

# TARGETING EASE OF DOING BUSINESS IN INDIA

*“The King (i.e., the State) shall promote trade and commerce by setting up trade routes by land and by water, and establishing market towns and ports” –*

*Kautilya’s Arthashastra, 4th century B.C.*

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**Abstract:** - Ease of doing business is essential to entrepreneurship, innovation and wealth creation. Asian country has up considerably within the World Bank’s Doing Business rankings in recent years, however there square measure classes wherever it lags behind – beginning a Business, Registering Property, Paying Taxes and implementing Contracts. This focuses on these parameters and compares India’s performance with each its peers and with the best-in-class as an example, registering property in Old Delhi and Mumbai takes forty nine and sixty eight days severally, whereas it takes nine days in China and 3.5 days in New Island. These performance matrices offer a live of the scope for improvement .It then explores the density of laws, rules and alternative statutory compliance necessities round-faced by a producing or services business (specifically the restaurants segment).

Export aggressiveness depends not solely on the price of production however additionally on the potency of provision. A series of case studies square measure accustomed analyse the time taken at every stage for specific merchandise things to travel from mill gate to the warehouse of the foreign client. as an example, a study found that AN apparels consignment going from Old Delhi to Maine (U.S.) takes roughly forty one days, however nineteen of those square measure spent among Asian country thanks to delays in transportation, customs clearance, ground handling and loading at sea-ports. A study of carpets exports from state to the u.s. additionally showed similar results. the method flow for imports, ironically, is additional economical than that for exports! In distinction, however, the imports and exports of physical science through Bengaluru field was found to be world category. The processes of Indian airports ought to be tailored and replicated in sea-ports.

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## I INTRODUCTION

As Bharat leapfrogs towards a 5 trillion-dollar economy by 2024-25, simplifying and maintaining a business-friendly regulative setting is important. To ease the constraints and gaps within the regulative processes concerned in doing business, it’s necessary to assess the country’s progress vis-à-vis different leading economies on numerous parameters.

Bharat has created substantial gains within the World Bank’s Doing Business rankings from 142 in 2014 to sixty three in 2019. it’s progressed on seven out of the ten parameters. The Goods and

repair Tax (GST) and therefore the financial condition and Bankruptcy Code (IBC) high the list of reforms that have propelled India’s rise in rankings. The flight of India’s performance over the last decade is shown in Table one. However, Bharat continues to path in parameters like easy beginning Business (rank 136), Registering Property (rank 154), Paying Taxes (rank 115), and imposing Contracts (rank 163). It takes roughly fifty eight days and prices on a median seven.8 per cent of a property’s price to register it, and 1,445 days for an organization to resolve an advertisement dispute through a neighbourhood first-instance court.

**Table 1: Capturing India’s decade-long journey in the Doing Business Rankings**

Parameters	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ease of starting a business	169	165	166	173	179	158	155	155	156	137	136
Dealing with construction permits	175	177	181	182	182	184	183	185	181	52	27
Getting electricity	-	-	98	105	111	137	70	26	29	24	22
Registering your property	93	94	97	94	92	121	138	138	154	166	154
Getting credit for your business	30	32	40	23	28	36	42	44	29	22	25
Protecting minority investors	41	44	46	49	34	7	8	13	4	7	13
Paying taxes	169	164	147	152	158	156	157	172	119	121	115
Trading across borders	94	100	109	127	132	126	133	143	146	80	68
Enforcing contracts	182	182	182	184	186	186	178	172	164	163	163
Resolving insolvency	138	134	128	116	121	137	136	136	103	108	52
<b>Overall Rank</b>	<b>133</b>	<b>134</b>	<b>132</b>	<b>132</b>	<b>134</b>	<b>142</b>	<b>130</b>	<b>130</b>	<b>100</b>	<b>77</b>	<b>63</b>

These figures are longer in time and sometimes larger in value than OECD high-income economies, and thus, impede wealth creation. It analyses India's performance within the parameters utilized in Doing Business reports, and compares it to its peers also on the best-in-class countries like New Sjaelland, that has been hierarchal most wanted over the past many years.

In Addition , It presents many case studies and surveys that were conducted to capture the on-ground expertise of doing business within the country together with the supplying of merchandise exports and imports, the quantity of permissions required to line up a building then on. This permits an in depth verify the nuts-and-bolts of the business surroundings. Case studies of merchandise exports found that supplying is extraordinarily inefficient in Indian sea-ports. The method flow for imports, ironically, is additional economical than that for exports. Though one has to use caution to directly generalize from specific case studies, it's clear that customs clearance, ground handling and loading in ocean ports take days for what are often tired hours. A case study of natural philosophy exports and imports through Bengaluru aerodrome illustrates however Indian provision processes are often world category. The most goal of this is to assist the reader to spot the foremost crucial problems once evaluating simple Doing Business (EoDB) in Asian nation on the far side the approach taken by the planet Bank's surveys.

#### **GLOBAL COMPARISONS**

In this section, India's performance has been compared with its peers (China, Brazil & Indonesia) yet because the best-in-category economy in EoDB, i.e., New island. within the interest of brevity, the comparisons square measure restricted to however Republic of India| Bharat |Asian country |Asian nation} fared over the last decade from 2009 to 2019 across solely those parameters of EoDB wherever India lags, namely- beginning a Business, Registering Property, Paying Taxes, and imposing Contracts. The comparisons demonstrate the gap that Republic of India must jaunt reach the most effective international standards. The amount of procedures needed to line up a business in Republic of India, as an example, has reduced from thirteen to ten over the past 10 years (Table 2). Today, it takes a median of eighteen days to line up a business in Republic of India, down from thirty days in 2009. On the opposite hand, New island features a

seamless method of business incorporation that takes place through one window via one agency. It simply takes half-a-day with one kind and stripped value to line up a business in New island. Although, Republic of India has considerably reduced the time and price of beginning a business, a ton a lot of is must be done. Some additional simplification of processes in Republic of India has been enforced terribly recently however it's too early to measure its impact.

