

EASE OF DOING BUSINESS IN THE INDIAN STATES

Deregulation for Business to Prosper

(As on April 15, 2025)

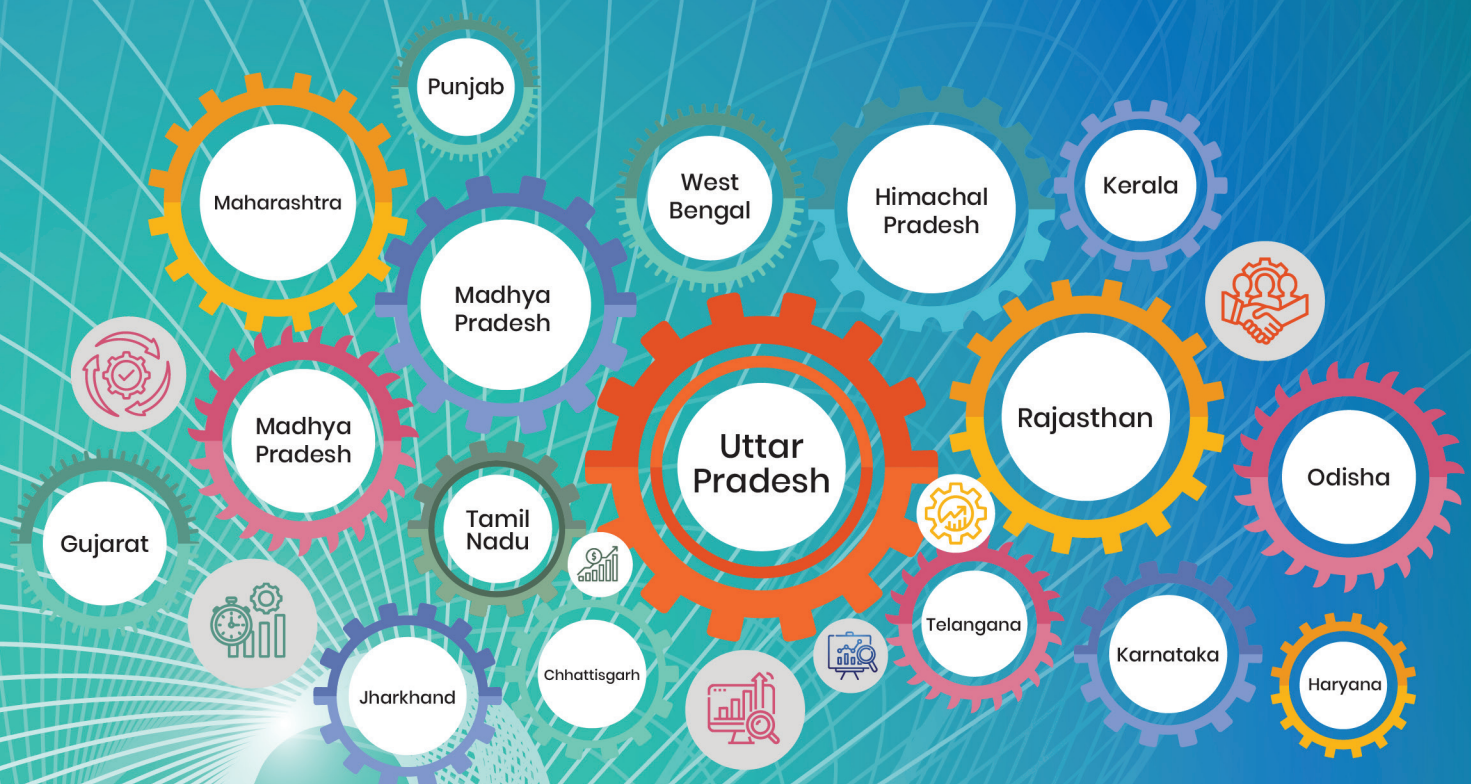
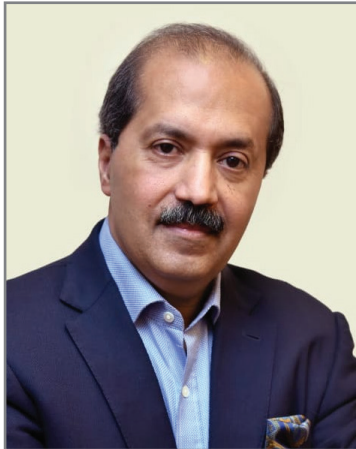
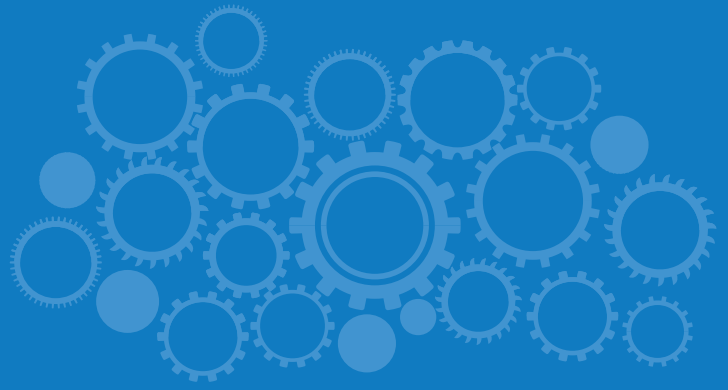




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Foreword by ASSOCHAM President



The report “Ease of Doing Business in the Indian States” presents a comprehensive and structured review of the regulatory environment impacting MSMEs across the country. As a key pillar of India’s economic architecture, the MSME sector contributes significantly to employment, innovation, and regional development. Despite its importance, the sector continues to navigate a complex landscape marked by varying state-level policies and operational challenges. This report identifies these areas and offers practical, state-specific recommendations aimed at improving the ease of doing business and strengthening the operational environment for MSMEs.

The analysis highlights several cross-cutting challenges—such as delays in construction approvals, complexities in land-use conversion, and restrictive labor laws. These are further compounded by state-specific administrative practices, which contribute to a fragmented and, at times, unpredictable regulatory landscape.

The recommendations put forth are aimed at enhancing administrative efficiency and regulatory clarity. For instance, the proposal to allow third-party inspections for construction permits—based on international best practices—has the potential to reduce approval timelines. Likewise, reforms in labour regulations could support greater workforce participation and operational flexibility.

