



Ease of Doing Business in Rajasthan

Rajasthan offers immense potential for economic growth and investment in various sectors such as infrastructure, Information Technology, renewable energy, agriculture, tourism, minerals & ceramics etc. The Rajasthan government felt the need to tap this potential and has undertaken several reforms to improve the business environment. The assessment of the State through various reports has revealed that it has improved considerably and now ranks 8th in India as per the current assessment of the Department of Industrial Policy & Promotion (DIPP). This Briefing Paper makes an attempt to summarise the key reforms undertaken by Rajasthan in the area of Ease of Doing Business (EoDB) and seeks to highlight major challenges and suggests the way forward through some recommendations.

Background

The 'Make in India' policy initiative which was launched by the current Prime Minister in 2014 aimed to achieve important socio-economic objectives. These included facilitating investment, fostering innovation, nurturing the domestic manufacturing sector, enhancement of skills development and job creation. In order to achieve all these ambitious goals, India needs to foster an environment which is predictable, attractive to investment and competitive all at the same time.

India was ranked 39th as per the assessment of the World Economic Forum's (WEF) 2016-17 Global Competitiveness Index (GCI). India jumped 32 places in the last two years and has emerged as the highest rising economy due to several reforms, such as improvement in market efficiencies and enhanced business sophistication. As per the World Bank's Doing Business Report 2016, India presently stands at 130th position, out of 189, and has moved up four places from where it stood in 2015, i. e 134th (as per the adjusted

Table 1: Socio-Economic Profile

Item	Statistics
Geographical Area (sq.km)	342,239
Population (Census 2011)	6,85,48,437
Literacy Rate (Census 2011)	Male: 79.19 % Female: 52.12 % Total: 66.11 %
Gross State Domestic Product (GSDP)(2014-15)	5,74,549 (Rupee Crore or US\$86.3bn)
State Per Capita Income (2014-15)	72,156 (Rupee Crore or US\$1,083)

Source: Economic Review 2014-15, Directorate of Economics and Statistics, Government of Rajasthan (available at <http://www.planning.rajasthan.gov.in/docs/1117072015113237.pdf>)

rankings). In order to further improve India's overall international position, the states will play an integral role since various reforms have to be undertaken at the state level and not just at the Center.

Rajasthan is the largest State in India and is located in the north-western part of the country. The state comprises of seven divisions and 33

districts, with majority of its population residing in the rural areas.¹ Rajasthan accounts for 10.4 percent of the country's geographical area and 5.7 percent of the total population. It is the eighth largest state economy in the country, and accounted for around 8.4 percent of the country's Gross Domestic Product (GDP) in 2013-14.² Further, the State is expected to grow at an annual average rate of 11.2 percent during the latter half of the decade.³

Geographical Location and Potential

Owing to its geographical location and geological features, Rajasthan enjoys relative advantage over other States in certain areas. Given that Rajasthan shares its border with five major states, it is in a position to offer enormous potential in terms of market access. The northern and north-western parts of Rajasthan consist of sedimentary rocks which are rich in mineral deposits.⁴ Due to these mineral rich rock structures, Rajasthan is one of India's leading mineral producing states.⁵ Rajasthan is also the country's largest producer of cement with the capacity to produce over 44 million tonnes per annum.⁶

The State is predominantly agrarian and over 70 percent of the population is directly dependent on agriculture.⁷ Moreover, the varying climatic conditions in Rajasthan favour the production of a variety of agricultural products including cotton, spices, bajra, maize, etc.⁸ Moreover, several key districts in Rajasthan witness ample solar radiation. Overall, the state enjoys vast tracts of flat land and a superior level of solar radiation (6-7 kWh/m²/day).⁹

In addition to solar potential the capacity of producing wind energy in the State is around 5400MW but as of 2016, a total capacity of 4031.99 MW has been installed. Recognising the potential of Rajasthan to tap energy from biomass products, the State government has passed the 'Policy for Promoting Generation of Electricity from Biomass 2010.' As of 2014, the state has commissioned biomass projects having a total capacity of 99.30 MW. Lastly, Rajasthan saw a tourist influx of over 36.6 million in December 2015 and holds huge potential for tourism.