Property registration is another attention-grabbing example. It takes 9 procedures, a minimum of forty nine days, and 7.4-8.1 per cent of the property price to register one's property in Republic of India. Moreover, the amount of procedures, time and price have inflated over the last ten years. Meanwhile, New island has solely 2 procedures and a stripped value of zero.1 per cent of the property price within the case of paying taxes, although the amount of payments per year has considerably reduced in Republic of India from fifty nine to twelve over the last decade, time spent on this activity has not reduced a lot of. whereas Republic of India takes 250-254 hours annually to pay taxes, New island spends simply a hundred and forty hours a year. apparently, time spent to pay taxes in New island has doubled from 2009 to 2019.

Enforcing contracts is one parameter during which India's performance has been terribly poor over the years. whereas Republic of India takes one,445 days to resolve a median dispute, New island takes or so seventh of it, i.e., 216 days. The previous Economic Survey<sup>1</sup> had argued that the one biggest constraint to easy doing business in Republic of India is its inability to enforce contracts and resolve disputes. Given the potential economic and social multipliers of a well-functioning system, this might somewhat be the most effective investment Republic of India will create.

In comparison to the performance of India's peer nations, specifically China, Brazil, and Dutch East Indies, on an equivalent parameters, it may be seen that China fares far better than Republic of India on nearly all parameters (Table 3).The comparisons with different nations isn't thus one-sided. associate businessperson has got to bear ten procedures to line up a business in Republic of India taking 17-18 days to try and do thus. On the opposite hand, Dutch East Indies and Brazil need one additional method than Republic of India to open a business.

Table 2: Mapping New Zealand across EODB parameters where India struggles

	India		New Zealand	
	2009	2019	2009	2019
<b>Starting a Business</b>				
Number of Procedures	13	10	1	1
Time – No. of days	30	17/18*	1	0.5
Cost (% of income per capita)	66.1	5.3/ 9.3*	0.4	0.2
<b>Registering Property</b>				
Number of Procedures	5	9	2	2
Time – No. of days	44	49/ 68*	2	3.5
Cost (% of property value)	7.4	8.1/ 7.4*	0.1	0.1
<b>Paying Taxes</b>				
Number of Payments	59	10/ 12*	8	7
Time (hours per year)	271	250/ 254*	70	140
Total tax payable (% of gross profit)	64.7	49.7#	32.8	34.6
<b>Enforcing Contracts</b>				
Time – No. of days	1,420	1,445	216	216
Cost (% of debt)	39.6	31	22.4	27.2

Source: Doing Business database, World Bank.

\*: Denotes values for Delhi/ Mumbai as these are the two centres covered by World Bank for India. #: Before India reduced its Corporate tax rate from 30 to 25 per cent.

**Table 3: India v/s Peers on EODB Parameters (2019)**

**Starting a Business**

Number of Procedures	10	4	11	11
Time – No. of days	17/18*	9	17	13
Cost (% of income per capita)	5.3/ 9.3*	1.1	4.2	5.7
<b>Registering your iProperty</b>				
Number of Procedures	9	4	14	6
Time – No. of days	49/ 68*	9	31	31
Cost (% of property value)	8.1/ 7.4*	4.6	3.6	8.3
<b>Paying Taxes</b>				
Number of Payments	10/ 12*	7	10	26
Time (hours per year)	250/ 254*	138	1,501	191
Total tax payable (% of gross profits)	49.7#	59.2	65.1	30.1
<b>Enforcing Contracts</b>				
Time – No. of days	1,445	496	801	403
Cost (% of debt)	31	16.2	22	70.3
<b>Overall Doing Business Rank</b>	<b>63</b>	<b>31</b>	<b>124</b>	<b>73</b>

Source: World Bank Doing Business Report, 2020.

Note: India numbers are for Delhi/Mumbai respectively, as these are the two centres covered by World Bank for India.

#: Before India reduced its Corporate tax rate from 30 to 25 per cent

While country takes four days but Asian country, Brazil takes virtually a similar time as Asian country to try to therefore. In fact, countries like Asian country, Turkey and Democratic Socialist Republic of Sri Lanka (ranked seventy two, 77, and eighty five severally in beginning a Business parameter) have a less cumbersome method to begin a business than Asian country.

Similarly, whereas Asian country has 5 less procedures than Brazil (14) to register one's property, it takes a lot of less time to try to to therefore in Brazil (31 days) than in Asian country (49-68 days). Indonesia, on the opposite hand, has solely six procedures and takes same time as Brazil to register property. Just in case of paying taxes, though country (26) has quite double the amount of payments p.a. than Asian country (10-12), its voters pay so much less time in paying them than Asian country. Brazil looks to fare significantly poor during this phase.

India's performance in contract social control is poor even once compared to India's peer nations. whereas it takes close to four years to enforce a accept Asian country, Brazil and country pay two.2 and 1.1 years, severally to try to to therefore. With a rank of 163 out of a hundred ninety nations in implementing Contracts, solely a number of countries like Asian country, Mozambique, and African nation perform worse than Asian country.