The report underscores the importance of coordinated efforts between the Centre and State Governments to ensure timely and effective implementation of these measures. A harmonised and responsive regulatory framework will be key to unlocking the sector’s full potential and advancing India’s broader economic objectives.

We trust that the insights and suggestions presented in this report will serve as a valuable input for policymakers, industry leaders, and other stakeholders committed to fostering a more enabling environment for MSMEs.

Foreword by ASSOCHAM Secretary General



Mahatma Gandhi had said, “The States can make the finest contribution to the building of India’s future independence if they set the right example in their own territories”

This adage applies very well to India’s economic development imperatives, especially after major reforms the current Government in the Centre has undertaken over last 10 years or so. For achieving Prime Minister Modi’s vision of Viksit Bharat, “Ease of Doing Business in the Indian States” has been one of the most discussed aspects of our economic growth as policy making at the Central Government is complimented by implementation in our States. Be it the Economic Survey of India or any leadership level interaction between Government and industry, key reforms required to unlock the true potential of investments in Indian States, is always in the forefront.

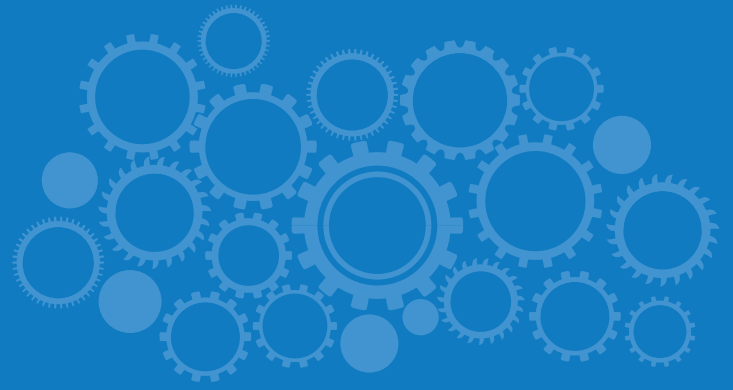
And this applies as much to Indian investors as it does for foreign direct investment. As a major driver of economic growth, employment, and innovation, the States plays a pivotal role in shaping India’s economic development trajectory.

This knowledge paper identifies the diverse challenges faced by businesses across States—ranging from operational efficiencies and access to finance, to regulatory complexities and market access etc. It brings out the importance of recognizing state-specific issues and calls for tailored interventions that reflect the unique governance models and economic conditions of each region. The study includes in-depth consultations with stakeholders across multiple States, review of policy frameworks, and analysis of on-ground implementation issues in key industrial clusters. These insights have helped confirm the report’s findings and strengthen its practical relevance.

The recommendations outlined are both actionable and future-oriented. Strengthening single-window clearance mechanisms through robust digital infrastructure emerges as a critical step in easing compliance burdens. Equally important is the push for sustainable industrial practices, including innovative measures like incentivizing wastewater recycling. The report also draws on a range of State-level experiences that offer practical insights into effective policy implementation. These examples reflect innovative approaches to addressing challenges such as employment generation, skill development, and rural-industrial linkages. Initiatives that connect social welfare programmes with industrial growth, for instance, show promise in enhancing workforce participation while supporting MSME expansion.

It may be acknowledged that ASSOCHAM values the support of The Convergence Foundation, whose technical inputs and analytical guidance were instrumental in identifying systemic reforms across sectors and across States. Their contribution helped shape a structured framework that addresses common barriers to growth faced by enterprises nationwide.

Moving ahead, it is imperative that we prioritize the implementation of the recommendations on various reforms involving all stakeholders. A collaborative approach will help build a strong industrial ecosystem, fuel entrepreneurship, nurture start-ups and in turn strengthen India’s economic resilience, and global competitiveness.



Executive Summary

India's industries and enterprises—ranging from high-growth startups to traditional manufacturing units—are central to driving employment, exports, and inclusive economic progress. However, across sectors and States, they continue to face systemic regulatory barriers that hinder growth, investment, and long-term sustainability.

These challenges are particularly acute for smaller enterprises, but they also affect large-scale industries seeking to expand or invest. Unlocking the full potential of Indian enterprise demands a cohesive, innovation-led ecosystem that fosters competitiveness, reduces compliance burdens, and supports scale.

This summary distils key national challenges, showcases high-impact international and domestic best practices, and outlines actionable reforms across sectors and States.

Key Challenges at the National Level

- 1. Regulatory Overlap:** Complex licensing regimes, short license validity, and excessive documentation.
- 2. Delayed Approvals:** Prolonged timelines in environmental clearances, construction permits, and factory registrations.
- 3. Labour Constraints:** Restrictions on women's employment and rigid labour laws.
- 4. Taxation Issues:** Denial of Input Tax Credit due to supplier non-compliance, unclear capital equipment taxation.

5. Logistics & Trade Barriers: Container shortages and outdated transport norms.

6. Limited Coordination: Disconnect between central policies and state-level implementation.

7. Procedural Inefficiencies:

I. Legal Metrology approvals require cumbersome physical inspections and complex labelling compliance.

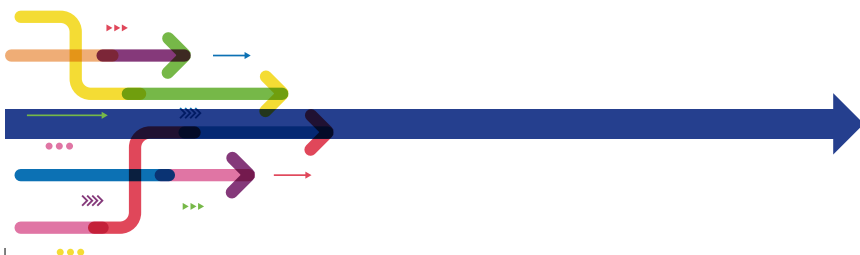
II. PESO licensing is delayed due to outdated rules and centralised processes.

III. GST registration is often subject to discretionary delays or rejections beyond stipulated norms, highlighting the need for greater oversight and transparency.

