

The Ease of Doing Business in Startups in India

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Abstract - This research paper analyses the ease of doing business in start-ups in India using both primary and secondary methods of data collection. The purpose behind choosing this paper is that this topic gives the researchers plenty of opportunities to interact with entrepreneurs, gain and broaden their understanding of the current scenario of start-ups and raise questions related to their economic condition in the country. This paper aims to shed some light on the adoption and implementation of government policies for Indian start-ups. It has been found that although the government of India has provided a huge boost to start-ups in the form of the 'Start-Up India' campaign launched in 2015, there are still many parameters in which this country is lagging behind others and hence many alternate solutions to bettering the economic condition for such small-scale companies.

Keywords: Business, Ease of Doing Business, India, Policy Recommendations, Startups, State-Wise Rankings.

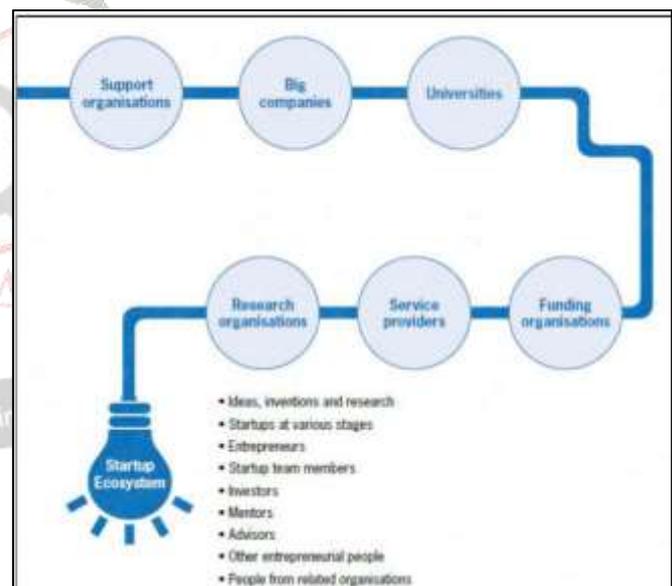
I. INTRODUCTION

India is one of the most populated countries in the world and this huge population gives rise to numerous business opportunities. This is a major reason for the startup industry in India growing exponentially, and thus becoming the third largest startup hub globally. It has also been estimated that there will be 11,500 startups by 2020 as compared to 3,100 in 2014 and 5,600 in 2016. The start-up culture is all about fostering innovation through talent. Anybody who has a vision of changing India should be set free from mundane regulation so that they can focus on their unique ideas. Hence, the government has undertaken various initiatives to ease the regulatory norms and thus promote more start-ups. 'Make in India' and 'Start-Up India' are two campaigns undertaken by the state-level and national-level governments of India, respectively, intended to build a strong ecosystem that is conducive for the growth of the startup businesses, drive sustainable economic growth and generate large scale employment opportunities. The various stages in the life cycle of a start-up (Grant Thornton Report, 2016) are-

1. Pre-startup: Discovery by identifying a potential scalable product/service idea for a big enough target market and validation of the service or product discovered hits the market, looking for the first clients ready to pay for it.
2. Startup: Maintenance by maximizing benefits and facing problems derived from the global dimension that the business has achieved. Sale or renewal is the decision to sell the startup to a giant or acquire huge resources that the brand will need to continue growing.
3. Growth: Efficiency of the startup is when the entrepreneur begins to define the business model and looks for ways to increase customer base. Scale stage is pushing

the growth of the business aggressively while increasing its capacity to grow in a sustainable manner.

Fig [1]: Startups in India



Source: ASSOCHAM India (2016) Startups India- An Overview

On 15th August 2015, the Prime Minister, Narendra Modi, announced the 'Start Up India, Stand Up India' initiative to increase funding from banks resulting in job creation. Shown above in the diagram is the origin of a start-up ecosystem. Since the government has launched various projects and is trying to increase the ease of doing business in the world of startups, it would not be very surprising to see substantial increase in the number of unicorns in India in the coming future. For example, PayTm achieved its unicorn status in 2015 and has an estimated valuation of \$15 billion. Ola Cabs founded by Bhavish Aggarwal and Ankit Bhati is one of the largest and renowned start-ups in

India and became a unicorn in 2014. However, despite increasing measures taken by the government to boost the growth of start-ups and an increasing market valuation of Indian start-ups over the last 4 years, a recent study ('Entrepreneurial India' by IBM Institute for Business Value and Oxford Economics) found that 90% of Indian start-ups fail within the first five years. One of the main reasons for failure is a complex regulatory environment, which affects the ease of doing business in the country.

II. LITERATURE REVIEW

Shetty (2017), in his research, talks about how the demand for entrepreneurship has risen in the country over the past several years. According to evidence, India has close to 19000 new technology-enabled startups every year. The figure mentioned is significantly dominated by the consumer technology sector and financial services startups. The paper studies how the huge number of startups are financed and how the venture capital industry has increased in importance after the rising demand of entrepreneurship and startups.

In the research of **Vajrapu & Kothwar (2018)**, the increasing number of new generation startups and the technological requirements of such startups were observed in India. During the study, it was found that irrespective of the size of the organization (small, medium and large), requirements prioritization is important to minimize risk during development. It was also identified that startups are not small versions of large companies and hence, existing managerial and technical practices cannot be directly transferred directly due to low rigor in current studies.

Shaikh (2019) paper focusses on giving a broad overview of start-ups globally and highlights the condition of start-ups in India. India's large population and access to mobile phones and the internet in almost every corner of the country has contributed towards cementing India's position as a major start-up economy of the world. The government has also played a key role in the boom of start-ups by launching an initiative titled 'Start-Up India'. The top 3 states in India as per the Ease of Doing Business Report by World Bank and Department of Industrial Planning and Promotion (2018) are Andhra Pradesh, Telangana and Haryana while the top 3 cities are Bangalore, Delhi-NCR and Mumbai. The paper also throws light on the massive success stories of Flipkart, Make My Trip and Ola Cabs.

Saxena & Adhana (2019) in their paper highlights India's performance in the ease of doing business index and compares India's standings with those of other South Asian countries. India jumped to the 77th rank in the World Bank's latest Ease of Doing Business Report (2019) from the 54th rank in 2018. It is also one of the two South Asian countries in the global top improvers list. The most significant change (parameter wise) is in dealing with construction permits. The introduction of a unified tax system (GST) instead of a multiple tax at different levels

also helped to boost the economy. India now ranks in the top 25 in the world on three indicators- getting electricity, getting credit and protecting minority investors and the department of industrial policy and promotion.

Habeebuddin & Sakriya (2018) in their paper highlight the benefits obtainable to startups in India, analyze the opportunities available as well as identify the challenges and issues faced by them. The authors maintain that the 'Start Up India, Stand Up India' program launched by Prime Minister Narendra Modi accelerated the progress made by startups and boosted the economy. However, there are certain challenges like lack of transparent policies, presence of a fragmented Indian market, lack of infrastructure, etc.

Natarajan & Raza (2017) analyze the ease of doing business in India with regards to relevant regulations and parameters and with regards to policy reforms introduced by the government. The paper also compares India among SAARC countries on the basis of the ease of doing business and suggests measures for improving the same. The authors conclude that in order to propel India's ranking, more emphasis must be given to structural reforms and business policies.

The main aim of the study by **Korreck (2019)** is to analyse the growth drivers and the challenges that start-ups in India face. It talks about the type of support available and the development in the ecosystem with a major focus on technology driven start-ups. For a better understanding of the system, a series of interviews with field experts were also conducted, on the basis of which the five important growth drivers that a Start-up in India has were identified along with highlighting the major challenges. Despite of all these challenges, has been able to create a strong support system to convert ideas into reality.

The paper focuses on investigating the arrangements, such as various regulations, plans and incentives made by the Indian government to fund the ideas which have the potential to succeed in the coming time. Another major thing discussed are the various steps involved in the development of a start-up. According to **Andaleeb & Singh (2016)**, the opportunities for startups in India are increasing and if they find innovative ways to overcome the challenges and focus on their vision, there is no reason for any great idea to fail.

Chandiok (2016), in their findings indicate that IIT graduates account for about 12 billion-dollar startups like Ola, Zomato, Flipkart to name a few, making IIT the fourth largest producer of such huge startups. The 'Start-up India' initiative has been an important contributor leading to the increasing number of unicorns in the country. Through trend analysis, it is observed that investors want to invest even before the start of the company. Overall, India has immense scope for growth and offers the best investment opportunities that the whole world is looking at.