A holistic assessment and a sustained effort to ease business rules and supply an setting for businesses to flourish would be a key structural reform that might change Asian country to grow at a sustained rate of 8-10 per cent each year. this needs a nuts- and-bolts approach of feedback loops, watching and continuous adjustment. successive section, surveys a number of areas wherever there's scope for important potency gains. **DENSITY OF LEGISLATION AND STATUTORY COMPLIANCE REQUIREMENTS IN MANUFACTURING**

A major challenge most companies face is the complex architecture of the Indian Governance Framework.

**Table 4: Applicable Rules and Statutory Laws for Manufacturing**

S. No.	Name of the Act (A)	No. of Sections (B)	No. of Rules, etc. (A+B)	Total
1.	Apprentices Act, 1961	37	14	51
2.	Air (Prevention & Control of Pollution) Act, 1981	54	-	54
4.	Central Excise Act, 1944	40	90	130
5.	Central Excise Tariff Act, 1985	5	-	5
6.	Central Sales Tax Act, 1956	26	9	35
7.	Companies Act, 2013	470	19	489
8.	Contract Labour (Regulation and Abolition) Act, 1970	35	83	118
9.	Customs Act, 1962	161	53	214
10.	Customs Tariff Act, 1975	13	-	13
11.	Depositories Act, 1996	31	-	31
12.	Employee Compensation Act, 1923	36	52	88
13.	Employee State Insurance Act, 1948	100	211	311
14.	Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959	10	8	18
15.	Environment (Protection) Act, 1986	26	88	114
16.	Employee Provident Funds & Miscellaneous Provisions Act, 1952	22	156	178

17.	Equal Remuneration Act, 1976	18	6	24
19.	Factories Act, 1948	120	128	248
20.	Foreign Exchange Management Act, 1999	49	102	151
21.	Foreign Trade (Development & Regulation) Act, 1992	20	18	38
22.	Finance Act, 1994	36	43	79
23.	Guidelines of Department of Scientific and Industrial Research	-	6	6
24.	Income Tax Act, 1961	298	125	423
25.	Indian Stamp Act, 1899	78	22	100
26.	Indian Boiler Act, 1923	34	626	660
27.	Indian Electricity Act, 2003	185	-	185
28.	Indian Wireless Telegraphy Act, 1933	11	13	24
29.	Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers	-	16	16
30.	Industrial Disputes Act, 1947	40	80	120
31.	Industrial Employment (Standing Orders) Act, 1946	15	22	37
32.	Legal Metrology Act, 2009	57	64	121
33.	Maternity Benefit Act, 1961	30	-	30
34.	Minimum Wages Act, 1948	31	32	63
35.	Motor Vehicles Act, 1988	217	164	381
36.	Narcotic Drugs and Psychotropic Substances Act, 1985	51	68	119
37.	Payment of Gratuity Act, 1972	15	17	32
38.	Patents Act, 1970	161	139	300
39.	Payment of Wages Act, 1936	26	13	39
40.	Payment of Bonus Act, 1965	40	5	45
41.	Petroleum Act, 1934	31	202	233
42.	Poisons Act, 1919	9	-	9
43.	Securities and Exchange Board of India Act, 1992	31	334	365
44.	Securities Contract (Regulation) Act, 1956	31	21	52
45.	Special Economic Zones Act, 2005	58	6	64
46.	Water (Prevention and Control of Pollution) Act, 1974	64	-	64
48.	Water (Prevention and Control of Pollution) Cess Act, 1977	17	9	26
49.	Shops and Establishment Act	State- wise	State- wise	State- wise
51.	Trade Marks Act, 1999	159	185	344
<b>Total</b>		<b>3,214</b>	<b>3,582</b>	<b>6,796</b>

Source: Federation of Indian Chambers of Commerce and Industry (FICCI).

Note: This is not a comprehensive list and not every rule applies to every manufacturer. It is just an illustration of the wide range of rules that a manufacturer faces.

including the density of legislation and statutory compliance necessities. an inventory containing the names of Acts applicable yet as variety of Sections / Rules of such Acts needed to be complied with by producing units is given in Table producing units ought to adapt with half-dozen,796 compliance things, that may be a tedious and time intense task. It should be noted that this can be not a comprehensive list and not each rule applies to each manufacturer. it's simply AN illustration of the confusingly big selection of rules that the arena faces.

**STARTING A BUSINESS: REGULATORY HURDLES IN OPENING A RESTAURANT**

The services sector also faces many regulatory hurdles, even for ordinary businesses. Bars and restaurants are an important source of employment and growth everywhere in the world. This is a business that, by its very nature, faces the high frequency of opening new businesses and closing old ones.

A survey showed that the number of licenses required to open a restaurant in India is much higher than elsewhere. Only China and Singapore need it of the four licenses, India still requires most mandatory licenses and approvals (a comparison is in Table 5 and some Indian requirements are listed in Table 6).

According to the National Restaurants Association of India (NRI), a total of 36 approvals are required for opening a restaurant in Bangalore, 26 for Delhi, and 26 for Mumbai.

Moreover, Delhi Delhi and Kolkata also need a Police Eating House license. The number of documents required to obtain this license from Lic Delhi Police is 45 - far greater than the number of documents required for a license to collect new weapons and lead fireworks, 19 and 12 respectively (Table 7).

Moreover, in India, only a list of licenses and permits can be obtained from a government portal or information center. On the other hand, in New Zealand, the Auckland Council's website (operated by a private third-party agency) contains all detailed guidelines and step-by-step procedures regarding permits, fees and timelines for opening a restaurant. The website contains business plan templates ready to be used and comprehensive information on various businesses, regardless of business level. On the contrary it reflects a difference in policy - government regulation and curation / partnership.