Ease of Doing Business Reforms in

Rajasthan

In 2015, Rajasthan was ranked 6th in the "Assessment of State Implementation of Business Reforms" carried out by the World Bank.¹⁰ The assessment and ranking of states was done according to the 98-point Action Plan on "Ease of Doing Business" which was decided by the chief secretaries of states at the 'Make in India' National Workshop held in December 2014.¹¹ According to the report, Rajasthan implemented 61.04 percent of the 98-point action plan which made it an aspiring leader in India.¹² Rajasthan being one of the top 10 states in ease of doing business rankings is making positive efforts to attract investors.¹³

Since 2015, the DIPP has been tracking the reforms undertaken by all states through a real-time online evaluation portal. Notably, out of a total of 340 parameters of evaluation laid down by the DIPP, Rajasthan implemented 324 which effectively meant that the implementation percentage of the State was as high as 96.43 percent as compared to the previous year's percentage of 61.04.¹⁴ Although Rajasthan was ranked 8th in 2016, in a time frame of one year, the state has made a considerable leap forward in undertaking EoDB reforms and has emerged as one of the best investment destinations in India.

Few of the notable reforms that contributed to this growth included reforming labour laws, creation of single window clearance system, ensuring availability of land, improving access to information & technology and speeding up the environmental clearance process.

Rajasthan's progress is attributed to contributions made by important institutions (arms) of the government. One of the key institutions has been the Rajasthan State Industrial Development and Investment Corporation (RIICO) which has pioneered industrialisation of Rajasthan. It has played an integral role in reforms relating to land availability and setting up of industrial areas. It also functions as a financial institution by providing loans to large, medium and small scale industrial projects.

Moreover, reforms in the area of Single Window Clearance System have been spearheaded by the Bureau of Investment Promotion (BIP). The user-friendly and transparent Single Window Clearance system (setup under the Rajasthan

Enterprise Single Window Enabling and Clearance Act, 2011) provides a hassle-free online interface to potential investors and acts as a one-stop shop. BIP also plays an important role in developing investment policies of the State.

Rajasthan government’s vision of encouraging small scale industries (SSIs) as laid down in the MSME Policy, 2015 is carried out through its Industries Department. The main function of the Department is to promote and support SSIs by aiding in marketing and development of their products.¹⁵ In addition to this, the Rajasthan

Financial Corporation (RFC) provides long term financial support to tiny, small and medium scale industries. Lastly, combined efforts by the Rajasthan Labour Department and the Factories and Boilers Inspection Department led to the implementation of the Labour Department Management System (LDMS)/Rajasthan Factory and Boiler Management System (RajFAB).

The State undertook several reforms to reach an implementation percentage of 96.43 percent. The most important reforms undertaken are explained below (Note: Score¹⁶ = Number of reforms implemented by state ÷ total reforms as per DIPP indicators).

Table 2: Details of Key Reforms Undertaken by Rajasthan

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score
1.	Construction Permit Enablers	<p>Single Joint Site Inspection: The site inspection for granting construction permits is conducted in a single joint inspection by all the government departments including RIICO.¹⁷</p> <p>SmartRaj-Building Plan Application System (BPAS): All the necessary information related to building regulations is available on the RIICO website.¹⁸ ‘SmartRaj–BPAS’ has been designed to assess building plans for compliance with building codes/byelaws using AutoCAD or similar software.¹⁹ The software automatically creates a Scrutiny Report based on the assessment of application according to the building codes/byelaws.</p> <p>Conflict Resolution Mechanism: A dedicated conflict resolution mechanism to solve land and construction permit issues has been established.²⁰</p> <p>Good Practices</p> <ul style="list-style-type: none"> • Developed legally valid master plans/ zonal plans/land use plans for all urban local bodies (ULBs) • Made the master plans/zonal plans/land use plans for all ULBs online. This facilitates information availability to assist applicants in developing building plans • The BPAS allows users to download the final signed approval certificate from the online portal 	Urban Development and Housing Department	28/29