The papers stress about the different issues that a startup faces throughout its life cycle. A start-up cannot sustain just based on the idea or the passion. A lot of resources, hard work, leadership skills, communication skills along with risk taking ability is required for a start-up to become successful. **Sarangi (2015)**, provided reasons as to why start-ups fail. According to **Kumar (2018)**, the start-up arena has a lot of challenges ranging from finance to human resources and from launch to sustaining the growth with tenacity. Being a country with large population, the plethora of opportunities available are many for start-ups offering a wide range of products and services.

According to **Bhasin (2020)**, a conducive business environment is of prime importance. India has been continuously improving in World Bank's Ease of Doing Business rankings and has improved to the 77th rank in 2019 from the 142nd in 2015. The government has undertaken many reforms to help MSMEs. Some of them include removing regulatory burdens, implementation of GST, etc. Obtaining a building permit has been made easier and less expensive, the insolvency and bankruptcy law has been amended to make credit access easier, port infrastructure has been upgraded and paperless transactions are being promoted. "Make in India" is a state level initiative.

Gaur (2017) in the article discuss about the various reforms undertaken by the government and what more can be done in order to improve it. In 2016-17 such as Housing for all by 2022 & smart cities to empower India economically and generate jobs for the youth The business environment can improve in a number of ways like having a strong policy framework (introduction of appropriate policy framework, improving the existing policy framework, suggestions to rationalize regimes), simplification and consolidation of procedures to bring about greater speed, implementation of discipline etc.

Asher (2020) in his paper states that the some of the recent initiatives undertaken by India to improve its EODB rankings include providing a bank number easily, round-the-clock payment transfer systems, amendment of the insolvency and bankruptcy code etc. to reduce the registration time and how these individual initiatives are likely to have a significant cumulative impact.

Garg (2018) in the research paper address issues related such as how some of the measures undertaken by the government of India have helped improve India's ease of doing business rank while some initiatives have not even been taken into account because they were not utilized in practice. Even though India has the best reforms on paper (construction permits) the rules are still not being adhered to. Thus, even though the foundation has been laid, India still requires a lot more groundwork to make it to the 50s.

Aggarwal & Manyal (2017) in their paper mention the impact of the Modi government on the ease of doing

business in India. Some of the initiatives undertaken by the Modi government include the Jan Dhan Yojna, Make In India, LPG subsidy reform, Digital India etc. These initiatives by the government try to extensively cover all the areas which require improvement (GDP, Poverty, Infrastructure etc.) which overall help to create an environment conducive to business growth.

Sharma, Raj and Gandhi (2019) provide reasons for the failure of startups in India. Some of them include difficulty in raising capital, poor technological infrastructure, regulatory issues, unorganized and fragmented markets etc. Even though the government has undertaken various initiatives to streamline cumbersome processes, there are still a lot of areas which require improvement.

Shukla & Pande (2019) in their study considers about how self-reliant growth is essential for the development of a nation as a whole and how the Start-up India initiative by the government of India is a step towards the same. The authors have used secondary data to do a SWOT analysis of this government initiative and evaluate the extent of ease of doing business in the country and understand the extent to which this initiative reached out to business talent among other aspects. The overall paper concludes that there is high potential for growth of businesses and ventures in the Indian market if the loopholes in the system are taken care of and some additional regulations are implemented.

The research paper by **Kalyanasundaram (2018)** deals in the discourse about the various factors that affect start-ups in India adversely and lead to their downfall. Failed start-ups were compared to successful start-ups and it was identified that factors such as time to minimum viable product cycle, time for revenue realization, founders' complementary skillsets, age of founders with their domain expertise and their personality, attitude towards financial independence and their willingness to avail mentorship at required stages, etc. all play a major role in determining the life of a start-up.

III. RESEARCH OBJECTIVES

The broad objective of this paper is an attempt to study the Ease of Doing Business in Startups in India. In light of the broad objective, the specific objectives of the present study are as follows:

1. To evaluate the ease of doing business for Start-Ups in India.
2. To analyze the state wise ease of doing business rankings.
3. To analyze the condition of Start-Ups in India: A Case Study.

IV. DATA AND RESEARCH METHODOLOGY

This section discusses the research methodology adopted to attempt to address the research objectives of this paper. Both primary and secondary research has been conducted to

determine various factors that contribute to the ease of doing business and the performance of start-ups in India.

Extensive secondary research has been conducted to evaluate the objectives at national and state levels. Different research papers, journals, websites and databases were analyzed. The World Bank and Start-Up India sites were used in depth. The Make in India website and other official government and non-government databases were also thoroughly perused. Due credit has been given wherever necessary.

Statistical methods such as regression analysis and correlation analysis have been applied to analyze the secondary data. Technical analysis has also been conducted.

Primary research has been conducted in the form of personal interviews. For primary analysis, the Likert Scale (1-5) was used to quantify the data collected on the variables relevant to the present study. Start-ups (operating in Mumbai) in different stages were selected on a random basis. Descriptive statistics have been used to analyze the data obtained for each parameter/variable. The variables are as follows:

1. Starting of the business.

This variable measures the number of procedures, time, cost and minimum capital a small to medium sized firm needs to start up and formally operate in the country. It measures procedures such as pre-registration, post-registration, obtaining funds for the required capital, etc.

2. Obtaining construction permits.

It measures the procedures, time and cost to complete all the legal formalities to build a warehouse and the safety mechanisms as well as quality control in the construction permitting system.

3. Getting electricity.

This variable measures the time, number of procedures, and cost taken for a business to obtain a permanent electricity connection, as well as the transparency of tariffs, cost of electricity and the reliability of supply.

4. Registering property.

To measure this variable, a standardised case of an entrepreneur who wants to purchase a plot of land is assumed. This plot of land is typically in a building that is registered and free of dispute. Using this as the scenario at hand, the variable measures the steps, time and cost of registering the property and the quality of land administration which in itself has 5 dimensions- reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and access to property rights.

5. Getting credit.

Under this variable, two dimensions are explored- the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws with respect to lending. This indicator measures the strength of the legal rights index

with respect to the rights of borrowers and lenders through collateral laws and bankruptcy laws, the depth of the credit information index with respect to the scope and accessibility of credit information distributed by credit registries, the number of individuals and firms listed in the largest credit bureau, and the number of individuals and firms listed in the credit registry as a percentage of the adult population in the economy.

6. Paying taxes.

Under this variable, the taxes and mandatory contributions that a firm must pay within a year and the burden of paying taxes and aforementioned contributions as well as for post-filing procedures (for example, tax audit) are measured. Under total taxes, taxes such as profit or income tax, labour tax, property and property transfer tax, dividend, capital gain and financial transaction tax, waste collection, vehicle, road and other taxes are taken into consideration. With respect to the time required to pay taxes, variables such as collecting information, computing tax payable, preparing separate tax accounting books, completing tax return and arranging payment are measured in terms of hours per year. Lastly, post-filing index consists of the number of hours taken to comply with the VAT refund and with a corporate income tax correction, and the number of weeks taken to obtain the VAT refund as well as to complete a corporate income tax correction.

7. Labour market regulations.

The flexibility in employment regulation and aspects of job quality are measured.

8. Trading across borders.

Exports and imports come under this variable. The time and cost to export the product of competitive advantage and import the needed goods is measured.

9. Enforcing Contracts.

The time and cost taken to resolve a commercial dispute as well as the quality of the judicial process for both genders is measured.

10. Resolving insolvency.

This variable measures the time, cost and outcome of proceedings regarding insolvency. The cost includes court fees, fees of insolvency administrators, lawyers', assessors' and auctioneers' fees and is measured as a percentage of estate value. The recovery rate for creditors includes official costs of the insolvency proceedings, depreciation of furniture, and the present value of debt and is measured as cents on the dollar recovered by secured creditors.

11. Protecting minority investors.

This variable measures the minority shareholders' rights in transactions and in corporate governance so as to protect them against mismanagement or misuse of corporate assets.

V. RESULTS, ANALYSIS AND INTERPRETATION

This section addresses the stated objectives of the research paper and tries to analyze and interpret from the context of the Ease of Doing Business. This section is divided into three segments: First, Ease of doing business for Start-Ups in India; Second, state wise ease of doing business rankings; Third, analysis of the condition of Start-Ups in India: A Case Study.