International Best Practices

The report references several global examples that demonstrate how regulatory simplification and third-party approvals can transform business ecosystems:

- 1. Bogotá, Colombia:** Reduced building permit timelines from 3 years to 73 days by engaging certified private professionals.
- 2. Japan:** Improved inspection rates by using licensed third-party professionals.
- 3. Florida, USA:** Allows self-certification for low-risk environmental permits.
- 4. United Kingdom:** Uses national-level accreditation systems for fire safety inspectors.



State-Level Best Practices

Several Indian States have implemented pioneering reforms that serve as replicable models:

Construction & Urban Development

1. **Andhra Pradesh:** Allows private building surveyors to approve buildings under 15 meters—reducing approval delays.
2. **Maharashtra:** Introduced separate licensing terms and reduced fees for MSMEs under the Factories Act.

Pharmaceutical & Food Processing

1. **Madhya Pradesh:** Eliminated redundant air pollution certificates for GMP-compliant pharma units.
2. **Maharashtra:** Proposed 5-year validity for FSSAI and FDA licenses for food processing MSMEs to reduce export disruptions.

Water & Environment

1. **Gujarat:** Adopted a policy to reuse 100% treated wastewater by 2030; mandates use of treated water in industrial zones.
2. **Odisha & West Bengal:** Introduced policy-level incentives and clear reuse targets for industrial wastewater recycling.

Investment & Infrastructure

1. **West Bengal:** Established a State-Level Investment Synergy Committee to enable single-window clearance within a defined timeframe.
2. **Odisha:** Operationalized a dedicated investment desk to fast-track project approvals and district-level coordination.

Startup Ecosystem

1. **Jharkhand:** Offers dedicated support for DPIIT-certified startups, including collateral-free loans and integration with government procurement.

Logistics & Trade

1. **West Bengal:** Recommended allowing 18-wheel trailers to carry two 20-ft containers within 180 km of ports to reduce export costs.



Sector-Wise Best Practices

The report identifies actionable sectoral reforms that can unlock growth:

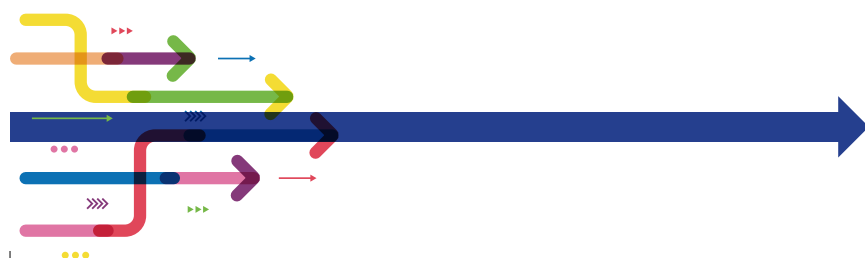
- 1. Pharmaceuticals:** Streamline RS2A license renewal to a 5-year cycle to enable uninterrupted exports.
- 2. Chemicals:** Promote cluster-based development with shared infrastructure and fast-track environmental permits.
- 3. MSME Financing:** Karnataka recommended reducing interest rates to 7-8% and extending CGTMSE coverage to 90%.
- 4. Technology Access:** Encourage public-private collaboration for MSME tech adoption through mentorship and innovation hubs.
- 5. Tax Reforms:** Tamil Nadu and Karnataka suggest GST amnesty and fairer ITC mechanisms to ease financial strain.

The Way Forward

India must move from isolated policy interventions to a unified, future-ready framework that empowers MSMEs to scale, innovate, and compete globally. Implementing the reforms and best practices outlined in this summary will help:

1. Reduce time and cost of doing business.
2. Improve regulatory predictability.
3. Attract private investment across sectors.
4. Build a globally competitive MSME ecosystem.

The recommendations call for a strong Centre-State alignment, institutional capacity building, and time-bound action plans to realize the vision of Viksit Bharat @2047.





Introduction

Industry forms the backbone of the Indian economy, contributing significantly to employment, exports, and overall economic development. However, despite their importance, these enterprises encounter a range of hurdles that hinder their growth and sustainability. The primary aim of this note is to explore these challenges and offer actionable recommendations for addressing them.

The challenges confronting businesses can be broadly categorized into the following areas: operational issues, financial constraints, labour-related problems, tax compliance, and market access (both input and output). These challenges not only increase the cost of doing business but also create significant hurdles for resource-constrained enterprises.

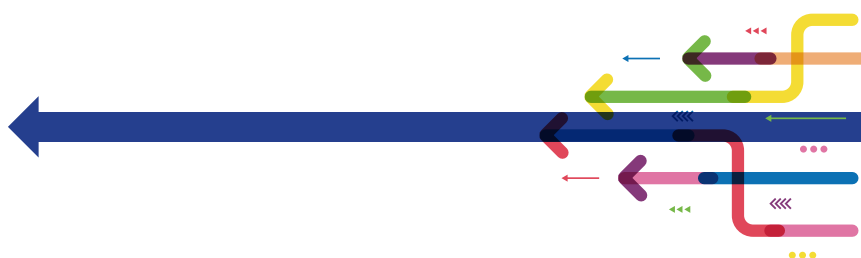
While many challenges are common across industries nationwide, there are also state-specific issues that further complicate the business environment for these enterprises. Addressing the challenges requires the creation

of a conducive ecosystem that fosters growth, innovation, and competitiveness. However, this is a herculean task given the heterogeneous nature of Indian enterprises. These range from micro-enterprises to technologically advanced small and medium businesses, each with its own set of needs and challenges. Moreover, businesses are dispersed across the country, making it difficult to implement uniform policies that address the unique challenges of each region.

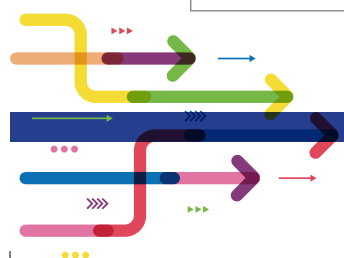
One of the major barriers to creating a conducive ecosystem is the lack of coordination between the Central Government and state governments. This disconnect leads to inconsistent implementation of schemes and programs, ultimately hampering the effectiveness of government initiatives aimed at supporting industry.

Through this note, we hope to highlight some of the challenges being faced by Indian industries both at the national level and at the state level. Refer below for a brief summary.