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score
2.	Labour Regulation Enablers	<p>LDMS/RajFAB: Consolidated online system which provides for application, payments, tracking and monitoring for permissions and licences required as per the Contracts Labour (Regulation and Abolition) Act, 1970, the Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, the Factories Act, 1948 and the Indian Boilers Act, 1923. Final signed approval certificate can also be downloaded by applicants. For maintenance of transparency, third parties can verify certificates which have been approved by the department online.</p> <p>The system also provides for self-certification/third party certification of boilers. The system also clearly lays down the timelines for clearance of applications. For e.g. the timelines for the Factories Act, 1948 are:</p> <ul style="list-style-type: none"> • Approval for Non-Hazardous and non-power Factories – 10 days • Approval for Rest of the Factories – 30 days • Registration for Non-Hazardous and non-power Factories – 7 days • Registration for Hazardous Factories – 21 days 	Rajasthan Labour Department	54/57
3.	Obtaining Electricity Connection	<p>Online system for electricity connection: Only two documents (proof of ownership/ occupancy and authorisation document) are required to obtain an electricity connection. After only 15 days of submission of online application, electricity connection is provided.</p>	Vidyut Vitran Nigam Limited	11/11
4.	Single Window Clearance System	<p>Advanced Single Window Clearance System: The Single Window Clearance System is an online portal which offers a one-stop shop for accessing information, registration, getting approvals and clearances from all departments.²¹ Once an applicant registers with the portal, a unique ID is generated, which can then be used as a common ID for all departments.</p> <p>Comprehensive online checklist of all approvals: All approvals and clearances required for pre-establishment/pre-operation for setting up of a business/starting business is available online.²²</p> <p>‘Guide Me’ Wizard for investors: Through this online system, the investors can feed in industry specific details (e.g. type of industry, number of employees, location etc.) and attain the relevant information regarding the vital State approvals applicable to his business plan.²³</p>	Bureau of Investment Promotion	28/28

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score
5.	Availability of Land	<p>Rajasthan Land Pooling Scheme Bill, 2016 (passed on April 05, 2016): This bill provides for implementation of Urban Development Schemes and projects through land pooling system.</p> <p>Rajasthan Urban Land (Certification of Titles) Bill, 2016 (passed on April 04, 2016): This bill provides survey and maintenance of record of urban lands and certification of titles.</p> <p>Rajdharaa-Online Geographical Information System (GIS): The GIS portal contains information on land banks which are available for industrial use. It also provides detailed geographical information about the existing and upcoming industrial areas and the available infrastructure, such as connecting roads, water supplies etc.²⁴</p> <p>Earmarked Land Parcels: Land parcels have been demarcated on the GIS on the basis of permissible types of industries that can be setup on such land.²⁵</p> <p>Timelines for land allotment: Clear and transparent timelines have been established for processing land allotment applications. For normal allotment, it is 30 days and for preferential allotment it is 90 days.²⁶</p> <p>Objective criteria for assessment of applications: RIICO has laid down objective criteria for evaluation of the applications for land allotment. The mode of allotment of land, allotment procedure and time limit of allotment is available online.</p>	RIICO	12/20
6.	Environmental registration and clearances	<p>Exemption of pollution clearances to Green Industries Industries have been designated as Green, Orange or Red. The 'Green' industries (total 88 industries) are exempted from pollution control board clearances.</p> <p>Online portal for Consent To Operate/Consent To Establish (CTO/CTE) Applications The application process for grant of CTO/CTE certificates is online.²⁷ As of September 2016, a total of 50,972 online applications were received by the Rajasthan State Pollution Control Board (RSPCB).²⁸ The online application system provides complete information regarding the consent or authorisation forms and has also</p>	Rajasthan State Pollution Control Board	31/31

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score
		provided a checklist of documents on the website for the convenience of applicants. The certificates which are issued after the application process can be verified through a QR code, which can be directly scanned by the applicant through his cell phone.		
7.	Access to Information and transparency enablers	<p>Online list of all approvals: A checklist of all mandatory licences, registrations and NOC's is available online.</p> <p>Centralised Helpline: A Centralised helpline has been established to address queries regarding the application process</p> <p>Single ID for all State taxes: A single ID for all State taxes is issued for all business entities. The Value Added Tax (VAT) registration certificate is provided within 1 day from submission of application</p> <p>Time-bound clearances and punitive provisions: The Rajasthan Enterprises Single Window Enabling and Clearance Act, 2011 provides for time-bound clearances, establishes a grievance redressal mechanism and enforces punitive provisions that discourage officials from not complying with the timelines</p>	Cuts across all departments	13/13

Recent reforms in areas of single window clearance, land availability, environmental registrations, labour regulations and general clearances have substantially improved the business climate in Rajasthan. Jaipur has become the 2nd most attractive destination for investment in India and the 250 km corridor between the NCR and Jaipur is attracting investors especially in telecom and IT-enabled service providers. In order to attract investment from the private sector, the Rajasthan Government organised an investor campaign in 2015 called the Resurgent Rajasthan Partnership Summit.