5.1 EASE OF DOING BUSINESS IN START-UPS IN INDIA.

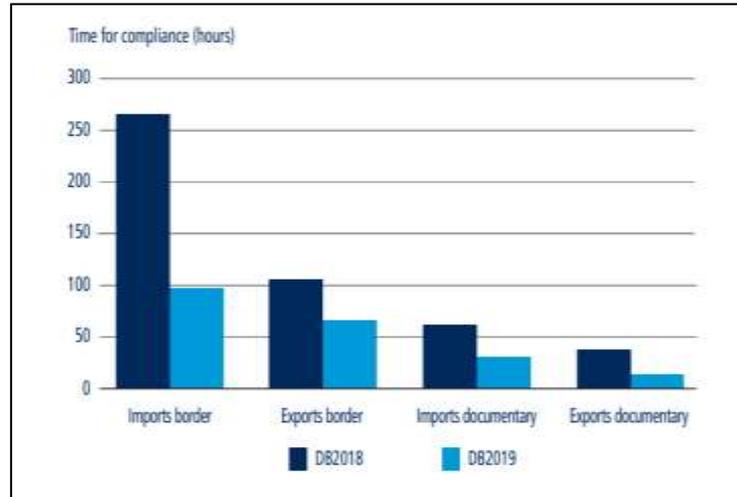
Ease of doing business explains how conducive the regulatory environment is for a firm from its start to its operations. It indicates simpler and better regulations along with strong property rights among other things.

The ease of doing business index is created by Simeon Djankov, who is an economist at the Eastern and Central Europe sector of the World Bank Group. This index includes scores and ranks for all the economies, which help in analyzing the position of every economy with respect to the others.

India has been making every effort to improve its score and make it easier for companies to do business in the country. Currently, according to the Doing Business Report 2020, India ranks 63rd on the Ease of doing business Index with a score of 71 as opposed to the rank 77th in 2019 with a score of only 67. In 2016, India was far behind and stood at the 130th position.

India has been a part of the top 10 improving nations for the third time in a row which was only achieved by four other nations. It has received a lot of praises for this considering how huge the economy is. There are multiple factors which contribute to the improvement of an economy which can be largely categorized as political or economic. The Make in India initiative, by Prime Minister Narendra Modi, has been a huge contributor in enhancing the country's competitiveness by attracting foreign investment and giving a boost to the manufacturing sector. In 2015, the government set a goal of being among the top 50 by 2020, even though the country is not there yet, it could definitely be among the top 50 in a year or two. India implemented a lot of initiatives for faster cross border trade by reducing a number of compliances for export and import under the National Trade Facilitation Plan 2017-20. It has also invested in port equipment, among others.

Figure [2]: India decreased border and documentary compliance time for both exports and imports.



Source: Doing Business Database.

Table [1]: The 10 economies improving the most across three or more areas measured by Doing Business in 2018/19

Economy	Rank	Change in DB score	Reforms making it easier to do business									
			Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Saudi Arabia	52	7.7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jordan	75	7.6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Togo	97	7.0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bahrain	43	5.9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tajikistan	106	5.7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pakistan	108	5.6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kuwait	83	4.7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
China	31	4.0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
India	63	3.5	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nigeria	111	3.4	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Source: Doing Business Report, 2019.

It is easier to start a business in India because it fully integrated a number of different forms into one and abolished filing fees for a few things. India also made efforts to reduce the time and cost required for getting a construction permit and improved the building quality control standards.

Now, let's look at few other variables that have affected the ease of doing business in India-

1. Firm Entry

The entry of new firms results in reallocation of resources which is responsible for higher productivity and greater market competition is directly linked to better firm performance as well as a 6-11% increase in executive remuneration. The 'License Raj' reform in India significantly helped in the entry of new firms with hassle free registration as it was found that the number of small firms increased in industries that had relaxed rules and regulations. It was also observed that there was an increase in productivity in these sectors as well which could lead to a possible reduction in resource allocation distortion.

2. Property Transfer

The benefits of strengthening land property rights were examined by analysing the link between land demarcation and investment. The basis for this is that when property rights are not secure, fear of expropriation may drive entrepreneurs to make suboptimal investment decisions. It was found that there was a 23-43% shift towards long term investment on land when there were improvements in land tenure security improvements.

3. Reliability of Electricity

Power outages are a significant obstacle to the ease of doing business, especially in start-ups. When the supply of electricity is not reliable, it leads to damage of goods, lesser productivity and losses and firms have to increase their expenses by buying generators and other equipment to protect sensitive machinery and goods. During, 1992 to 2010 when India was not doing extremely well, the shortage of electricity reduced the revenues by around 6-8% and the producer surplus dropped by around 10%. To resolve this, most firms and start-ups must be given a steady and reliable source of electricity.

4. Labour Market Reforms

Labour market regulations directly affect a firm's productivity. The restrictive regulations in India are directly related to a firm's increasing labour costs, which conversely affect unemployment rates and participation in labour markets. Moreover, changes in labour market regulations are linked to changes in credit markets as an increase in employment leads to an increase in bank loans.

5. Trade Regulation and Costs

This indicator measures the time to clear official procedures while trading across borders (eg. clearing customs procedures).

6. Court Efficiency

Judicial reforms play a major role in increasing economic development along with productivity. India lags behind a little in this aspect, which can be improved by increasing the speed of contract enforcement and reduction in tariffs as it has been found that gains in productivity from trade regulation relaxations are the highest in economies that have efficient judicial systems. In India, it is estimated that a 10% increase in judicial equity will lead to a 1-2% rise in revenue.

7. Creditors' Rights

Generally, legal systems in most economies limit the scope of assets that can be used as collateral, require court orders to enforce major rules and regulations, etc. If such legal systems improve, banks can lend up to one third more using the same level of collateral. Better protection of creditors' rights does protect firms but only as long as such protections improve the efficiency of credit markets.

8. Credit Information

With the right infrastructure and technology, credit information systems fulfil the purpose of reducing challenges of asymmetric information and allow lenders to identify major risks associated with the borrowers.

9. Shareholders' Rights

Shareholders' rights come into play when considering the capital markets. Well enforced and managed shareholders' rights reduce overall cost of capital and are also associated with economic growth. According to research by Brown, Martinsson and Peterson (2013), firms with strong shareholders' rights have better access to financing and are more likely to invest in research and development.

10. Foreign Direct Investment

Foreign direct investment and ease of doing business rankings were seen to have a strong correlation for the years 2004-09. This is because in such economies, foreign investment crowds out domestic investment and to do so, reforming business regulations is necessary. This plays a significant role in enhancing foreign and domestic business activity.

Another important factor to consider here is economic freedom. Economic freedom refers to an individual's control over his labour and property. India's score on this index is just 56.5 which is why its rank is 120, which is well below the world as well as regional averages. To improve this, India should improve its fiscal health by implementing tax reforms, labour reforms and banking regulations.

Even this report points to increased regulatory efficiency that has been shown by the economy in recent times. The government reduced export subsidies and made it easier to start businesses, get electricity, and obtain credit and a lot more.

All reports point to the fact that India is doing everything it can to make a conducive environment for start-ups to function and survive efficiently. There have been a large number of reforms in every single sector to support this.

Improving the ease of doing business in the country is crucial in order to increase development because it will lead to the increase in investment in the country, significantly.

Reasons for the improvement in India's ranking over the years:

1. Reforming the Insolvency and Bankruptcy Code

Before the implementation of this reform, it was very burdensome and expensive for creditors to seize companies that defaulted on their loans- for example, foreclosure proceedings lasted almost five years, making efficient recovery almost impossible. However, this reform introduced the option of reorganization for such companies instead of liquidation or other instruments of debt enforcement which led to creditors having access to better tools to negotiate and have greater chances of recovering

money at the end of the process. Since it came into effect, more than 2000 companies have made use of this law. Reorganization has increased the recovery rate from 27 to 72 cents on the dollar.