**Table 5: Licenses Required to Open a Restaurant**

Country	Market Size (US \$ billion)	No. of licenses	Nature of licenses
India	61	12-16*	As detailed in Table 6
Singapore	8.3	4	Food shop License Liquor License Importing Food License Halal Certificate
China	815	4	Sanitation License Environment License Fire License Sales License

Source: National Restaurants Association of India (NRAI).

Note: \* These are just key licenses. In practice, each city requires several more approvals as mentioned in the text.

**Table 6: Key Mandatory Licenses required to open a Restaurant in India**

S. No.	License	Authority	Delhi	Mumbai	Bangalore	Kolkata
1.	Food Safety	FSSAI	Yes	Yes	Yes	Yes
2.	Heath/Trade	Municipal Corporation	Yes	Yes	Yes	Yes
3.	Police Eating House License	Police Commissioner Licensing	Yes			Yes
4.	Fire NOC	Fire Department	Yes	Yes	Yes	Yes
5.	Shops & Establishment	Labor Department	Yes	Yes	Yes	Yes
6.	Liquor License (If serving Liquor)	Excise Department	Yes	Yes	Yes	Yes
7.	Tourism License (for liquor service)	Tourism Department	Yes			
8.	Environment Clearance for Grease Trap/ETP (Water Pollution Act)	State Pollution Control Board	Yes			Yes
9.	Environment Clearance for Gen Sets (Air Pollution Act)	State Pollution Control Board	Yes			Yes
10.	Weights and Measures	Legal Metrology Department	Yes	Yes	Yes	Yes
11.	Music License	Copyright Societies registered by Govt. of India	Yes	Yes	Yes	Yes
12.	Signage License	Municipal Corporation	Yes	Yes	Yes	Yes
13.	GST/VAT Registration	GST/Tax Authorities	Yes	Yes	Yes	Yes
14.	Employees State Insurance/ PF	Labor/ PF Commissioner	Yes	Yes	Yes	Yes
15.	Lift License (if lift installed)	Electrical Inspector	Yes	Yes	Yes	Yes
16.	Delivery Bikes (if employed)	FSSAI	Yes	Yes	Yes	Yes

Source: National Restaurants Association of India (NRAI).

**Table 7: Documents required for obtaining a license from Delhi Police**

Type of license	Number of documents required
Eating and Lodging Establishments License	45
New Arms license	19
Fireworks license	12

Source: Delhi Police Licensing

### CONSTRUCTION PERMITS

Table 8 shows the procedures, time and cost of doing business in Delhi, obtaining permits and permits for building factory / warehouses, completing required notifications and inspections, and obtaining utility connections.

Hong Kong seems to be taking off compared to the best in the Hong Kong class, which topped the World Bank ranking in obtaining construction permits. Within two months of getting the construction permit, Delhi will take almost four months. And it takes 35 days to get water and sewer connection in Delhi.

However, India has significantly improved the process of obtaining construction permits in the last five years. Compared to 2014, approximately 186 days and 28.2 percent of warehouse costs were taken; In 2019, it will take 98-113.5 days and account for 2.8- 5.4% of warehouse costs (Figure 1).

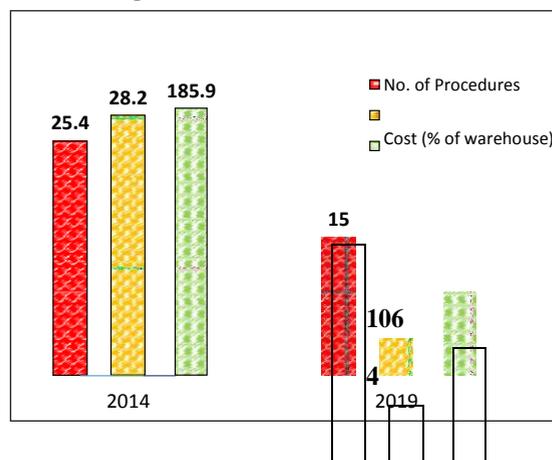
**Table 8: Construction Permits - Delhi vs Hong Kong**

DELHI, INIDA i ii (RANK i ii27)	Days	Day s	HONG KONG (RANK 1)
Submit online Common Application Form along with requisite building permit fees and drawings	0.5		Obtain approval by submitting applications to the One Stop Center
Request & obtain release of building sanction plans	30		Receive inspection by Building Dept. on foundation strata
Submit online notice of completion up to the plinth level and get inspection done	15.5		Request and receive inspection on the superstructure construction
Submit notice of completion, receive final inspection & obtain Fire NOC	2.5	1	Receive an audit inspection by the Building Department

Obtain completion/occupancy permit	30	Submit notification of project completion and relevant applications
Request water and sewer connection approval and inspection	35	Obtain relevant certificates through the One Stop Center
	1	Receive joint & final inspection of licensing authorities; Obtain Water & Sewerage connection
<b>113.5 Days</b>	<b>Time Taken</b>	<b>69 Days</b>
<b>2.8 Cost (% of Warehouse) 0.3</b>		

Source: World Bank Doing Business Report, 2020.

**Figure 1: Cost of Construction Permits in India**



### GETTING SCALE BUSINESS

Scale is one of the problems that increase business efficiency in India. Most manufacturing units in India have small capacity and as a result low productivity is a drawback in the global supply chain. Bangladesh, China and Vietnam can advance in the value chain by improving delivery time and domestic production capacity and increasing the competitiveness of international markets.