As a result of this, the state signed a total of 295 MoUs which is expected to bring in a total investment of ₹3.2 lakh crore (approx. US\$4.8bn).²⁹ Moreover, reforms have facilitated progress in the Delhi-Mumbai Industrial Corridor which covers a major portion of Rajasthan.³⁰

Challenges

Despite the plethora of EoDB reforms introduced by Rajasthan, there are certain challenges, in terms of actual implementation of reforms and various other aspects, which are beyond the DIPP's EoDB parameters of ranking of the states. Some of the challenges were brought forth during the stakeholder interactions in Rajasthan held as part of the project by CUTS International namely 'Evaluation of Competitiveness among North Indian States'. These challenges have been listed below:

Poor implementation

Data suggests that the Rajasthan government has scored high on perception of ease of doing business but policies are yet to be implemented at the ground level. This is primarily suggestive from the fact that the total investment cleared by the

government since 2011 has remained constant.³¹ In 2011, 2012 and 2013, the previous government cleared projects worth ₹3,297 crore, ₹2,640 crore and ₹1,860 crore respectively. The current government in 2014, 2015 and 2016 (June) cleared projects worth ₹2,359 crore, ₹3,343 crore and ₹3,000 crore respectively. If the current inflow of investment is compared to the scenario of the previous government, it seems that there has been no significant increase in the last 5 years.

Local industrialists have claimed that although the current government has improved the investor sentiments but success of the reforms will depend upon its effective implementation. The importance of implementation was also acknowledged by the current Chief Minister of Rajasthan, Vasundhara Raje who said that “In the next two-and-a-half years, we will ensure effective implementation of the reforms and policies undertaken by us.”³²

Growing fiscal deficit

The Rajasthan government is faced with the humongous challenge of curbing the fiscal deficit which was estimated for 2016-17 at ₹43,147 crore, amounting to 5.62 per cent of the State Gross Domestic Product.³³ This is mainly due to the government’s revival scheme of the State electricity distribution system, i.e. Ujwal DISCOM Assurance Yojana (UDAY). This calls for a reassessment of the practical feasibility of reforms and the need for generation of revenues and cutting of costs.

Lack in maintenance and digitisation of land records

One of the areas where Rajasthan is lacking is maintenance of land records. The State has yet to digitise land records that are available at the sub-registrar’s office, the local municipality office, land records office and the judicial offices. Digitisation of land record data would make property registration much easier and provide ease of access to the public.

Recommendations

Focus on implementation

On paper, Rajasthan looks promising in terms of ease of doing business reforms. However, the next step of the current government should

include effective implementation which would depend upon actual investments coming in. The government has to accelerate its process of clearance of investments through effective execution of clearance systems. The single window clearance mechanism should not just be a mere mirage which hides several windows behind one single window but should be implemented in a manner which offers an actual one-stop shop for investors.

Generation of revenue

More revenue generation will play an integral role in the success of governmental initiatives. The implementation of reforms in the long run will incur huge governmental costs and the government has to come up with innovative ideas to generate revenue until investments start to pick up pace. The State has planned to retire the power utility debt caused by the discoms through raising funds by issuing UDAY bonds. Moreover, Rajasthan’s estimate of revised borrowings rose to ₹72,200 crore in 2016, which was originally projected as ₹25,614 crore. The government’s move to recover the debts is comprehensive but its implementation and actual generation of revenue will prove to be a tough task.

Single Window Clearance mechanism

There is a need to increase the ambit of the window beyond setting up business to include issues faced by existing businesses as well, such as environmental clearances for expansion. The single window committee and nodal agency needs to be empowered to drive the clearance process, grant deemed clearances in the case of unnecessarily delayed processes and act as an enforcing agency that can ensure timely processing of applications. There is still scope for improvement in this area and the state could possibly look into other states’ initiatives such as Invest Punjab which is making pioneering advancements in the area.

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 government but have not come

into effect. RIA also includes an *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 not in sync with the EoDB reforms.³⁴

Conclusion

Rajasthan has made significant breakthroughs in the EoDB reforms and has emerged as one of the prime destinations for investment in India. Although the State has been successful in undertaking 324 out of 340 reforms, it still has a decent scope for improvement in areas, such as land availability and single window clearance. It is important for the State actors to focus on the implementation of reforms as well as to ensure that remaining ones are undertaken in a timely manner so as to create an enabling environment for the industries to flourish.

Endnotes

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