2. Changes in the Companies Act

In 2015, the government issued a notice that exempted certain companies from a few provisions of the Companies Act, 2013 to enable the ease of doing business in India. As a follow-up to this move, the MCA issued another notice in 2017 exempting start-ups from meeting with certain compliances under the Act. For starters, now startups (that are one-person companies) do not need to include cash flow statements in their financial statement. Also, the structure of what is included in the annual returns part of the financial statement has changed. Now, there is a reduction in the amount of data required which as a result makes it easier and less cumbersome for companies to prepare such statements. The minimum requirement for board meetings has reduced to once every 6 months instead of one per quarter. Lastly, private companies (including startups) can now issue sweat equity shares within one year of commencing business.

3. Starting a Business

In 2017, the number of procedures required to start a business was reduced from 14 to 5. 5 procedures, which are obtaining a direction identification number, permanent account and tax deduction account number and others, were merged into one which reduced the number of procedures needed to start a business. All of these procedures have now been merged into a single form called SPICe, which uses digital technology to facilitate the process of incorporating a company in India.

4. Construction Permits

Now, according to the Department of Industrial Policy and Promotion (DIPP), it only takes 60 days followed up 8 online procedures to get a construction permit in India, as opposed to more than 160 days earlier. Also, obtaining a construction permit now only costs 4% of the warehouse value, as opposed to 5.7% earlier.

5. Trading across Borders

The Shipping Ministry directed all major ports to extend the Direct Port Delivery facility to all Accredited Client Programme (ACP) clients and to provide additional parking area for such ships. Additionally, the Jawaharlal Nehru Port Trust (JNPT) has also reduced the number of documents required and official procedures required to bring down the waiting time for tractor trailers. A single electronic platform has now been introduced to improve methods to document port infrastructure as well as import and export processes. The SEZ (Admendment Bill) in 2019 enables any entity to set up a unit in a SEZ, which has boosted investments and created new export and employment opportunities. Lastly, the Export Credit Guarantee Corporation (ECGC) introduced a new Export Credit Insurance Scheme (ECIS)

for exporters in which insurance cover for export credit was extended from an average of 60% to 90%.

6. Tax Benefits

The Indian government has reduced steps for EPF and statutory payment. It has also introduced the GST which makes the taxation structure easier and more streamlined for small firms. Startups also stand to benefit a lot from the Startup India Scheme. For example, they need not pay any capital gain tax and tax in profit for 7 years after registering under this scheme. Additionally, registration fees for patent application have been reduced by up to 80% and the government has provided for approximately Rs. 10,000 crores as funds for startups through Alternate Investment Funds. Certain startups are also eligible for exemptions on income tax and capital gains tax.

India’s statutory rate for corporate tax is now 22% from 30%, which is one of the lowest rates in Asia. This makes India very attractive for foreign investments.

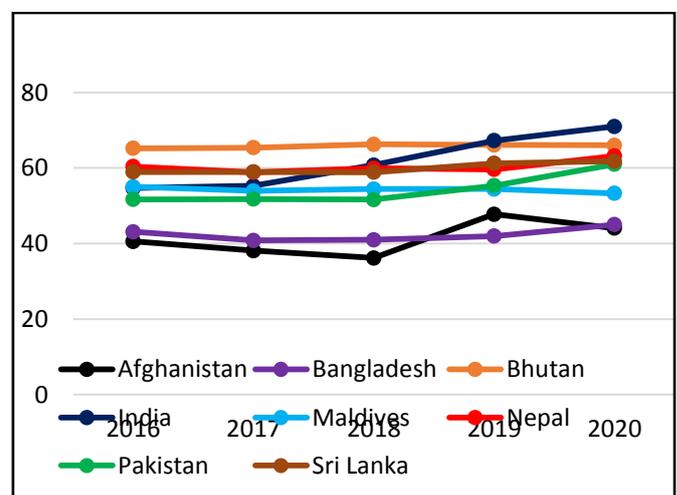
According to the Doing Business Report figures, the following charts show trends of the SAARC nations and BRICS nations. The changes in ‘Ease of Doing Business in India’, during a sample period of 2016 to 2020, have been observed alongside these two set of groups and relevant conclusions have been drawn.

Table [2]: Doing Business Score: SAARC nations, 2016-2020

	2016	2017	2018	2019	2020
Afghanistan	40.58	38.10	36.19	47.77	44.10
Bangladesh	43.10	40.84	40.99	41.97	45.00
Bhutan	65.21	65.37	66.27	66.08	66.00
India	54.68	55.27	60.76	67.23	71.00
Maldives	55.04	53.94	54.42	54.43	53.30
Nepal	60.41	58.88	59.95	59.63	63.20
Pakistan	51.69	51.77	51.65	55.31	61.00
Sri Lanka	58.96	58.79	58.86	61.22	61.80

Source: Ease of Doing Business Reports of years 2016-2020.

Fig [3]: Ease of Doing Business (SAARC Nations)



Source: Ease of Doing Business Reports of years 2016-2020.

The South Asian Association of Regional Cooperation (SAARC) is the regional intergovernmental organization of states in South Asia. The members of SAARC are, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, India and Sri Lanka. As the countries are a part of the same geographical region, it makes it relevant for comparison of the ease of doing business in the respective nations.

However, we can observe that countries like Bhutan, Nepal, Bangladesh and Sri Lanka have had a constant or an insignificant level of improvement in terms of ease of doing business over the five years. Maldives is the only country in the union whose ease of doing business has effectively declined over the past five year, which might be due to its rising focus on income from tourism.

Other nations including Afghanistan, Pakistan and India have improved their ease of doing business score over the years, as they might have reduced the level of compliances for one to start a venture in their country.

from rank 84 to rank 31. And not only China, but also Taiwan and Hong Kong, its associate countries, have shown an astonishing improvement in the list during the period.

India has come a long way, from a score of 54.68 at rank 130 to a score of 71 at rank 63, over the last five years. The country has focused on investment led growth and hence made it easier for its citizens to start a venture in their country. This also gave them an incentive as it might help them fight a major problem of unemployment in the country.

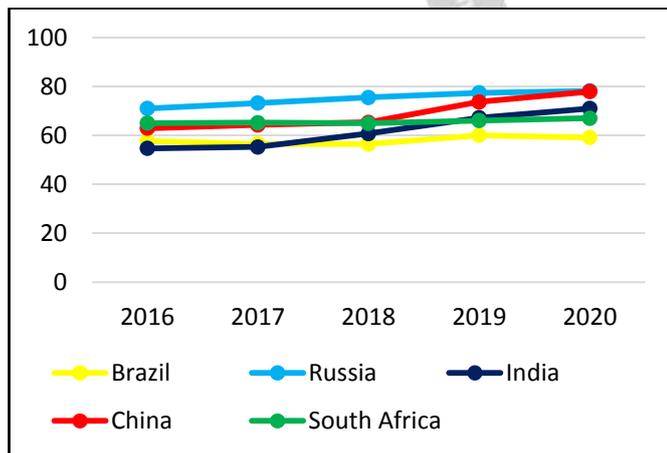
We can conclude that, India has tremendously improved in terms of ease of doing business. India has matched the growth levels of China when compared to the countries who are deemed to be at the same stage of development and it has also been the strongest performer among all the other South Asian countries. However, here are some parameters on which India can work on to improve its ranking:

Table [3]: Doing Business Score: BRICS nations, 2016-2020

	2016	2017	2018	2019	2020
Brazil	57.67	56.53	56.45	60.01	59.10
Russia	70.99	73.19	75.50	77.37	78.20
India	54.68	55.27	60.76	67.23	71.00
China	62.93	64.28	65.29	73.64	77.90
South Africa	64.89	65.20	64.89	66.03	67.00

Source: Ease of Doing Business Reports of years 2016-2020.

Fig [4]: Ease Of Doing Business Score (BRICS Countries)



Source: Ease of Doing Business Reports of years 2016-2020

BRICS group includes countries namely, Brazil, Russia, India, China and South Africa. These countries formed a union as they were deemed to be developing countries at a similar stage of newly advanced economic development, on their way to becoming developed countries.

All the countries of the union have shown an absolute increase in their score of ease of doing business, but China and India are a highlight in the list where China came to 77.9 in 2020 from 62.93 in 2016 during which it took a leap

1. Registering property

India’s score for this measure is dismal. With the average number of days taken to register a piece of property in India being 69, it ranks 166th. To compare, in New Zealand it takes a day to do the same. High stamp duty rates serve as a deterrent to improve India’s ranking in this area.

2. Paying Taxes

Indian businessmen, on an average, make 13 tax-related payments a year whereas Hong Kong businessmen pay only around 3. While the introduction of the GST did streamline the process a little, it is imperative for the government to continue introducing reforms and rebates with regards to the taxation system.

