

Webinar

Beyond EODB: Enabling Ease of Running a Business by Bridging Trust Deficit

Speaking note for Pradeep S. Mehta

Wednesday, February 21, 2024|1430-1600 hrs IST

Today's discussion sheds light on a topic of paramount importance to the economic prosperity of our nation: Ease of Running Business (EORB) reforms. In an ever-evolving global landscape, where competition is fierce and opportunities abound, we must create an environment conducive to entrepreneurship, investment, and growth. So far, the attention has been towards Ease of Doing Business but that was mainly around the starting of an enterprise and not during the running of one. Due to lack of trust, deterrence and accountability enterprises continue to face hurdles and rent seeking while operating their enterprises. The same phenomenon also inflicts ease of living.

First and foremost, let us acknowledge the significance of fostering an environment where businesses can thrive. When cumbersome regulations and bureaucratic red tape hinder the establishment and operation of businesses, it not only stifles innovation but also impedes job creation and economic development. By streamlining processes, reducing administrative burdens, removing ambiguities in laws & regulations, and enhancing transparency and proportionality, EORB reforms can empower entrepreneurs to unleash their creativity, drive, and ambition, and save time and costs.

These reforms should prioritise addressing challenges such as corruption, sluggish decision-making, undue rent-seeking by government officials, numerous complex and ambiguous regulations that undermine the entire system, and lack of accountability. These reforms ought to encompass the entirety of the business lifecycle, including engagements with regulatory authorities.

Moreover, facilitating business activities attracts both domestic and foreign investment, which are indispensable drivers of economic growth. Investors are drawn to jurisdictions where regulatory frameworks are clear, predictable, proportionate and conducive to business operations. This calls for the next phase of reforms i.e. the EORB reforms. By implementing reforms that enhance the EORB, we should signal to the global community our commitment to fostering a business-friendly environment, thereby attracting much-needed capital to fuel economic expansion and create employment opportunities.

Furthermore, EORB reforms promote competitiveness and productivity. When businesses spend less time navigating regulatory hurdles and more time focusing on their core activities, they become more efficient and innovative. This increased efficiency translates into higher productivity levels, which in turn contribute to overall economic competitiveness. By creating an environment where businesses can thrive and compete effectively, we position ourselves on the global stage as a destination of choice for investment and entrepreneurship.

It's important to underscore the positive impact that EORB reforms can have on small and medium-sized enterprises (SMEs), which serve as the backbone of our economy. In the Indian economy, small companies comprise 96% of industrial units. They contribute to 40% of the nation's overall industrial production and 42% of all Indian exports. SMEs play a critical role in driving innovation, generating employment opportunities, and promoting inclusive growth.

However, they often encounter disproportionate regulatory burdens that impede their growth potential. The compliance burden is high for MSMEs, with over 150-employee MSMEs facing 500-900 costly annual compliances. Five states (Gujarat, Punjab, Maharashtra, Karnataka, and Tamil Nadu) have more than 1,000 punitive imprisonment clauses in business laws.

MSMEs are worse off in coping with hurdles while running their businesses as compared to medium and large enterprises who have more human and financial resources to handle them.

In sum, EORB reforms are not merely administrative changes; they represent a fundamental shift towards creating a business-friendly environment that fosters innovation, investment, and growth. By embracing these reforms, we can demonstrate our commitment to unlocking the full potential of our economy and unleashing the entrepreneurial spirit of our citizens.

With this, I now release the Discussion Paper, which has already been shared with the distinguished panelists to present their thoughts and perspectives on

this pertinent issue. I would also request the audience to raise questions and share their views on the Discussion Paper which is available on our website.