India is a small company with 80 per cent of exports compared to Bangladesh, China and Vietnam, accounting for more than 80 per cent of the market value of large exports. It takes 7-10 days to reach India's port and less than a day in China, Bangladesh and Vietnam. Thus, the end of the Indian supply chain is already hindering the inefficient logistic lines of many small goods. A comparison of turnaround times (i.e. delivery order) is given in Table 9.

**Table 9: Emerging Economies Comparison - Scale and Logistics**

	Bangladesh	China	India	Vietnam
Scale of Operations	80% large enterprises	80% or more large enterprises	80% small enterprises	80% or more large enterprises
Turn Around Time (in Days) (from order to delivery)	50	31	63	46
Time Taken to reach port (in Days)	1	0.2	7-10	0.3

Source: High Level Advisory Group (HLAG) Report, 2019.

**BUSINESS WITHIN BORDERS**

Trading Index within borders records the time and cost associated with the logistical process for exporting and importing goods. Worldwide, transportation by ports is the most popular, followed by railways and then roads. In India, it is contrary.

Italy tops the EoDB rankings in cross-border trading. Table 10 lists the comparison with India. While India takes 60-68 and 88-82 hours of export and import and border compliance, respectively, Italy takes only one. Moreover, compliance costs in Italy are zero. Exports and imports in India are \$ 260-281 and \$ 360-373 respectively.

70% delay (in exports)

Imports) are related to port or border management processes, primarily procedural complexities (number and multiplication of policies required for trade), multiple documentation and involvement of multiple agencies for approvals and approvals. It can also be observed that time delays and inefficiency of policies lead to increased commercial prices.

Although the government has already substantially reduced policy and documentation requirements, digitization and linking multiple agencies into a single digital platform can significantly reduce the inefficiency of these policies and significantly improve the user experience. Box discusses with the Authorized Economic Operators Program, which is used to streamline the process for registered exporters and importers.

**Table 10: Trading across Borders- India vs Italy**

INDIA (RANK 68)	Hours		Hours	ITALY (RANK 1)
	Delhi	Mumbai		
<b>EXPORT</b> 1: Border Compliance	54	50	0	<b>EXPORT</b> 1: Border Compliance
2: Documentary Compliance	6	18	1	2: Documentary Compliance
<b>IMPORT</b> 1: Border Compliance	70	60	0	<b>IMPORT</b> 1: Border Compliance
2: Documentary Compliance	18	22	1	2: Documentary Compliance
INDIA (RANK 68)	Cost (US\$)		Cost (US\$)	ITALY (RANK 1)
	Delhi	Mumbai		
<b>EXPORT</b> 1: Border Compliance	195	231	0	<b>EXPORT</b> 1: Border Compliance
2: Documentary Compliance	65	50	0	2: Documentary Compliance
<b>IMPORT</b> 1: Border Compliance	260	273	0	<b>IMPORT</b> 1: Border Compliance
2: Documentary Compliance	100	100	0	2: Documentary Compliance

Source: World Bank Doing Business Report, 2020.

Note: India numbers are for Delhi/Mumbai respectively, as these are the two centres covered by World Bank for India.

Box 1: Authorized Economic Operators (AEO)

Authorized Economic Operator (AEO) is a program implemented by the World Customs Organization (WCO) Safe Framework of Standards to protect and facilitate global trade. The program aims to increase the security of the international supply chain and facilitate movement of goods. The AEO includes various players in the international supply chain. Under this program, a company engaged in international trade is recognized and certified in accordance with the Customs Supply Chain safety standards. An AEO designated entity is considered a secure exchange trader and trusted trading partner. AEO is a volunteer program. This allows Indian customs to improve and improve freight security through close collaboration with international supply chain logistics partners. Benefit and preferential treatment from importers, exporters, logistics providers, custodians or terminal operators, custom brokers, warehouse operators, customs officers. Benefits include faster clearance time, less testing, improved security and better communication between supply chain partners. Circular 33/2016 - July 22, 2016 provides a legal framework for the Customs AEO Program.

The new AEO program has three levels of certification for importers and exporters:

1. AEO T1 - only verified on document submission.
2. AEO T2 - In addition to document verification, onsite inspection also occurs.
3. Confirmation.

There is only one hierarchy for logistic providers, custodians or terminal operators, custom brokers and warehouse operators:

AEO LO - Check onsite here in addition to document verification. Who is eligible for AEO certification?

Anyone involved in the international supply chain that undertakes customs-related activities in India can apply for AEO status regardless of the size of the business. This may include exporters, importers, logistics providers (eg carriers, airlines, freight forwarders), custodians or terminal operators, customs agents and warehouse owners. Others who qualify are port operators, authorized couriers and stewards. The list is not exhaustive.

**Qualifications**

Any law firm employing custom-related jobs can apply for the AEO program if they meet the following conditions:

1. They handled 25 import or export documents in the last fiscal year.
2. In the last three fiscal years, they have had their business operations (excluding eligible cases).
3. The applicant must file a financial appeal within the last three financial years.
4. The applicant will not be notified of cases that have not been credited in the last three fiscal years, whether fraudulent, forgery, smuggling, exclusion of equipment, or the service tax from the customer.

A company can go online and apply for AEO-T1 certification: <https://www.aeoindia.gov.in/>. Table A lists the number of AI compliant entities in India.

**Table A: AEO Certified Entities in India as on January 17, 2019**

AEO Tier	Number of AEO status holders
AEO T1	2,842
AEO T2	491
AEO T3	8
AEO LO	745
<b>Total</b>	<b>4,086</b>

Source: Central Board of Indirect Taxes and Customs (CBIC).

