



## Ease of Doing Business in Punjab

*Punjab ranked 16<sup>th</sup> in 2015 Ease of Doing Business (EoDB) ranking by the Department of Industrial Policy and Promotion (DIPP). In 2016, the State jumped to 12<sup>th</sup> position owing to implementation of progressive reforms such as single window clearance mechanism, environmental clearance and labour. This Briefing Paper enlists some of the key reforms undertaken by Punjab, challenges faced and recommendations to mitigate the challenges.*

### Background

The Indian government has been focusing on improving the overall business climate of the country. In furtherance of this objective, the states will play an integral role since various reforms need to be undertaken at the state level and not just at the Center.

Punjab is one of the economically strong states located in North India. The term 'Punjab' translates to 'five waters'. The State is host to five rivers, namely, Chenab, Jhelum, Ravi, Beas and Sutlej, making it agriculturally-vibrant. Punjab is also referred to as the 'Bread Basket of India'.

### Geographical Location and Potential

As mentioned above, Punjab is located in North India, where it shares its borders with Jammu & Kashmir to the North, Himachal Pradesh to North East, Haryana to South East and Rajasthan to its South West. To the West, the State shares its international border with Pakistan.

Table 1: Socio-Economic Profile

Item	Statistics
Geographical Area (sq km)	50,362
Population (Census 2011)	277.43 Lakh
Literacy Rate (Census 2011)	Male: 80.44% Female: 70.73% Total: 75.84%
Gross State Domestic Product (GSDP)	408,815 (Rupee Crore) or US\$614,875,449bn
State Per Capita Income	126,063 (Rupee) or US\$1895

*Source: Economic Survey of Punjab 2015-2016*

Punjab's economy is largely dependent on agriculture with about 50-60 percent of wheat and 35-40 percent of rice being procured by the Indian government for food security of the nation since the last four decades.<sup>1</sup> Other important sectors include manufacturing of scientific instruments, electrical goods, bicycles, machine tools, textiles, sewing machines among others.<sup>2</sup> The State has a well-developed infrastructure network and one of the highest road densities in India.<sup>3</sup> In fact, it has been ranked first amongst the Indian states in terms of infrastructure facilities.<sup>4</sup>

With regard to electric power generation, the installed capacity of Punjab was 4949 MW in 2015-16.<sup>5</sup> The State has been making investments to increase the power generation capacity to ensure the availability of surplus power.

## Ease of Doing Business Reforms in Punjab

As mentioned earlier, the State of Punjab stood at the 16<sup>th</sup> position last year in DIPP's EODB ranking but has now jumped up to the 12<sup>th</sup> position.<sup>6</sup> The implementation percentage of Punjab stood at 91.07 percent as it implemented 306 out of 340 reforms mentioned by DIPP. Moreover, the state has bagged 1<sup>st</sup> position in ease of setting up business by the World Bank in 2015.<sup>7</sup>

The institution responsible for bringing Punjab to 1<sup>st</sup> rank in ease of setting up business is the Punjab Bureau of Investment Promotion

or Invest Punjab. The institution was established by the Government of Punjab as a one-stop clearance for regulatory and fiscal approvals from different departments for setting up business.<sup>8</sup>

Another key institution is the Department of Governance Reforms set up to improve the governance systems and ensure good governance through information technology. It is also the nodal agency for the e-governance initiatives for different Government departments.<sup>9</sup>

Some of the key EoDB reforms undertaken by relevant departments in Punjab are enlisted in Table 2. The table enlists the issue as per the DIPP indicators, major reforms undertaken, the institution responsible for the implementation of the reform and the score of the State *vis-à-vis* the issue.<sup>10</sup> The score reveals the reforms implemented out of total reforms suggested to be implemented by DIPP. (Note: Score = Number of reforms implemented by state / Total reforms as per DIPP indicators).

**Table 2: Ease of Doing Business Reforms in Punjab**

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score (Refer to DIPP Indicators) <sup>11</sup>
1.	Access to Information and Transparency Enablers	Relevant departments are required to develop and make public a comprehensive checklist of all state approvals required. Further, a single ID is provided to all business entities for all state tax purposes. In case of delay without sufficient cause in providing time bound clearance, an official may be fined up to ₹10,000	Multiple Institutions	12/13
2.	Obtaining Electricity Connection	Online application for electricity connections has been introduced. Clear timelines have been provided for approvals. Third party inspection has been allowed for installations. Further, it is the responsibility of the regulator to monitor the reliability of supply and publish the same in the public domain	Punjab State Electricity Board	6/11

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score (Refer to DIPP Indicators) <sup>11</sup>
3.	Single Window	<p>Single Window Clearance Mechanism (SWCM) provides one-stop for fiscal and regulatory approvals. A Chief Executive Officer heads the SWCM with a team of relevant officers (entrusted to grant approvals) from various departments.</p> <p>Applications received by Invest Punjab are to be cleared within 30 days.</p> <p><b>Good Practices:</b></p> <ul style="list-style-type: none"> <li>- Single window clearance mechanism in Punjab was a pioneer reform as it brought relevant departments under one roof</li> <li>- Punjab was the only State in which the single window clearance mechanism allows applications for all licences studied under the World Bank assessment (2015)</li> <li>- A separate committee has been created which resolves investors' problems and a toll free helpdesk number has also been provided</li> </ul>	Invest Punjab	28/28
4.	Availability of Land	One-stop system has been set up to provide end-to-end online processing, consisting of application filing, e-payment, monitoring and approvals. In case of land allotment, clearances need to be provided within 45 days. Further, clear timelines have been provided for conversion in land use.	<p>Invest Punjab</p> <p>Punjab Urban Development Authority</p> <p>Punjab Small Industries &amp; Export Corporation</p>	12/20
5.	Environment Registration Enablers	Green industries have been exempted from pollution control board clearances. Clear timelines for clearances have been provided for Amber and Red industries. Reforms pertaining to self-clearance and auto-renewals have been introduced.	Punjab Pollution Control Board	31/31
6.	Labour Regulation Enablers	Under Shop and Establishment Act, investor need not renew registration until 2020. Under, Factories Act, 1948, registration fee can be submitted in one go for next 10 years and women have been allowed to work for night shifts (conditions have been prescribed). Third party verification and online verification forms have been introduced	Department of Labour	55/57