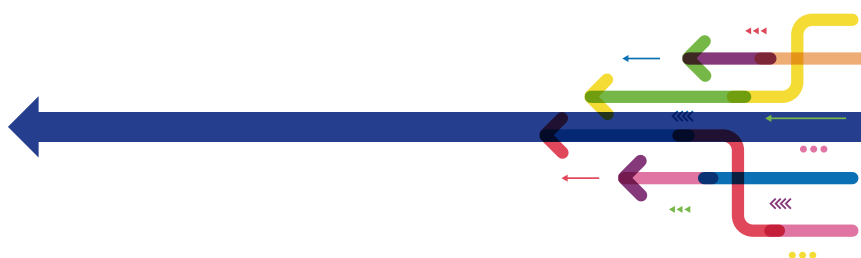
Area	Issue	Recommendation
Building & Construction (including required NOC like electricity drawings, lift, utility etc.)	1) Delay in getting approvals due to limited state capacity 2) Multiple NOCs required	1) Allow third-party in approval process 2) Rationalize list of NOC required
Change of land use	1) Manual inspection and long process	1) Allow exemption for industrial use 2) Allow deemed approvals



Area	Issue	Recommendation
Environment and waste disposal requirements	1) Inadequate industrial classification 2) Lengthy environment approval process 3) Blanket clearance requirements for industries above a certain scale	1) Broaden risk-based classification 2) Adopt risk based compliance (self / third party certification) 3) Limit environmental clearances based on scale 4) Revise green cover norms to allow green cover beyond industrial areas 5) Rationalize process of grant of environmental approval
Labor	1) Women face barrier to employment due to restrictions 2) Limit workers earning potential	1) Reduce restriction on women working in night shifts 2) Reform labour laws
Single window systems	1) Offline process exist 2) Inefficient approval process	1) Improve infrastructure and process
Zoning	1) Do not accommodate mixed use zoning	1) Adopt flexible zoning frameworks
ASI	1) Construction prohibited within 10m	1) Relax construction requirements
Trade	1) Complex import and export regulation (IGCR & MOOWR) 2) Ambiguities under Free Trade warehousing zone	1) Clarify RODTEP benefits for domestic suppliers 2) Rationalize IGCR conditions
Taxation	1) Unclear tax risk for foreign entities transferring capital equipment or storing goods 2) Portal Denies ITC to taxpayers due to the mistakes or non-compliance of suppliers	1) Clarify tax risks and definitions to enable smoother operations for foreign entities and FTWZ-based services 2) Amend ITC regulations to prevent the denial of credit due to the mistakes of other entities



Area	Issue	Recommendation
Logistics	1) No provision for carrying two 20 ft loaded containers 2) Shortage of shipping containers	1) Allow permission on 18-wheel trailers 2) Ensuring faster TAT and SCL to establish its own shipping line
Sector specific approvals	1) Redundancy of approval 2) Year-end exports halted due to delayed renewal of RS2A license 3) Multiple licenses for initiating mining operations	1) Eliminate Air pollution certificate for pharma industry 2) Increase the validity period of RS2A License at least up to 5 years 3) All approvals under one roof 4) Extend the validity of FSSAI and FDA licenses for MSMEs from 1 year to 5 years, similar to GMP and Drug Licenses
Labor and factory approvals	1) Renewal requirement in 3/5/10 yrs	1) MSME factory license renewed in 10 years 2) Allow third party to approve requirements under labour laws
Incentives	1) Delayed Capital subsidy for MSME	1) Disbursement within same year 2) Incentives, such as discounts on water charges or tax exemptions for the development of wastewater treatment and reuse systems.
Fire approval	1) Stringent and ambiguous requirements Long process for getting NOC	1) Allow third party in fire approval 2) Allow fire insurance as a substitute to fire NOC



National-Level Ease of Doing Business Priorities

Below are the consolidated set of recommendations aimed at improving the Ease of Doing Business (EoDB) in India, highlighting critical regulatory and procedural challenges faced by industries across the country.

The first section identifies cross-cutting issues affecting businesses ranging from construction permits and land-use conversion to labour laws, environmental compliance, single-window systems, and trade facilitation.

By highlighting these concerns, the report aims to provide a foundation for targeted interventions that can simplify compliance, reduce transaction costs, and foster a predictable regulatory environment.

Building & Construction

- 1. Delays in obtaining construction permits:** Government approvals for building permits and occupancy certificates (OCs) burden regulatory capacity without adding significant safety benefits.
- 2. Excessive NOC requirements:** Multiple No Objection Certificates (NOCs) are required across departments, leading to inefficiency.

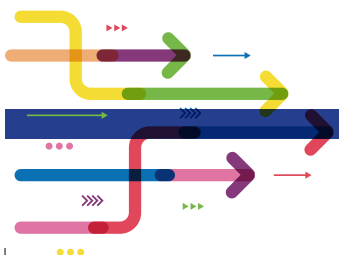
Recommendations

- 1. Streamline Process of Obtaining Construction Permits:** Allow Accredited Third-Party Technical Licensors to Issue Construction Permits. This approach is inspired by countries like Australia, Canada, and the UK, where licensed private chartered

architects/surveyors can issue building plan approvals and conduct inspections. For example-

- I. Japan increased inspection rates from 40% to over 90% by introducing private third-party services.
- II. Bogotá, Colombia reduced permit processing time from 3 years to 73 days by using private professionals,
- III. Andhra Pradesh has introduced private building surveyors for approving buildings up to 15 meters.

- 2 Rationalize List of NOCs Required:** Currently, multiple NOCs (No Objection Certificates) are required across various departments, causing delays. For example, cities like Hyderabad, Mumbai, and Chennai require fewer NOCs compared to others.



Change of Land Use (CLU)

1. **Lengthy Processes:** Unplanned areas in States like Tamil Nadu require manual inspections, while Telangana offers instant digital conversion.

Recommendations

1. **Deemed Approvals:** Adopt Madhya Pradesh's 15-day intimation model for unplanned areas.
2. **Exemptions:** Waive CLU for industrial/residential use (e.g., Maharashtra's policy for "bonafide industrial purpose").

Environment

1. **Inadequate industrial classification:** Low-polluting industries are often misclassified as highly polluting due to gaps in Central Pollution Control Board (CPCB) categorization. Unclassified industries (e.g., garment manufacturing) are often mislabelled as "miscellaneous" or classified as high-polluting (Red category).
2. **Lengthy environmental approval processes:** Industries face delays due to frequent checks and rigid procedures.
3. **Blanket clearance requirements:** Environmental clearances are mandated based on built-up area rather than pollution potential, discouraging larger-scale projects.