### CASE STUDIES OF INDIA'S PERFORMANCE IN LOGISTICS IN SPECIFIC SEGMENTS

This section presents the results of case studies and industry surveys conducted in October- December 2019 by the 'Quality Council of India' in order to understand the specific points in the supply-chain that experience inordinate delays and blockages.

#### I. Case Study of Exporting Apparels

This case study tracks consignments from an apparel factory in Delhi, which is a non-AEO (Box 1), that exports its products to Maine, U.S. via India's largest sea port Nhava Sheva in Maharashtra, India's largest sea port. Table 11 traces the logistics of the export consignment.

The study found that after the shipment leaves the factory gate in Delhi, it takes five days to reach Jawaharlal Nehru Port Trust (JNPT). However, six processes in Nhava Sheva can take up to 14 days, of which a day or two is spent just on 'Unloading' depending on space availability at the port. Three days are then used up in 'Custom Clearance', another three days in 'Stuffing Containers' and up to five days are taken up by 'queue

for entry into the ship'. This is partly due to insufficient port infrastructure to handle the inflow of containers, narrow roads and poor strength bearing capacity of the road satheport.

**Table 11: Tracing an Apparel Export Consignment from Delhi to Maine, United States**

	Place	Action	Day	No. of Days	
<b>INDIA</b>					
<b>19 Days in India</b>	Delhi	Shipment ready at factory	Day 1		
	Delhi Haryana Rajasthan Gujarat Maharashtra	Transport of shipment via truck/ train to JNPT	Day 1 – 5	5 days	
	Nhava Sheva, Maharashtra	Shipment reaches JNPT		Day 5	Up to 14 days
		a) Unloading		Day 5/6	
		b) Custom clearance		Day 6/7 - 8	
		c) Stuffing in container		Day 8/9 - 12	
		d) Queue for entry into ship		Day 12/13 - 17	
		e) Handover to shipping line		Day 17/18	
	a) Departure of Ship		Day 18/19		
<b>19 Days at High Seas</b>	High seas	Ship traveling at seas	Day 18/19 – Day 38	19 days	
<b>UNITED STATES</b>					
<b>3 Days in U.S.</b>	Houston, U.S.	Reaches port	Day 38	3 days	
		Clears customs (considering all documentation is in place and inspections render safe results)			Day 38/39
		Loading & Departure			Day 39
	Maine, U.S.	Reaches buyer in US	Day 40/41		

Source: QCI Calculations

However, much of the delay is due to the misalignment of processes that do not allow for “just in time” protocols. The

uncertainty of time needed to clear each step means that exporters have to pad up the time spent waiting. This adds to the clogging of portspace. Once the ship leaves the port, the consignment travels for 19 days by sea, reaching Houston, U.S. on day 38. Here, Customs take at most a day's time to clear the consignment, provided all paper work and regulatory requirements are met. The consignment then reaches the buyer's warehouse in Maine within two days.

In short, of the total 41 days taken by the consignment from factory in Delhi to warehouse in Maine, 19 days were spent in India, 19 days at sea and roughly three days in the United States. There is obvious scope for improvement.

**Table 12: Tracing a Carpet Export Consignment from Mirzapur to New Jersey**

	Place	Action	Day	No. of Days
<b>INDIA (AEO)</b>				
<b>13 Days in India</b>	Mirzapur, U.P.	Shipment ready at factory	Day 1	1 day
	Mirzapur to Piyala, Haryana	Transport of shipment via truck to ICD Piyala	Day 1 – 3	2 days
	Piyala	Shipment reaches Piyala	Day 3	4 days
		Custom clearance	Day 3/4	
		Stuffing in container	Day 4-7	
		Departure to Mundra Sea Port by Train	Day 7	
	Rail Travel	Transport of shipment via train to Mundra	Day 7 – 10/11	3-4 days
	Mundra Sea Port (Gujarat)	Queue with the truck to enter the port	Day 11 (6-7 hours)	2 days
		Loading of vessel	Day 11-13	
Departure of Ship		Day 13		
<b>22 Days at High Seas</b>	High seas	Ship traveling at seas	Day 13 – Day 35/36	22/23 days
<b>UNITED STATES</b>				
<b>5 Days in U.S.</b>	New York Sea Port	Reaches port	Day 36	4-5 days
		Clears customs (considering all documentation is in place and inspections render safe results)	Day 36-39	
	Road Travel	Transportation to New Jersey Warehouse	Day 39/40	
	New Jersey	Reaches warehouse	Day 40	

Source: QCI Calculations

### **Second. A case study of export carpets**

A similar practice has occurred for carpet manufacturer AEO, which exports products from Mirzapur, New York to New Jersey (Table 12).

After leaving the factory in Mirzapur after shipment it takes two days to reach the Inland Container Depot (ICD) at Piyala in Haryana. In ICD, freight is cleared by customs within a day. In the next three days, shipments will be filled in containers and sent to Mundra.

It takes three to four days to reach the Mundra port by train. The queue is used for 6-7 hours to enter the port. The ship will be loaded in the next two days and the ship will depart on the 13th. The ship takes approximately 23 days to reach the New York Maritime Port, 36 days. Here, it takes two-three days to empty the cargo, when all the paperwork is completed and the regulatory requirements are met. In the next two days, the goods will be shipped to a warehouse in New Jersey.

In total, 40 days and 13 days are spent in India, another 22 days at sea and 4-5 days in the US, when the shipment reaches the final buyer in New Jersey. However, being an AEO does not matter how many days it takes to leave India (compared to the previous case), it still charges an odd amount in the country.