3. Getting Electricity

While India’s ranks have improved for the same, there are a few areas that could boost India’s performance here as well. State power utilities that are underutilised and underperforming should be restructured to ensure higher efficiency.

4. Enforcing Contracts

India takes three times longer to solve disputes through the legal system when compared with other countries of high income. To move higher up in this parameter, judicial reform is required. Court processes need to be digitised and modernised and hence be made more efficient.

Additionally, India needs to attract higher global savings and investment to boost economic growth.

5.2 STATE WISE SUCCESS RATE AND PERFORMANCE OF START-UPS IN INDIA

Start-ups cater to vital needs of the economy and are huge driving factor behind economic growth in a country like India. Not only do they provide employment to a large

chunk of the population, they also contribute to an increase in GDP via export earnings, value addition to goods and services, etc. Aimed to make India's business environment conducive for start-ups, Prime Minister Narendra Modi's 'Start-Up India' initiative was launched in 2016. Since then, 15113 start-ups have been recognized under this program across India out of which 55% of them are from Tier 1 cities and 27% are from Tier 2 cities. Several states have built their own incubators, co-working hubs (such as WeWork, Worksquare, etc.) as a part of this initiative. Before Startup India was launched, only 4 states had formulated official policies with regards to start-ups; today, that number has increased to 24. Under the Fund of Funds for Startups set up by the government of India, alternative investment funds have made an aggregate investment of Rs. 1625.74 crore in 247 startups nationwide out of which the largest amount of Rs. 440.38 crore has been invested in 75 startups in Karnataka.

According to the rankings released by the Department of Industrial Policy and Promotion (DIPP), Gujarat was rated the 'Best-performing state', while Karnataka, Rajasthan, Odisha, and Kerala took the title of the 'Top-performing states.' This ranking compares the efforts and results of various startup initiatives undertaken by the respective state governments. An in-depth analysis of one state from each of the DIPP classification categories (top performer, best performer, leader, aspiring leader, beginner and emerging states) has been conducted below:

Kerala: Kerala has been acknowledged as a 'Top Performer' in the State Startup Rankings (2018). This state has launched the 'Kerala Startup Mission' which is led by a CEO and supported by a team of experts in incubation, business development, infrastructure, funding and global connect, finance, operations and admin. It has allocated designated demo days for direct procurement from startups and has also designated a 'Kerala Startup Corpus Fund' for financing startups. It has established entrepreneurship cells in all districts. Kerala had 849 startups in 2019.

Gujarat: Gujarat has been acknowledged as the 'Best Performer' in the State Startup Rankings (2018). It was also acknowledged as a top performer in 2015. It has launched schemes such as 'IT-ITeS and Electronics Startup Policy, 2016'; 'Gujarat Biotech Policy, 2016' and the 'Student Startup and Innovation Policy, 2017'. It is home to iCreate, which is one of the country's largest incubators, as well as GVF Ltd which is one of the oldest state venture funds. It consistently organises events such as Vibrant Gujarat and also gives an exemption from EMD for startups in public procurement. Gujarat had 985 startups as of 2019.

Andhra Pradesh: It falls under the category of 'Leader'. It has set up 5 incubators across Vizag, Tirupati, Kakinada and Anantapuram as well as 72 e-cells across the state. It has a comprehensive online dashboard which monitors the progress of various initiatives under the startup policy. It

had only 323 recognized startups as of 2019. It was ranked as the top performer for two consecutive years- 2016 and 2017.

Haryana: The state provides 50% rental subsidy to women entrepreneurs at state supported incubators and has activated an automated mentor-startup connect that is customizable. A provision of self-certification is also available to startups. Haryana is classified as an 'Aspiring Leader.' In 2019, it was home to 1052 startups.

Maharashtra: Despite Mumbai being the financial capital of India and a lucrative city for start-ups, Maharashtra as a whole has failed to provide enough incentive to start-ups when compared with the other states and has been classified as an 'Emerging State.' This being said, it has implemented a well-rounded startup policy that focusses on all areas of intervention such as human capacity building, infrastructure and funding. Self-certification is provided for startups under 5 labour laws and the state has been proactively identifying disruptive technologies including a draft Fintech policy. In 2018, it had 2,587 startups which rose to 3661 in 2019. Maharashtra received funding of Rs. 440.38 crore for 68 startups from the alternative investment funds set up by the government of India in 2019.

Chandigarh: It has been ranked as a 'Beginner' UT by the DIPP. It has introduced the 'Incubation and Co-Working Startup Scheme' for providing incubation infrastructure. This scheme also provides early stage startups with affordable co-working spaces along with business plan advisories, an interactive web portal and access to venture capitalists. The UT has set up the SPIC IT Incubation Centre to provide startups with office space and infrastructure on a lease rental basis. It only had 78 startups in 2019.

Telangana: Telangana offers a variety of benefits to startups like reimbursement of SGST (state-level tax), self-certification, reimbursement of 30% of costs incurred in international marketing through trade shows and of patent filing cost, assistance for recruitment in the form of Rs.10,000 per employee for the first year, grant of 5% on turnover for start-ups with a year-on-year growth of 15% and giving permission for three shift operations. It was ranked as the top performing state in 2016 along with Andhra Pradesh. In 2018, the small state had 48 start-ups.

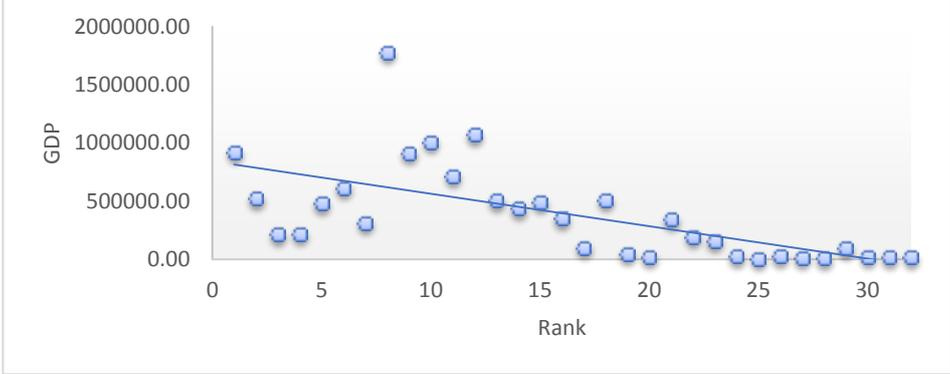
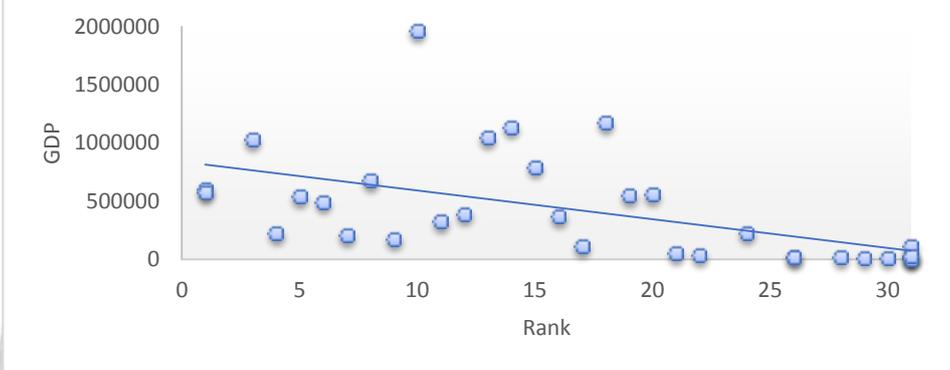
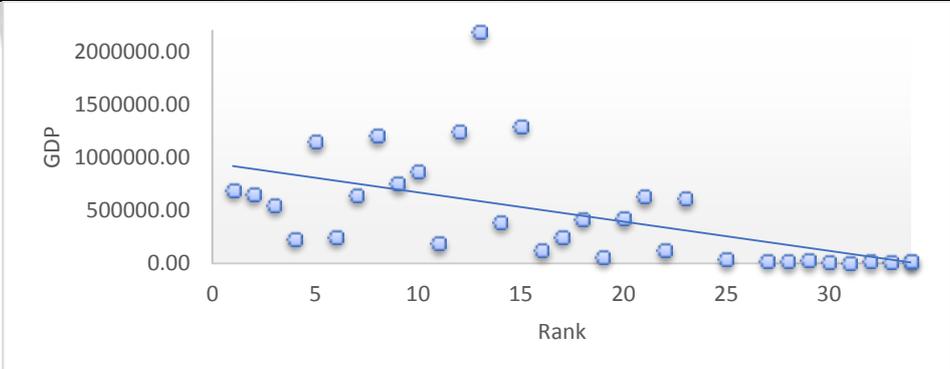
State wise ease of doing business rankings and the GSDP

State wise ease of doing business rankings and scores obtained from the RBI website (rbi.org.in) is based on the implementation of the Business Reform Action Plan (BRAP) recommended by the Department of Industrial Policy and Promotion (DIPP) to all States and UTs and the source of the same being Department of Industrial Policy and Promotion, Government of India

Nominal GSDP is extracted from en.wikipedia.org but no data is available for the union territories of Dadra and Nagar Haveli, Daman and Diu, Jammu and Kashmir (union territory), Ladakh and Lakshadweep.