Recommendations

1. **Broaden risk-based classification:** Expand White Category (Non-Polluting Industries): States like Karnataka, Haryana, and Madhya Pradesh have added industries to the white category, exempting them from consent requirements. For example, toy manufacturing is inconsistently classified across States—some classify it as white (non-polluting), while others place it in green or orange categories.

2. **CPCB** should classify industries precisely (e.g., add garment manufacturing to exempt non-polluting sectors).
3. **Adopt risk-based compliance:** Allow self-certification for low-risk industries and third-party certification for high-risk industries. For instance, Florida permits self-certification for low-risk Environmental Resource Permits. Gujarat has drafted a notification exempting green category industries from consent requirements.
4. **Limit environmental clearances:** Currently, industries with built-up areas over 150,000 sqm require environmental clearances, even if they are low-polluting. This can lead to scaling down operations to avoid lengthy processes. For instance, an investor scaled down a project from 26,000 sqm to 18,000 sqm due to cumbersome clearance processes.
5. **Revising green cover norms:** Allowing industrial units and park developers to create green spaces beyond industrial zones offers flexibility in meeting environmental requirements. Integrating such green areas into urban planning enhances ecological balance, provides essential "lung spaces" to improve air quality, and offers public recreational areas. Central Park in Manhattan exemplifies this strategy effectively.
6. **Rationalize the process of grant of environment approval:** To streamline environmental compliance, it is proposed to permit accredited third-party inspections for Consent to Establish (CTE) and Consent to Operate (CTO) processes. Additionally, implementing self-certification for CTO renewals post-validity can expedite approvals. Furthermore, extending validity by five years for ISO-certified units acknowledges their adherence to international environmental standards. These measures aim to enhance efficiency and promote sustainable practices.



Labour

1. **Restrictive Labour Laws:** Current labour laws limit workers' earning potential and restrict employment opportunities. Women face barriers to employment due to regulations.

Recommendations

1. **Provide Labour Law Flexibility:** Reforming labour laws to enhance workers' earning potential and eliminate restrictions on women's employment can significantly boost economic growth and promote gender equality. Simplifying regulations and removing prohibitive laws can create a more inclusive labour market. Such reforms not only improve income levels for all workers but also contribute to a more diverse and productive workforce.
2. **Gender Restrictions:** Prohibitions on women working night shifts or in certain industries (e.g., chemical works, pottery) reduce female labour force participation.

Single Window System

1. **Inefficient Approval Processes:** Existing single-window systems are not robust enough to streamline approvals effectively. States like Uttar Pradesh (UP) and Maharashtra (MH) lack centralized tracking, causing delays. In Tamil Nadu, garment manufacturers face seasonal demand losses due to approval delays.
2. **Offline Processes:** Despite claims of digitization, offline submissions persist (e.g., Tamil Nadu PCB requires physical visits for white-category industries).

Recommendations

1. **Strengthen Single Window Systems:** Improve digital infrastructure to eliminate offline submissions and streamline regulatory processes.



2. **Accountability:** Ensure accountability is built-in with constant monitoring at all levels of the government. The process flow should be clearly defined and delays should be flagged to respective authorities. Continuous delays should be handled appropriately.

Zoning

1. **Inflexible Zoning Frameworks:** Current zoning laws do not accommodate mixed-use developments effectively, resulting in reduced urban planning efficiency.

Recommendations

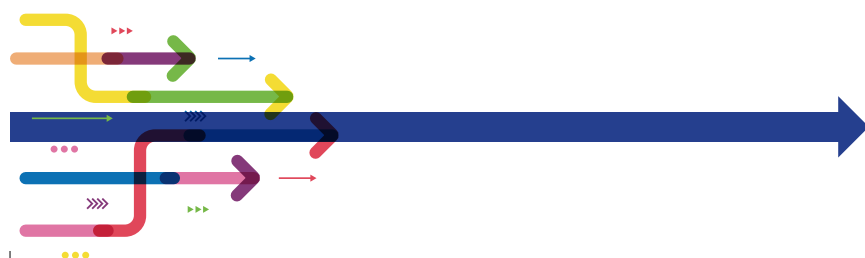
Adopt Flexible Zoning Frameworks: Encourage mixed-use development activities to enhance more versatile urban planning.

Archaeological Survey of India (ASI) Regulations

1. **Prohibition:** Construction is prohibited within 10 meters of ASI monuments, measured from their boundaries rather than the monument itself.

Recommendations

Relax Construction Restrictions: Modify regulations to allow construction beyond 10 meters from monuments, measured directly from the monument rather than its boundary.



Trade

- 1. Complex Import and Export Regulations:** Conditions under Import of Goods at Concessional Rate of Duty (IGCR) and Manufacture and Other Operations in Warehouse (MOOWR) units are complex.
- Ambiguities in benefits for domestic suppliers under Free Trade Warehousing Zones (FTWZs).

For example - Bogotá and Macedonia improved timelines significantly using private professionals.

- 2. Establish National Licensing & Monitoring:** Create a central system to accredit, train, and audit third-party professionals, following global best practices (UK, US, Japan).

For example - Surat model can be scaled with clearer guidelines and reduced duplication.

Recommendations

Rationalise Conditions: Rationalise Import of Goods at Concessional Rate of Duty (IGCR) conditions and clarify Remission of Duties and Taxes on Export Products (RODTEP) benefits for domestic suppliers in FTWZs.

Taxation

- Unclear tax risks for foreign entities transferring capital equipment or storing goods.

Recommendations

Clarify tax risks and definitions to enable smoother operations for foreign entities and FTWZ-based services.

Fire inspection

- 1. Delays and High Costs:** Fire approvals are slow, unclear, and expensive due to restrictive regulations and limited state capacity.
- 2. Limited Use of Third Parties:** States like Gujarat (e.g., Surat) allow Fire Protection Consultants (FPCs), but scope is narrow and dual approvals are still needed.

Recommendations

- 1. Implement Risk-Based Third-Party Approvals:** Allow licensed third parties for low/medium-risk buildings while States focus on high-risk cases and oversight.



