Introduction
Planning is important in determining optimal utilisation of resources, both human and material, for realising the desired growth and development trajectory of the country. Over the years, the Indian planning process has become more decentralised to achieve raised levels of inclusiveness through people’s participation. The Approach Paper on Industry for the 12th Five Year Plan (XII FYP) had kept the following as suggested targets:

- achieve manufacturing sector growth rate at 2-4 percent more than the gross domestic product (GDP);
- increase share of the manufacturing sector to about 25 percent of the overall GDP by the year 2025 up from the existing 15.5 percent;
- create 100 million additional jobs in the manufacturing sector by 2025;
- increase ‘depth’ in the sector with a focus on the level of domestic value addition;
- enhance global competitiveness of Indian manufacturing through appropriate policy support; and
- ensure sustainability of growth particularly with regard to the environment.

Major Findings

Significance of Business Ecosystem for Economic Growth and Development
The overlapping relationships among business regulations, business procedures, dispute resolution mechanisms, investment facilitation measures, policy environment, trade commitments, infrastructure development, competition promotion, competitiveness, interface among formal-informal sector, etc. constitute the larger “Business Ecosystem” of the country.

There is no or very little inter-link between the various components of business ecosystem to improve the quality of the business regulatory environment and better performance by the businesses. Countries that have performed better than the others is on account of quality of business regulatory environment.

Ambiguous Nature and Vast Scope of Business Regulations
Given the large number of business regulations and their vast and ambiguous scope, there is a no or very little effort to consolidate them at pan-India level.
For example, obtaining construction permits require 37 procedures in Mumbai, whereas the same formality requires 15 procedures in Ahmedabad, Bengaluru and Chennai. Similarly, it takes 126 days to register property in Bhubaneswar and 24 days in Jaipur.

Inherent Limitations with Business Regulatory System of the Country

Regulations in India lack periodic review clauses and the reviews whenever undertaken are not systemic and comprehensive. The Indian system of regulations also lack provisions on Regulatory Impact Analysis. Further, the regulations also lack a “Sunset Clause”, as a result of which once a regulation comes into being, it remains in the statute books till it is not formally repelled. Burdensome regulations act as obstacles to business development in the country.

Constraints with Delivery System of Regulatory Reforms

Several efforts have been undertaken in past by the government, industry and other agencies to identify bottlenecks with business regulations, business facilitation, etc. and detailed recommendations and action points have been given but most of the recommendations given by the expert bodies are of advisory nature only and on their own, have no authoritative bearing on the targeted regulations and procedures.

Furthermore, there is no single dedicated agency for keeping track of the extent to which the previously given recommendations related to regulatory reforms got implemented. The fate of regulatory reform is determined on the basis of the discretion of political and administrative leadership.
Weak Institutional Architecture for Business Regulatory Governance

Despite business regulatory reform agenda placed high in the country, there is also no dedicated authority that could guide the whole process of reform in a structured, planned, cogent and systematic manner.

Effective Competition Regime

The competition regime in India is in its nascent stage. Despite the bold steps undertaken by the country through economic liberalisation reforms a dedicated legislation dealing with competition promotion in the markets was adopted only in 2002, in the form of Competition Act. The competition legislation, in itself, is not sufficient to establish a well-functioning competition regime and it has to be complemented with a dedicated National Competition Policy (NCP), which India is yet to have.

India also lacks any dedicated body to systematically identify competition distorting policies, regulation and praxis and demand suitable rectifications there in.

Mainstreaming Business Responsibilities: The Quest Ahead

In line with the global trend, in India there is a growing recognition of the role to be played by businesses in India for achieving national goal of wholesome growth and inclusive development. However, the terrain of business responsibility is unexplored by a large majority of business enterprises and most of initiatives of this nature have been taken up by large companies whose activities are more visible. There is also dearth of institutions that can spread awareness among all factions of business community in a systematic and structured way. Also, there is a dearth of literature, case studies, and suggestive models related to the subject.

Indian Business Performance vis-à-vis other Countries

India ranks very low in the rankings given by renowned international bodies over their business regulatory and responsibility environment showing India’s low place vis-à-vis other countries of the world as favourable and responsible business destination on a global scale.

Specific Recommendations

Establishing Effective Competition Regime in India

Adoption and operationalisation of NCP; establishing a National Competition Policy Council (NCPC) to deal with competition distorting policies and regulations in a comprehensive manner and institutionalisation of incentive-disincentive mechanism for implementing the NCP are needed (Box 2).

Operationalisation of National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities on Business

Inclusion of Business Responsibility as distinct subject under the Government of India (Allocation of Business) Rules 1961 for developing a holistic governmental perspective on the subject; mandating the disclosure framework for adoption of NVG principles; establishing National Foundation for Business Responsibility to undertake awareness, training and capacity building of relevant stakeholders and mandating the alignment of public-private-partnership projects with NVG principles are called for.

Enhancing Manufacturing Sector Competitiveness of India

To enhance the sectors competitiveness, it is recommended that the National Manufacturing

Box 2: Success of the Competition Regime in Australia

Australia adopted its NCP and constituted National Competition Council (NCC) in the year 1995 and the NCP reforms have been hailed internationally as successful examples of nationally coordinated reforms.