A regression analysis is done on these 2 variables, i.e., State wise rankings and the GSDP for the respective states for the years 2014-15, 2015-16, 2016-17, with Rank as the independent variable and GSDP as the dependent variable. An extract of the results is shown below:

Table 4: Regression and Correlation Output

Year	Regression statistics	Correlation graph
2015	Multiple R 0.636 R Square 0.405 Adjusted R Square 0.3848	
2016	Multiple R 0.541 R Square 0.293 Adjusted R Square 0.270	
2017	Multiple R 0.561 R Square 0.315 Adjusted R Square 0.293	

Source: Based on Authors' Calculations

Multiple R values are the correlation coefficients, however the R square values give a more accurate representation of the dependence of one variable on the other, ease of doing business ranking on the GSDP in this case. Adjusted R square values are only to be considered if there are more than one independent variables which is not the case here and therefore adjusted R square will be ignored.

It is evident from the graphs above that as the ranking of the state in terms of ease of doing business decreases (higher the number, lower the ranking), the Gross domestic product from that state also decreases. However, the trend lines are flatter and the R square values are also not very high, showing that both these variable are not strongly

correlated and the GSDP is not highly affected by the ease of doing business ranking of the state. The data points are also scattered and not close to the trend line; another evidence that even though they are correlated to a certain extent, the relationship between the variables is not very strong. A possible reason for this could be the already existing businesses in the states contributing to a higher chunk of the GSDP. Due to this, even if the ranking is moderate, the GSDP from the respective state would be higher for example Maharashtra in 2015, 2016 and 2017 (rank 8, 10 and 13 respectively). The ease of doing business might not be very good in Maharashtra might not be the best in India but due to other economic, demographic,

geographic, market and political factors, the GSDP from this state is still the highest.

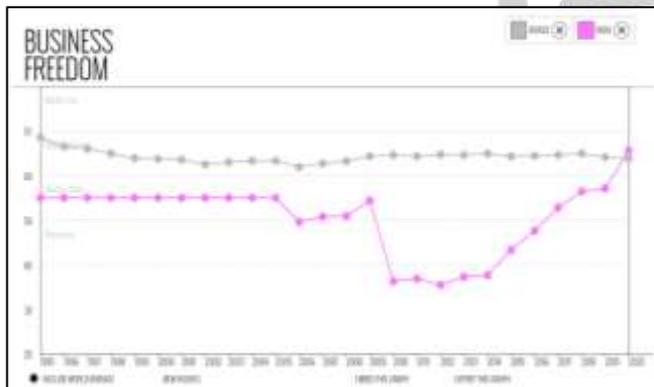
Figure 5: India’s Rankings in the 2020 Index of Economic Freedom.



Source: Heritage Foundation, 2020.

India’s economic freedom score is 56.5 giving it a world rank of 120 as of 2020. Its overall score has increased by 1.3 points, led by an increase in the business freedom score.

Fig [6]: Business Freedom



Source: Heritage Foundation, 2020

India’s positive reforms have made it easier to start a business, deal with construction permits, get electricity, obtain credit, pay taxes in Delhi and Mumbai, and trade across borders. Labour regulations are in flux and vary across the country. The government came under pressure in 2019 to reduce subsidies for fuel and agricultural commodities such as sugar, as well as general export subsidies.

5.3 ANALYSIS OF THE CONDITION OF START-UPS IN INDIA: A CASE STUDY

The Ease of Doing Business (EoDB) index is a ranking system established by the World Bank Group. In the EODB index, ‘higher rankings’ (a lower numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

The World Bank Group have established the Ease of Doing Business (EoDB) index which is aimed at measuring how conducive the regulatory environment is for starting and

operating business in that particular country. “Higher Rankings” indicate better and simpler regulations establishing or upgrading property and credit registries and protecting the rights of creditors and investors.

A primary survey was conducted using Simple Random Sampling Technique. The selection of MSMEs did not involve any criteria and the questionnaires were sent to three start-ups in the IT, Clothing and Pharma sector respectively.

All questions used a Likert scale to record participant responses. Respondents were asked to rate their experience on a 5-point Likert scale of 1 to 5, (where 1-5 represents strongly disagree, disagree, indifferent, agree and strongly disagree respectively) against each parameter of the ease of doing business based on individual questions in the questionnaire. After the responses were collected, they were decoded and analysed.

Company 1-

Name: Nischi Life Sciences

Number of Years it has been Operating: 5

Sector- Pharmaceuticals and Nutraceuticals

The respondent agreed on the improvement in ease of doing business in India. The company agreed that the government has taken various initiatives such as removal of cumbersome procedures, curtailment of transmission loss of electricity, online applications, online approvals and minimal paperwork to create a transparent working environment.

They agreed on the government simplifying the process of getting approvals such as obtaining business approvals such as director identification number, digital signature certificates, reserving the company name online, getting the certificate of incorporation, obtaining PAN, TAN, registering for GST, office of inspector, shops and entertainment act etc. This used to be a cumbersome process a decade ago, but steps are being taken to simplify it and make most of these processes online. This saves time and effort and thus acts as an incentive for setting up more start-ups.

The respondent agreed on India making paying taxes easier by announcing and introducing a set of administrative measures easing compliance with corporate income tax. India made paying taxes easier by replacing many indirect taxes with a single indirect tax i.e. the Goods and Services Tax (GST) for the entire country. In 2018-19 further initiatives taken by the government to improve ease of doing business in the country include relaxed norms for company incorporation, and removing requirement of a bank account for GST registration. The company said that these changes have benefitted them and is expected to help India improve further its ease of doing business ranking in the coming times.

They did not deny that electricity could be got faster and cheaper because of the government streamlining the process of getting a new commercial electricity connection. Getting electricity was a simple task and involved no more hassle than ordinary. Cost associated with obtaining construction permits has reduced drastically and number of procedures and days in obtaining construction permits have also been reduced.

The main source of credit for them are bank loans. Although bank loans are relatively easy to get if the company's financials are strong, there were complaints about certain biases, where bigger companies were easily granted loans despite their weak balance sheets. The government inspections are flexible.

When asked about insolvency, the respondent said that when they are faced with this kind of a situation, the best way out is to liquidate the company's assets and pay off the debt. Personal assets of the promoter maybe used if the companies assets are not enough to repay the debt.

They also said that 'Start-up' India has been a successful initiative by the government which provide tax exemptions, relaxation in public procurement norms, providing equity funding support etc which act as an incentive and thus boost entrepreneurship.

Company 2-

Name: Sakshi Infotech Solutions LLP

Number of Years it has been Operating: 1

Sector- Software development

The company is neutral to the improvement of certain parameters of ease of doing business either due to lack of awareness or due to presence of structural bottlenecks hampering the effectiveness of the reforms. There were complaints of various approvals, documentation requirements and multiple visits to government departments that consume a significant amount of time and initial investment in a business. Obtaining land is one parameter of ease of doing business that requires improvement in every aspect. The procedure to acquire land should be free from complex and costly procedural bottlenecks.

The respondent agreed on tax filing and other work related to it being relatively easy, but tax saving is something that the government still has to work on. There was a disagreement on the ease of environmental compliance as the company faced many hiccups and needed to incur a huge expense on external consultants to understand the procedure. The company has not faced insolvency yet and hence maintains a neutral stance on the question related to insolvency.