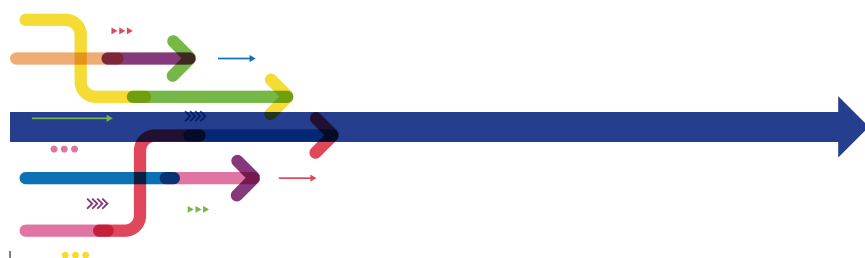
Legal Metrology approvals

1. **Stringent requirements:** The regulations go into technical details such as the height of fonts, the percentage of area that needs to be covered by a label, making it difficult to comply in totality. The law prohibits using non-metric units of measurement, even when the general practice is to use them. E.g. Realtors have faced criminal prosecution for mentioning the size of flats in sq. ft.
2. **Cumbersome process:** Verifying each instrument used as part of a commercial transaction imposes undue cost and compliance burden on businesses. Market players need to go through a maze of state-wise requirements to get approvals for pre-packaged commodities and Minor infractions of the law results in criminal prosecution. E.g. Hindustan Unilever Limited was subjected to criminal prosecution for not mentioning the quantity of Rin Detergent in an advertisement.

Recommendation

1. **Simplify labelling and measurement requirements:** Simplify the labelling requirements, considering legibility, indelibility and readability of labels. Remove the requirement of weighing and measuring everything in metric units.
2. **Remove Physical Inspections:**
 1. Remove physical inspection under the Legal Metrology Act, 2009, for packaged commodities unless a third-party complaint is filed or as part of a market surveillance exercise.
 2. Recognise metrological certificates issued by any OECD member state and assume compliance with Indian norms regarding weights and measures.

- III. Allow self-certification by the packagers, manufacturers, and importers of adherence to the norms (e.g. putting the products in the market is automatically taken as a self-declaration of compliance with all rules and regulations with respect to metrology and labelling).
 - IV. Weighing and measuring instruments must be verified only in case of a complaint by a third party or as part of a market surveillance exercise.
3. **Remove Criminal Penalties for violation of the Legal Metrology Act, 2009:** Punishment under the act must be monetary and commensurate with the gravity of the infraction.



Petroleum and Explosive Safety Organization approvals

- 1. Delays and high costs due to centralized processing:** The consolidation of approval authority at the central level leads to significant delays in processing and approval, primarily due to low institutional capacity.
- 2. Wide applicability of PESO regulations:** The current regulatory framework extends PESO coverage to certain low-risk industries or chemicals where self declaration may be more appropriate. For e.g. diesel storage for DG sets and gas bank maintenance in industrial parks, commercial complexes (like hotels) and institutional facilities (like hospitals) may require PESO clearance even when robust fire and safety measures are already in place. This imposes compliance burdens on sectors that pose relatively lower risk.
- 3. Subjective or outdated rules:** Many PESO rules are either open to subjective interpretation or have not kept pace with technological advancements. This leads to inconsistent enforcement across regions due to varying interpretations by field officers.

Recommendation

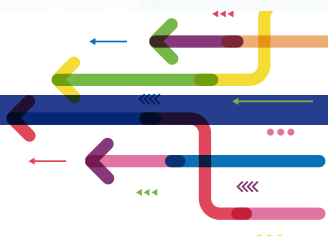
- 1. Decentralise inspection and license approval process to local authorities:** The central authority should be responsible for setting safety norms and standards while local authorities should be empowered to implement. Most of the approvals regarding manufacturing, storage, sale, and intra-state transport of hazardous substances may be decentralised while inter-state transport and cross-border trade may be approved centrally.
- 2. Third party:** Allow certified third-party agencies for petroleum related license approvals. Both SMPV Rules and GCR Rules already incorporate third-party inspections

including certification, testing, and safety audits of any installation or premises.

- 3. Revise compliance rules:** Revise PESO rules in consultation with industry and technical experts, including revision of exemptions for low-risk industries.

GST Registration

- 1. Post Submission delays & discretionary rejections:** Vague grounds are often cited for rejection or clarifications (e.g., non mandatory notarization of rental agreements, legibility, etc.) and interpretations at discretion of officer force physical visits to GST Suvidha Kendras, extending approval timelines.
- 2. Complex multi state requirements:** Businesses, particularly online sellers, must register a Principal Place of Business (PPOB) in every state of operation and wait 3-4 weeks for Additional Place of Business (APoB) amendments, driving up compliance and administrative costs.