### **Third. Case study of import of carpets**

Another way to understand the process flow of logistics is to reverse it. This case study examines the timeframes for importing carpets from Milan, Italy to Beaver's warehouse in Rajasthan (Table 13). After shipping at the Factory Gate in Milan, Naples shipping takes only 10 hours, 773 km away. Only two hours are spent on custom clearance and then one hour to load the ship. This means that the cargo will take less than a day from the factory to the ship. This is possible due to well-oiled "bus-in-time" processes. The ship will spend 23 days in high seas to reach the Mundra seaport in Gujarat. The next six days are spent at Mundra Harbor, two of which are waiting for the entrance to the port, followed by two days of custom evacuation and 6-7 hours queue to exit the harbor. Finally, the shipment will reach Beaver, Rajasthan, on the 31st.

Therefore, it takes 8 days to cross border consent in India and travel time before reaching the consignee.

In short, while it takes only one day to complete Italian transport and border compliance and documentation, India takes eight days to complete the import process (note that the importer is an authorized financial vass operator for this study). However, it is interesting to note that the import process takes less time than the export process.

The results of the case study approach are, by definition, limited by sample size, but the above results are validated by interacting with a wider cross section of QCI importers and exporters to ensure that the data collected is high but relevant to their experience. The following results are

(a) insufficient delays in loading and customs procedures in Indian ports

(B) Import processes are better than exports. (C) Large difference in processing time means exports are forced into uncertainty by eliminating excess waiting time. This means that improving the "average" is not enough to improve reliability. It should be noted that the turnaround time of ships in India has declined steadily from 4.67 days in 2010-11 to 2.48 days in 2018-19. This indicates that it is possible to achieve considerable efficiency in the case of sea ports. However, a full case study of the port of Chennai has not taken place, and partial data suggest that its processes are smoother than those of the poet.

**Table 13: Tracing a Carpet Import consignment from Milan to Beawar**

	Place	Action		Time	No. of Days/iHours
<b>ITALY</b>					
<b>13 Hours in Italy</b>	Milan	Shipment ready at factory in Milan			
	Milan Bologna San Marino Rome Naples (773 km)	Transport of shipment to Naples		Day 1	10 Hours
	Naples	Customs clearance Documentary compliances		Day 1	2 Hours
		Loading Departure of ship		Day 1	1 Hour
<b>23 Days at High Seas</b>	High seas	Ship traveling at seas		Day 2-24	23 days
<b>INDIA i(AEO)</b>					
<b>8</b>	Mundra Sea Port	Shipment reaches Mundra Port at Sea Shore		Day 24	6 days
		Vessel waiting time outside the port before entry		Day 24-26	
		Unloading shipment at port		Day 26	
			Handling shipment at port	Day 27	
	(Gujarat )	Custom Clearance	Clearing security inspections conducted by port authorities	Day 28	2 days
		Queue with the truck to exit port		Day 29 (6-7 Hours)	
	Road Travel	Transport of shipment via truck to Beawar Rajasthan		Day 29	
	Beawar (Rajasthan)	Shipment reaches factory at Beawar		Day 31	

Source: QCI Calculations

**IV: Case Study of Electronics**

Although, the processes at sea-ports remain very inefficient, those at airports have dramatically improved. Indeed, a case study of an electronics company based in Bangaluru, which is currently AEO-T2 certified, found that Indian systems can be world class. It also provides some insight into how the business environment has changed for some segments after the implementation of AEO policy in 2016.

Tables 14 (a) and (b) compare the time taken for exporting electronics from Bangaluru to Hong Kong, with and without AEO registration. Once the shipment is ready at the factory in Bangaluru, it takes three hours to transport it to Kempegowda Airport. At the airport, it takes one hour to enter exports terminal. So far, there is no difference between AEO and non-AEO. However, total time spent at the airport for Customs and examination process is just two hours for AEO-T2 operators. Non-AEO operators take 6 hours.

In fact, after AEO implementation, the total time spent in India (six hours) is less than that spent in Hong Kong (seven hours). This shows, with the help of right policies, India can achieve international standards, or even better them.

**Table 14 (a): Tracing Electronics Export consignment from Bangaluru to Hong Kong (Non AEO)**

	Place	Action	Time
<b>INDIA-i(NON iAEO)</b>			
<b>10 Hours in India</b>	Bangaluru, Karnataka	Shipment ready at factory	
	Warehouse to Kempegowda Airport, Bangaluru Distance – 70Km	Transport of shipment via truck to Airport	3 Hours
	Shipment reaches Airport	Export Terminal Entry	1 Hour
		Customs Registration	2 Hours
		Examination & Let Export of Shipping Bill	4 Hours
<b>5 Hour Flight</b>	Air travel		5 Hours
<b>HONG iKONG</b>			
<b>7 Hours in Hong Kong</b>	Hong Kong	Reaches Hong Kong Airport	
	Customs Clearance	Inspection & Pass out Order	4 Hours
	Road Travel	Transportation from airport to warehouse	3 Hours

**Table 14 (b): Tracing Electronics Export consignment from Bangaluru to Hong Kong (AEO)**

	Place	Action	Time
<b>INDIA (AEO T2)</b>			
<b>6 Hours in India</b>	Bangaluru, Karnataka	Shipment ready at factory	
	Warehouse to Kempegowda Airport, Bangaluru Distance – 70Km	Transport of shipment via truck to Airport	3 Hours
	Shipment reaches Airport	Export Terminal Entry	1 Hour
		Customs Registration	1 Hour
		Examination & Let Export of Shipping Bill	1 Hour
<b>5 Hour Flight</b>	Air travel		5 Hours
<b>HONG KONG</b>			
<b>7 Hours in Hong Kong</b>	Hong Kong	Reaches Hong Kong Airport	
	Customs Clearance	Inspection & Pass out Order	4 Hours
	Road Travel	Transportation from airport to warehouse	3 Hours

Source: Survey Calculations.