They also maintain a neutral stance on the property registering process as most of the paperwork was handled by a broker. Their main source of funding comes from

personal loans against promoter collateral. A promoter shareholding in a company is used as collateral to avail a loan where the shares are pledged.

The company says that say they have received no benefit from Start-up India, and over 50% say that the single biggest challenge to business remains corruption / bureaucratic inefficiency. Contrast this to the much more effective incentives given to software companies in the 1990s, which allowed them to thrive and to reinvest their tax free surpluses for stupendous growth.

The NSIC Infrastructure Scheme aims at creating sustainable entrepreneurship development in the area of Information and Communication Technology (ICT) especially first generation entrepreneurs by fostering nurturing the innovative ideas to commercially viable business prepositions. It provides Ready to move in Built-up Space, Standard Computer Hardware facilities, Access to Software Library, Internet and Business Centre facilities. However, this scheme has not been explored by the start-up yet.

The respondent believes that the government needs to undertake more measures to improve the ease of doing business. They believe that it is still a time consuming process, very bureaucratic and more tax benefits are required.

Company 3-

Name: Pré-Ri

Number of Years it has been Operating: 5

Sector- Designer Clothing

The respondent feels that Ease of doing business has significantly improved as getting approvals has been made a lot easier and hassle free. The improvement in communication and coordination between the government departments and citizens is visible. Further, there is an increase in efficiency and sales of the businesses due to requirement of very minimal paperwork and approvals, which has been made possible with the implementation of GST.

The company feels that getting credit has become easier as India has amended its insolvency and bankruptcy law. The company usually relies on bank loans for its funding. Paying taxes has also been made easier due to the introduction of GST.

The company has not been faced with insolvency yet and hence cannot say much about resolving insolvency and winding up of the company. The company rents out a shop for the boutique and hence does not have to register the property and hence does not know about the registration issues faced.

Getting approvals such as obtaining business approvals such as making a seal, stamping the company documents,

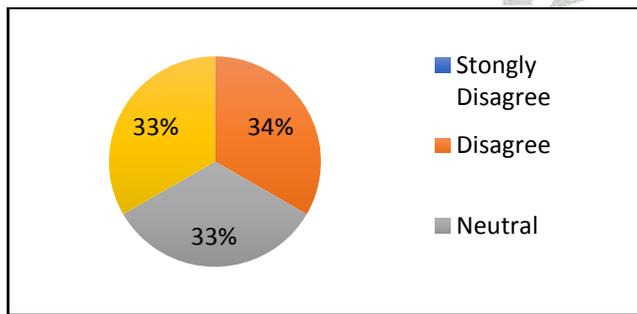
digital signature certificates, reserving the company name online, getting the certificate of incorporation, obtaining PAN, TAN etc has been made relatively easier but the company still feels that the government can do away with some of these complex procedures or make them online.

Tax filing is not a very difficult process but the government should take steps towards tax saving because those act as major incentives for start-ups. The company did not have any difficulty in complying with the environmental regulations and there are not many government inspections.

The company had appointed a broker who helped them out with most of the procedures and formality. Without the help of the broker, the respondent agrees that most of the processes would be extremely time consuming since the respondent does not have much knowledge of these complex procedures. Hence, for the common man, the government must take steps to further simplify the process and help and educate the young entrepreneurs. Even though the government has taken a lot of steps to make starting a business in India easier, there is still room for improvement.

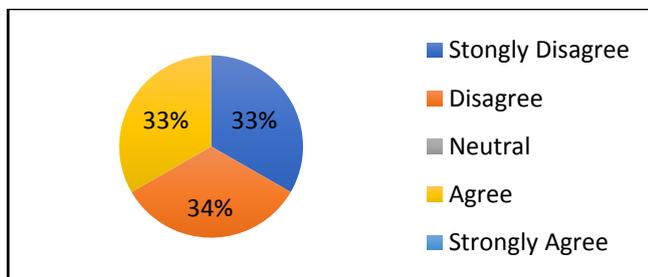
Summary of the responses

Obtaining Business approvals is easy.



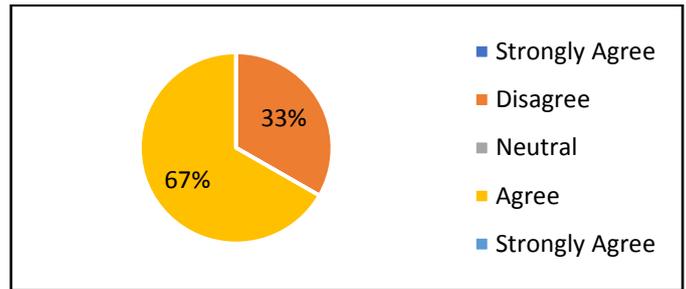
Registering the company online and obtaining business approvals although has been made easier, the process still needs to be streamlined.

It is very easy to file for a tax exemption and your company has saved a significant amount on account of these tax exemptions (Section 54EE, 80IAC, etc.)



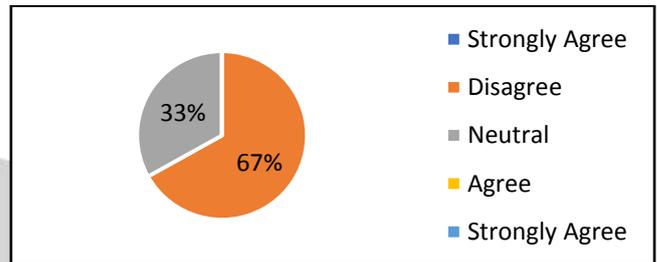
Tax filing is relatively easy but tax saving is what the government needs to work on. More concrete steps need to be taken to avoid tax and regulatory disputes that keep arising regularly and lead to negative perception about the business environment in India.

The environmental regulations are easy to comply with.



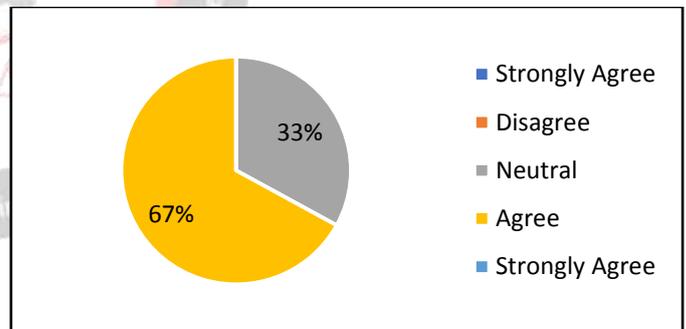
Most of the start-ups did not have a problem in complying with the environmental regulations.

Dealing with insolvency is a relatively simple task that comes up frequently.



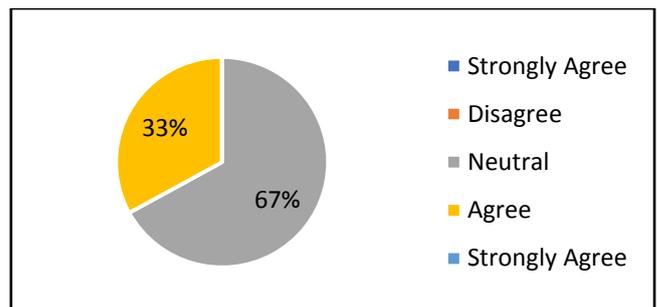
Most of the companies interviewed have not faced insolvency yet and hence are neutral towards it. The respondents disagreed when asked if insolvency came up frequently.

Getting access to electricity was a simple task and involved no more hassle than ordinary.



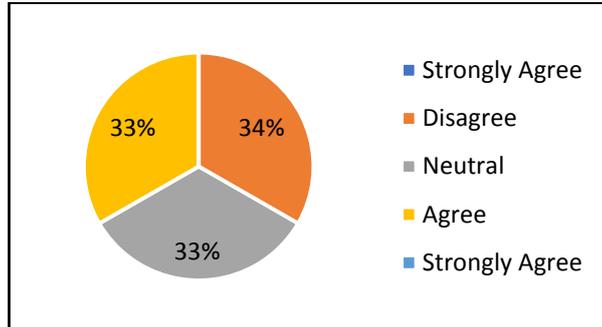
Getting electricity easily is no longer for start-ups and hence most of the respondents agreed that it required no more hassle than ordinary.

The property registering process was smooth and uncomplicated.



Most of the companies appointed a broker to get the property registered. They said that had they tried doing it on their own, it would have been a cumbersome process.

