill India are also contributing to the cause.

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Apart from the above mentioned reforms, several measures are in the works at central and state levels to streamline laws and simplify processes for converting "red tape into red carpet" for investors. The issues that have been identified are corruption, delay in getting approvals and hurdles in getting environmental clearance. The government intends bringing about further reforms so as steer clear of these obstacles.

Though the Government has activated steps for entangling the complex Indian bureaucracy and to make the regulatory regime less onerous, however, it needs to be seen that how far the benefits of these measure fuel the growth of the economy.