The NCP was given effect by way of an agreement among different Australian governments to update Legislative Review Programme (LRP) for all jurisdictions to review their regulations with respect to their impact on competition. The NCP LRP identified around 1800 laws regulating areas of economic activity for review under NCP.

The NCC serves as a research and advisory body for all Australian governments. Its main function is to periodically ascertain if the different Australian governments have adopted the agreed upon measures or not and to recommend on the regulation of third party access to services provided by monopoly infrastructure.
Policy (NMP), adopted in 2011 is operationalised. Additionally, State Manufacturing Action Plans (SMAPs) need to be developed in alignment with the NMP together with setting up of State Councils on manufacturing competitiveness and competition reforms. Such Councils have already been set up by Tamil Nadu and Andhra Pradesh (Box 3).

**Policy and Legislative Framework for Business Development and Regulation**

In order to lay down the foundation of optimal business regulatory governance system in the country, the creation of requisite policy and legislative framework is strongly recommended by developing a National Policy on Business Development and Regulation; drafting and enacting National Business Development and Regulation Bill and enacting National (Infrastructure) Regulatory Reforms Bill (Box 4).
Building Institutional Architecture for Business Regulatory Governance

Dedicated institutions such as a National and State Business Development and Regulation Commissions are recommended to address the institutional deficits with business regulatory governance in the country and will take forward the agenda of regulatory reforms in a systematic manner. These institutions will derive their authority from the aforementioned Policy and Act.

Systematisation of Business Regulatory Governance

Mapping and Classification of Business Regulations and Procedures to serve as a baseline for all future attempts at enhancing the quality of the Business Regulatory Framework and a country-wide repository of all business regulations and procedures together with developing a National Business Facilitation Grid to serve as an online one-stop-shop for all business regulation and procedures and developing a Business Regulatory Governance Catalogue are recommended. Standardisation and operationalisation of of Single Window Systems with an assured level of predictability at different locations in the country has also been recommended.

Adoption of Regulatory Impact Analysis (RIA)

RIA has to be adopted for improving the quality of business regulatory governance in India and it will help with the identification of unreasonable burdens on business and in devising ways through which such burdens are kept to a minimum, if not eliminated altogether. An action plan for application of RIA for Union as well as State administered regulatory instruments, in accordance with the mapping and classification exercise, needs to be developed (Box 5).

Paradigm Shift towards ‘Optimal’ Business Regulatory Governance

Benchmarking for Optimal Business Regulatory Governance against clearly defined dimensions like time, volume, cost, frequency, jurisdiction, etc. and adoption of benchmarked model have also been suggested.

Capacity Building Framework for Business Regulatory Governance

Such framework will also be imperative from the point of creating awareness and generating ownership among the implementers as well as target constituencies. Such resources may take form of modules, guidelines, methodologies, reference manuals, checklists, case studies etc.

Follow-up over Previous Administrative and Regulatory Reform Endeavours

There should be a comprehensive and all-encompassing follow-up over actions taken on the

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<th>S. No.</th>
<th>Country</th>
<th>RIA Enabling Regulation</th>
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<td>2.</td>
<td>Canada</td>
<td>Statutory Instruments Act, 1985</td>
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<td>4.</td>
<td>UK</td>
<td>Regulatory Reform Act, 2001; Legislative and Regulatory Reform Act, 2006; Regulatory Enforcement and Sanctions Act, 2008</td>
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<tr>
<td>5.</td>
<td>Australia</td>
<td>Legislative Instruments Act, 2003</td>
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basis of previous administrative and regulatory reform endeavours. A dedicated single repository has to be created for storing all such documents.

Though, as presented in Box 6, BRF is not rigid and will be duly reflective of the changes taking place in the overall ‘Business Ecosystem’ of the country, that in turn get influenced by the changes taking place in the external environment of the country. This overarching and dynamic system consists of various drivers, determinants, catalysts and impediments, such as governance reforms and integrity pacts, infrastructure development and sector regulations, judicial and quasi-judicial dispute resolution, human resource development, macro-economic stability and fiscal policies, etc. that together defines or defies, business performance in any given setting.

Under the BRF, a bridge is constructed with government-stakeholder-business crossed together, with following virtues:

1. **Government**: communication, accessibility, responsiveness, transparency, accountability, consensus, coherence, coordination
2. **Stakeholders**: inclusivity, representation, authenticity, collectivisation, vigilance, evidencing feedback, advocacy
3. **Business**: self-regulation, fair play, mutualism, convergence, acceptance, initiative, innovation, compliance.

**Conclusion**

Finally, it is understood that the government plays an important role in developing and maintaining an environment conducive for enhancing productivity and competitiveness of business enterprises. It also comes out with various policies and legislative means to meet the expectations from the business as articulated by the society. The role of government is thus, multi-pronged – as articulator, enabler, facilitator, regulator, gap-filler and buffer.

For assuming such role, government will be required to develop policy frameworks, pass legislations, enact rules and monitor compliance with these. Such actions should be able to provide due inputs into a thriving business environment. It is necessary to examine the actions of the government to avoid any counterproductive result or failure to match with the exigencies of the time. Amidst celebrating two decades of economic liberalisation reforms, this is an opportune time to undertake such systemic examination and unleash a new wave of reforms.

This Briefing Paper is written by Tanushree Bhatnagar, Executive Assistant to Secretary General, Cuts International