Recommendation

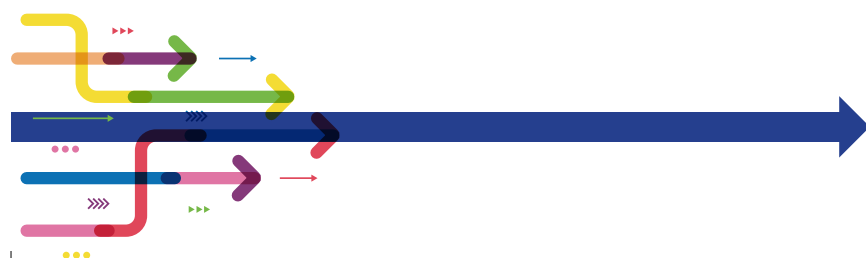
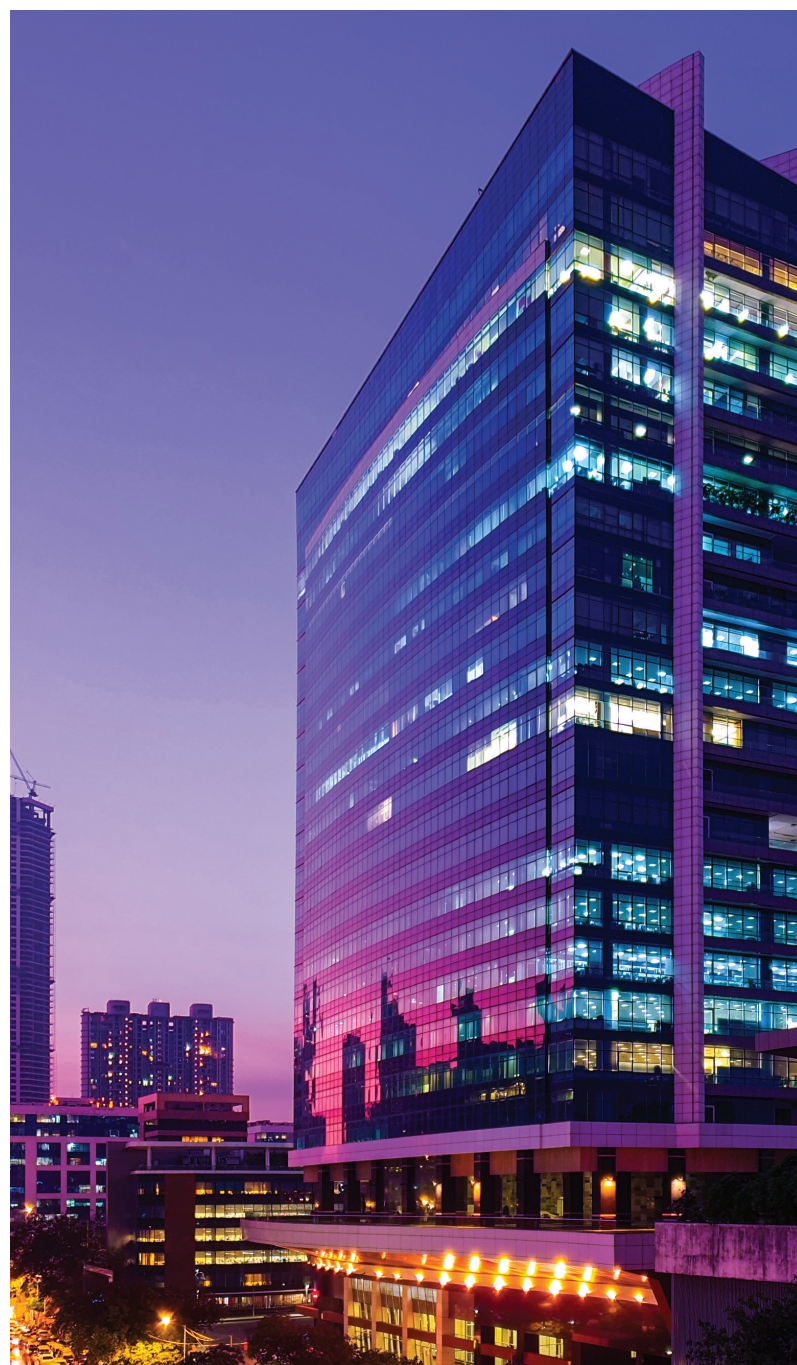
1. **Fix accountability:** Department to specify limited number of documents / clarifications that can be requested as part of GST registration process. Any documents required in addition to those specified, can be requested only after approval of designated independent authorities.
2. **Simplify Multi State Registration:** Develop a single window 'multi state registration' module inspired by the U.S. Streamlined Sales Tax Registration System (SSTRS), enabling one registration application to each participating state. Autofill data from existing government sources to reduce compliance burden. Example: Singapore's Unique Entity Number (UEN) reduces documentation by pulling all entity data from ACRA, the local business registration regulatory authority.

Shop and Establishment license

1. **Duplicity of licenses:** Businesses registered under the Shops and Establishment Act are still required to obtain separate trade licenses in most States.

Recommendation

1. **Remove Redundant Trade License:** States should eliminate the need for a separate trade license if an entity is already registered under the Shops and Establishment Act in line with States like Gujarat.



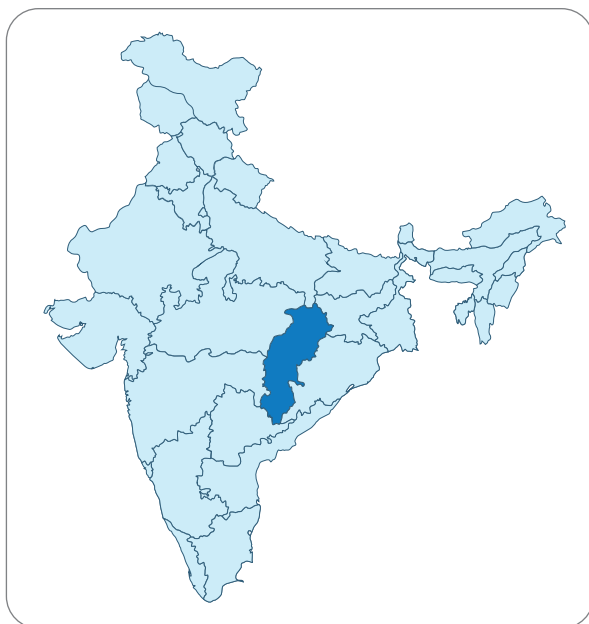
Capturing State-Level Opportunities for Targeted Reforms

The following section presents detailed feedback and reform suggestions from various States, reflecting region-specific challenges as well as localized best practices.

These insights are critical for customised solutions that reflects with each state's unique economic profile and governance structure.

Together, these regional perspectives complement the broader reform agenda, strengthening India's path towards a more efficient and investor-friendly business ecosystem.

Chhattisgarh



Capital: Raipur

Projected GSDP (FY 2025-26): INR6.35 lakh crore

YoY growth: 12%

Per capita net SDP (FY 2024-25): INR1.62 lakh

Key Industries: Mining, iron and steel, cement, power and biotechnology

Mining & Industrial Growth

- 1. Ease of Environmental Clearances:** The approval process for mining and industrial projects should be simplified to attract investment.
- 2. Water Recycling Infrastructure:** Mandate large industries like Steel, Power and Cement Plants to integrate wastewater treatment plants to recycle industrial effluent.

With reference to the Wastewater Recycle & Reuse Policy Section 1.5 Need for the State Wastewater Recycle and Reuse Policy highlights that many core industries like Steel Plants, Power Plant, and Cement Plants etc need huge quantum of water for their operations and maintenance.

The policy directs the urban authorities to formulate effective policies and action plans for the planning and management of onsite water reuse policy.