Again, the process flow was studied in reverse. Tables 15 (a) and (b) compare the time taken in importing electronics from China to Bangaluru, with and without AEO. After the shipment is ready in factory at Shenzhen, it takes two days to transport it to Hong Kong airport.

At the airport, an hour is spent on export declaration, two hours on customs clearance and another four hours in loading the aircraft at the terminal. After a five hour air travel, the consignment reaches Kempegowda Airport, Bangaluru. It then takes 14 and

11 hours respectively for a Non-AEO and AEO consignment to reach the warehouse in Bangaluru.

The case study suggests the following conclusions: (a) the processes in Indian airports is vastly superior to those at sea ports for both imports and exports; (b) AEO did significantly improve the process but it is reasonably smooth even for non-AEO operators importing/ exporting electronics (c) Indian processes can beat international standards.

**Table 15 (a): Tracing Electronics Import consignment from China to Bangaluru (Non AEO)**

	Place	Action	Time
<b>CHINA</b>			
<b>2 days &amp; 7 Hours in China</b>	Shenzhen, China	Shipment ready at factory	
	From warehouse in Shenzhen to Hong Kong Airport	Transport of shipment via truck to Airport	2 days
	Shipment reaches Airport	Export Declaration	1 Hour
		Customs Clearance	2 Hours
		Acceptance to flight at Terminal	4 Hours
<b>5 Hour Flight</b>	Air travel		5 Hours
<b>INDIA-i(NON iAEO)</b>			
<b>14 Hours in India</b>	Shipment reaches Airport in Bangaluru	Bonding/ Manifest of Cargo	3 Hours
		Customs Clearance	6 Hours
		Cargo Delivery process	1 Hours
	Road Travel	Transportation from airport to warehouse	4 Hours

Source:SurveyCalculations

**Table 15 (b): Tracing Electronics Import consignment from China to Bangaluru (AEO)**

	Place	Action	Time
<b>CHINA</b>			
<b>2 days &amp; 7</b>	Shenzhen, China	Shipment ready at factory	
	From warehouse in Shenzhen to Hong Kong Airport	Transport of shipment via truck to Airport	2 days
<b>5 Hour Flight</b>	Shipment reaches Airport	Export Declaration	1 Hour
		Customs Clearance	2 Hours
		Acceptance to flight at Terminal	4 Hours
<b>5 Hour Flight</b>	Air travel		5 Hours
<b>INDIA-i(AEO iT2)</b>			

<b>11 Hours in India</b>	Shipment reaches Airport in Bangaluru	Bonding/ Manifest of Cargo	3 Hours
		Customs Clearance	3 Hours
		Cargo Delivery process	1 Hours
	Road Travel	Transportation from airport to warehouse	4 Hours

### CONCLUSION

It looked at the Ease of Doing Business in India from various aspects. First, it compared India’s performance on World Bank’s EoDB rankings with its peers as well as the best-in-class. The analysis focused on the four parameters where India lags behind viz- Starting Business Registering Property, Paying Taxes, and Enforcing Contracts. The findings clearly show the large scope for improvement in all categories. While it takes approximately four years to enforce a contract in India; New Zealand, Indonesia, China and Brazil require 0.6, 1.2, 1.4 and 2.2 years respectively. With a rank of 163 out of 190 nations in Enforcing Contracts, only a few countries like Afghanistan, Mozambique, and Zimbabwe perform worse than India. Similar comparisons have been shown for other categories.

Secondly, the chapter throws light on the maze of laws, rules and regulations in manufacturing and services (particularly restaurants) sector. While China and Singapore require only four licenses to open a restaurant, India requires several more mandatory licenses and approvals: Delhi requires 26, Bangaluru 36, and Mumbai requires 22. In addition, Delhi requires a ‘Police Eating House License’ from Delhi Police that asks for 45 documents compared to just 19 needed to buy a gun. The scope for streamlining is clear.

India has jumped up 79 positions in World Bank’s Doing Business rankings, improving from 142 in 2014 to 63 in 2019. However, it continues to trail in parameters such as Ease of Starting Business (rank 136), Registering Property (rank 154), Paying Taxes (rank 115), and Enforcing Contracts (rank 163).

➤ Enforcing a contract in India takes on average 1,445 days in India compared to just 216 days in New Zealand, and 496 days in China. Paying taxes takes up more than 250 hours in India compared to 140 hours in New Zealand, 138 in China and 191 in Indonesia. These parameters provide a measure of the scope for improvement.

➤ Setting up and operating a services or manufacturing business in India faces a maze of laws, rules and regulations. Many of these are local requirements, such as burdensome documentation for police clearance to open a restaurant. This must be cleaned up and rationalized one segment at a time.

➤ The process flow for imports, ironically, is more efficient than that for exports. Although one needs to be careful to directly generalize from specific case studies, it is clear that customs clearance, ground handling and loading in sea ports take days for what can be done in hours. A case study of electronics exports and imports through Bengaluru airport illustrates how Indian logistical processes can be world class.

➤ The streamlining of the logistics process at sea-ports requires close coordination between the Logistics division of the Ministry of Commerce and Industry, the Central Board of Indirect Taxes and Customs, Ministry of Shipping and the different port authorities. The simplification of the Ease of Doing Business landscape of individual sectors such as tourism or manufacturing, however, requires a more targeted approach that maps out the regulatory and process bottle-necks for each segment. Once the process map has been done, the correction can be done at the appropriate level of government - central, state or municipal.



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