In order to raise awareness among investors and attract investments, a symposium ‘Progressive Punjab’ was held in Punjab in 2015.<sup>12</sup> Consequent to the Symposium, the State witnessed the signage of 376 MoUs worth ₹1.12 lakh crore.<sup>13</sup>

## Challenges

Despite, the plethora of EODB reforms introduced by Punjab, there are certain challenges, in terms of actual implementation of reforms and various other aspects, which are beyond DIPP’s EODB parameters of ranking of states. Some of the challenges were brought forth during the stakeholder interactions held as a part of the CUTS project, ‘Evaluation of Competitiveness among North Indian States’. These challenges have been enlisted below.

### *Awareness among industry and government officials*

There is a need to increase awareness among industry and second and lower tier government officials. With the introduction of multiple reforms, while the top level officials are clear on the objectives of the same, there is a need to raise awareness among the lower officials and thereby strengthen the implementation process. One of the challenges witnessed is limited coordination within and amongst government departments.

### *High price of land*

Issues have been raised regarding the exorbitant price of land in Punjab. Compared to other states like Madhya Pradesh, Gujarat, Maharashtra and Rajasthan, the land price is too high in Punjab.<sup>14</sup> As per relevant stakeholders, while the price of land close to cities is not less than ₹50-80 lakh per acre, land away from cities and highways is as high as ₹20-30 lakh per acre.<sup>15</sup> Consequently, land in Punjab is not viable for all investors because of the high price.

### *Lack of skilled labour and migration of youth*

One of the major challenges faced in Punjab is the lack of skilled labour. Most of the labourers are migrants and unskilled. The influx of labour exists as wages provided are relatively high. Another issue is the migration of the youth of Punjab to other states or countries. Consequent to such migration, investors have to depend on unskilled migrants.

## Recommendations

### *Work towards improved implementation of reforms*

The relevant departments should focus on effective implementation of reforms. Accordingly, the capacity of lower government officials should be built on reforms to meet the objectives of the same. There should be seamless flow of information and transparency within a government department and coordination amongst different departments.

### *Subsidies for industrial land*

Given the steep price of land in Punjab, the government may consider providing subsidies for industrial land. However, the government should also ensure that industry should not merely buy land at subsidised rates and then not utilise it. To ensure sustainability, the subsidy may be introduced in a time-bound manner.

### *Skill development of Labour*

There is a need to scale up the skill set of labourers. The Skill Development Department needs to think of innovative ways to address the needs. Further, an effective grievance redressal mechanism needs to be put in place for issues pertaining to labourers.

### *Regulatory Impact Assessment*

Regulatory Impact Assessment (RIA) is an ex-ante systematic approach of assessing the positive and negative effects of regulations

which are being considered by the governments but have not come into effect.<sup>16</sup> RIA also includes ex-post assessment of the current regulations. Through conducting RIA, the government can ensure that its regulations are conducive to support its objectives of EODB reforms. It offers an introspective evidence based methodology to policy making wherein the government can bring in effectual changes in regulations which are in sync with the EODB reforms.

## Conclusion

As mentioned previously, Punjab has been ranked number 1 in the ease of setting up business. The State offers one of the best infrastructures in the country and provides one of the highest wage rates in North India. Given the mentioned factors and reforms undertaken to propel EoDB, the State stands as an attractive investment destination. However, to ensure the reforms are sustainable, it is important for the State to strengthen the implementation of the same.

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## Endnotes

- 1 Economic Survey of Punjab 2015-2016, Government of Punjab
- 2 <http://punjab.gov.in/know-punjab>, accessed on September 30, 2016
- 3 <http://investpunjab.gov.in/Static/ReasonToInvest>, accessed on September 30, 2016
- 4 <http://www.ibef.org/states/punjab-presentation> accessed on September 30, 2016
- 5 Supra Note 1
- 6 For more details, please visit: <http://eodb.dipp.gov.in/>
- 7 <http://www.investpunjab.gov.in/> accessed on September 30, 2016
- 8 *Ibid*
- 9 <http://www.dgrpunjab.gov.in/>, accessed on May 06, 2016
- 10 Refer to the Implementation Scorecard available at: <http://eodb.dipp.gov.in/>
- 11 *Ibid*
- 12 For more information on Progressive Punjab, visit: <http://progressivepunjab.gov.in/> last accessed on October 04, 2016
- 13 <http://www.tribuneindia.com/news/punjab/punjab-draws-rs-1-12-lakh-cr-investment/151921.html> Last accessed September 30, 2016
- 14 <http://www.tribuneindia.com/news/punjab/costly-land-hindering-investment/151372.html> last accessed on October 04, 2016
- 15 *Ibid*
- 16 Fore reference, CUTS projects on undertaking Regulatory Impact Assessment are available at: <http://www.cuts-ccier.org/BHC-RIA/> and <http://www.cuts-ccier.org/ADB-RIA/>

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This Briefing Paper is written by Neha Tomar of and for CUTS International as part of the project entitled, 'Evaluation of Competitiveness among North Indian states: Lessons from the US' with support from the US Department of State.

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