The inspections done by the government are flexible.



Most of the companies do not require or undergo inspection very often. The pharmaceuticals start-up agreed on inspection norms being flexible.

VI. POLICY RECOMMENDATIONS

India's fast growing entrepreneurial landscape has given rise to some very promising start-ups and entrepreneurs. They have the domain knowledge, the entrepreneurial zest, technical depth and the business vision needed to drive growth for their ventures. However, what they don't have is a supportive and enabling environment.

The government had announced the creation of a mega corpus of INR 10,000 crores to be deployed as a part of the Start-up India initiative. Unfortunately, due to a slow and complicated process, this amount has reached only a small number of start-ups. Banks also do not easily give any loans or working capital to start-ups without any collateral. This makes meeting day-to-day operational costs extremely difficult for start-ups, considering that a vast majority of them don't achieve profitability within the first five years.

The following are some suggestions that the government could implement in the near future which could act as incentives for start-ups in India-

Creating Awareness: Although the Indian government has come out with a lot of schemes for start-ups, but most of the entrepreneurs are either not aware of these different schemes or do not have a clear idea of how to avail them. The government needs to come up with ways of educating the entrepreneurs about the various schemes available and how they can make the most of it.

Encourage Indians to fund India: Globally, family offices invest up to 15 percent of their wealth in alternate assets; in India, this figure is around 1 percent or lower. Tax exemptions are provided for long-term capital gains of up to Rs 50 lakh arising out of the transfer of long-term capital assets if invested in a fund notified by the Central Government. The idea of these exemptions is to encourage individual investors and HUFs to invest in registered start-ups and approved funds. Additionally, the government

should push banks and other financial institutions to give low interest loans to start-ups.

Extend tax holiday: At present, there is a 3-year tax holiday for eligible start-ups in a block of 7 years. However, merely registering on Start-up India does not guarantee income tax exemption and less than 2 percent of these start-ups have received income tax exemption from the Inter-ministerial Board of DIPP. If India is hoping to create a nation of job creators, a blanket tax holiday for a 7-year period (or 10 years as the case may be) for eligible start-ups should be seriously considered, irrespective of the revenue generated within the time block.

Standardise and Simplify: The definition of start-ups in some states vary from the others. There is a need to standardize the start-up definition to apply uniformly to all start-ups. So that there is greater alignment while administering the various schemes announced by the government. A separate chapter of the Companies Act must be set up solely for start-ups and compliances should be eased with regard to GST (filing of returns only annually), formation and liquidation, valuations etc.

VII. CONCLUDING REMARKS

7.1 EASE OF DOING BUSINESS FOR START-UPS IN INDIA

In the recent years, the government of India has undertaken various initiatives (e.g 'Make in India', 'Start-Up India' etc) to help improve the 'ease of doing business' in India. The success of these initiatives can be seen in India's continuous improved rankings in the Doing Business report. India has considerably improved its rank from the 130th position in 2016 to the 63rd in 2020. It has been a part of the top 10 improving nations for the third time in a row which was only achieved by four other nations. This improvement in ranking is mainly due to increasing foreign investment, giving a boost to the manufacturing sector, reduction in the time and cost required for getting construction permits, reliable sources of electricity, reduced export subsidies and availability of credit.

A comparison between India and the SAARC and BRICS nations has been drawn. India's score has significantly improved over the years, and ranks higher than all the SAARC nations. All the countries of the BRICS union have shown an absolute increase in their score of ease of doing business, but China and India's rankings have taken the biggest leap. We can conclude that India has been able to match the growth levels of other developing countries while also being the strongest performer among all the other South Asian countries.

7.2 STATE-WISE EASE OF DOING BUSINESS RANKINGS

Since the 'Start-Up India' initiative was launched in 2016, about 15113 start-ups have been recognised under this

program across the country out of which 55% of them are from Tier 1 cities and 27% are from Tier 2 cities. Several states have also built their own incubators, coworking hubs (such as WeWork, Worksquare, etc.) as a part of this initiative. According to the rankings released by DIPP (Department of Industrial Policy and Promotion), Gujarat was rated the 'Best-performing state', while Karnataka, Rajasthan, Odisha, and Kerala took the title of the 'Top-performing states.' From the data so collected, we can conclude that the southern states of Karnataka, Tamil Nadu and Kerala are the leaders in terms of creating an entrepreneur-friendly environment. Andhra Pradesh and Rajasthan also are not lagging far behind. Gujarat was ranked 'Best Performer' among all the Indian states in 2018 due to the launching of various schemes (IT-ITeS and Electronics Startup Policy, 2016; Gujarat Biotech Policy, 2016 etc) and events (Vibrant Gujarat). Maharashtra failed to impress (indicated by the moderate ranking and high levels of GSDP) as it was unable to provide enough incentive to start-ups when compared to the other states and has been classified as an 'Emerging State.' States like Manipur, Mizoram, Nagaland, Sikkim, Tripura and Chandigarh were ranked as 'Beginners' and hence have a long road of progress ahead.

7.3 CONDITION OF START-UPS IN INDIA: A CASE STUDY

While there has been substantial progress, and India has been fairly successful in creating an environment conducive to the creation and growth of start-ups, it still lags in areas such as property registration, tax saving etc. Obtaining business approvals has been made easier but the start-ups still feel that the government can do away with some of these complex procedures or make them online. The major complaints received were related to tax saving. The Start-ups interviewed felt that more incentives in the form of tax benefits need to be given. Obtaining land is another parameter that requires improvement in every aspect. Some also felt that getting various approvals, documentation requirements involved multiple visits to government departments which consumed a significant amount of time. The parameters which have improved significantly include obtaining construction permits and availability of electricity. Electricity could be got faster and cheaper because of the government streamlining the process of getting a new commercial electricity connection and the cost associated with obtaining construction permits has reduced drastically and number of procedures and days in obtaining construction permits have also been reduced. All the start-ups interviewed above feel that India is progressing in its ease of doing business but there is still a lot of room for improvement.

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Appendix 1: Business Freedom

Table 1: Business Freedom

	2015	2016	2017	2018	2019	2020
India	43.3	47.6	52.8	56.4	57.1	65.6
WORLD	64.3	64.4	64.6	64.9	64.1	63.8

Source: Heritage Foundation, 2020

APPENDIX 2: QUESTIONNAIRE FOR CASE STUDY

Name:

About the Company:

Number of Years it has been Operating:

Question 1

It is easy to obtain business approvals such as director identification number, digital signature certificates, reserving the company name online, getting the certificate of incorporation, obtaining PAN, TAN, registering for GST, office of inspector, shops and entertainment act, etc.

Question 2

i) Your start-up DPIIT is recognised and is very helpful in giving the benefits it claims.

ii) If has not been recognised- why?

Question 3

It is very easy to file for a tax exemption and your company has saved a significant amount on account of these tax exemptions (Section 54EE, 80IAC, etc.)

Question 4

i) The environmental regulations are easy to comply with.

ii) How did you manage to assure the compliance? Were there any challenges you faced?

Question 5

i) Dealing with insolvency is a relatively simple task that comes up frequently.

ii) How do you resolve such an adverse position and manage the due payables during the period?

Question 6

Getting access to electricity was a simple task and involved no more hassle than ordinary.

Question 7

i) The registration process was smooth and uncomplicated.

ii) If you faced any problems with the registration process, what were they and how did you tackle them?

Question 8

Getting the approval certification from the DIPP Board and the necessary letters of recommendation is not a cumbersome process.

Question 9

i) Obtaining credit and funding has become easier over the years.

ii) What are your main sources of credit? How often do you seek credit/funding?

Question 10

Have the 'Make in India' and/or 'Start-Up India' schemes made any difference in the operations of the start-up? How?

Question 11

- i)The inspections done by the government are flexible.
- ii)How have the reforms made by such inspections been beneficial for the business?

Question 12

Are your offices and warehouses strategically placed to avail the best use of transportation and logistics available?

Question 13

IT Company –

- i)The NSIC Infrastructure Scheme under the Start-Up India initiative has been beneficial for the company.
- ii)If yes, how?

Non-IT Company - It was not difficult to reach the position you are currently in with regards to infrastructure required for the business (in the context of the rules, regulations and subsidies provided by the government).

Question 14

Do you think the government needs to undertake more measures to improve the ease of doing business? If yes, what are your suggestions?