Recommendation:

The policy lacks the mandate and time frame for the action plan for the urban authorities.

Gujarat



Capital: Gandhinagar

Projected GSDP (FY 2025-26): INR29.8 lakh crore

YoY growth: 12%

Per capita net SDP (FY 2024-25): INR3.36 lakh

Key Industries: Petrochemicals, pharmaceuticals, textiles, diamonds, automobiles, and ceramics

MSME Sector

- 1. MNREGA Integration:** Integration of the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) with the Micro, Small, and Medium Enterprises (MSME) sector. This initiative could provide a dual benefit: it would support the growth of the MSME sector while simultaneously enhancing the skills of MNREGA beneficiaries, particularly in rural areas.

Recommendation:

- I. Skill Development for MNREGA Beneficiaries:** Beneficiaries of the MNREGA scheme can be provided with

training and skill development in various trades related to the MSME sector. This would enable them to contribute effectively to MSMEs in areas such as manufacturing, production, construction, and other critical sectors.

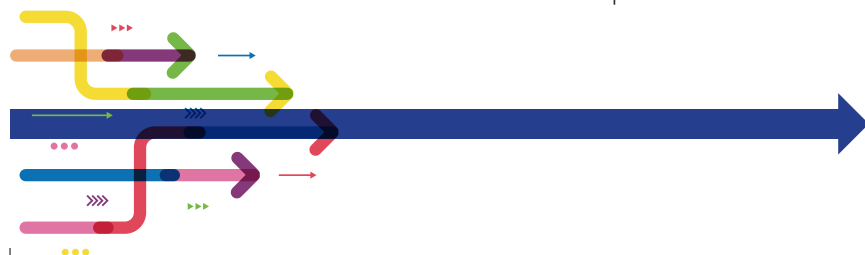
- II. Creation of a Skilled Workforce for MSMEs:** Linking with MNREGA would ensure that a large pool of trained and capable workers is available to MSMEs, leading to higher productivity and growth within the sector.

- III. Strengthening Rural Economy:** The participation of rural workers in the MSME sector would boost local economies and create more sustainable sources of income. It would encourage the setting up of small industries in rural areas, creating jobs and improving the socio-economic conditions of rural households.

- IV. Improved Livelihoods for Rural Families:** By connecting rural employment opportunities with MSMEs, we can ensure that the economic benefits of the growth of MSMEs reach the grassroots level, thus increasing the overall standard of living for rural populations.

- V. Promoting Rural Entrepreneurship:** Linking MNREGA with MSMEs could provide beneficiaries with the support and training they need to start small businesses or become self-employed, thus promoting entrepreneurship and self-reliance in rural areas.

- 2. Export Logistics:** The shortage of shipping containers has been an ongoing challenge for exporters, particularly those in the MSME sector, who struggle with timely and cost-effective logistics. The lack of available



containers for export leads to delays, increased costs, and lost opportunities, ultimately weakening India's position as a global trade player.

Recommendations:

- I. Shipping Corporation of India (SCI) to establish its own shipping line and to produce containers in large quantities** to address container shortages, cost-effective and timely services specifically catered to the needs of MSMEs who are into Export.
- II. Reducing logistics costs** for MSMEs, making their exports more competitive.
- III. Ensuring faster turnaround times** for containers, thus promoting timely delivery and reducing the impact of container shortages.
- IV. Encouraging domestic manufacturing** of containers, which will also stimulate the local manufacturing sector.

Chemical Sector

Recommendations:

- 1. Revamp Skill Development Programs:** Need to develop a comprehensive skill development program aimed at training engineers, chemists, and plant operators in the latest manufacturing techniques, regulatory compliance, and safety protocols specific to specialty chemicals. This would include training on automation, precision engineering, green chemistry, and cutting-edge production methods that enhance efficiency, reduce waste, and improve product quality.
- 2. Create a Global R&D Partnership Program:** Incentivize joint research and development partnerships between Indian companies and global leaders in specialty chemicals. This

can help bring cutting-edge technology and expertise to India's specialty chemical sector and foster collaboration on new product development.

3. Encourage Cluster-Based Development:

Develop specialized chemical manufacturing hubs in key industrial zones with access to shared utilities such as effluent treatment plants, transportation, and port facilities. These hubs should have access to single-window clearance for environmental and labour permits to reduce the time and cost of setting up new facilities.

4. Provide Financial Support for Green and Sustainable Chemicals:

Establishing special financing schemes with low-interest rates for companies investing in sustainable chemical production processes such as green chemistry, bio-based feedstocks, or waste recycling initiatives. It is a vital step to promote environmentally responsible practices in the chemical industry. By providing this financing schemes companies can be incentivized to invest in sustainable chemical production processes, which are crucial for reducing environmental impact and driving the future of the industry.



Pharmaceutical Sector (Active Pharmaceutical Ingredients)

Recommendations:

- 1. Promote API Manufacturing Clusters:** The establishment of API manufacturing clusters, with the necessary infrastructure, tax incentives, and regulatory support, should be a priority for the government. These clusters could foster large-scale production of essential APIs, reducing India's reliance on imports.
- 2. Enhance API Testing and Quality Certification Infrastructure:** Strengthen India's domestic API testing and quality certification infrastructure to ensure that locally produced APIs meet international standards. This will improve the global competitiveness of Indian API exports.
- 3. Expand Support for Backward Integration:** Provide financial incentives for backward integration in API production to ensure a reliable supply of raw materials. Companies should be encouraged to invest in intermediate chemical manufacturing, enabling them to produce their own raw materials rather than importing them.
- 4. Fast-Track Regulatory Approvals for API Plants:** Create a fast-track regulatory approval process for new API manufacturing plants that meet certain production or environmental sustainability criteria. This will reduce bottlenecks in expanding local API capacity.

Water Management & Industrial Use

- 1. 100% Wastewater Recycling Target:** Gujarat has set an ambitious target to reuse 100% of treated wastewater by 2030. All industrial zones should be required to use treated water within a set distance from sewage treatment plants (STPs).

Policy for the Reuse of Treated Wastewater 2018, does envision reaching the target of using 100% treated water by 2030 with the help of a timeline-based approach as mentioned in section 6 Implementation Timeframe.

Recommendation:

The policy does not address the status of work progress or its circulation among the various stakeholders.

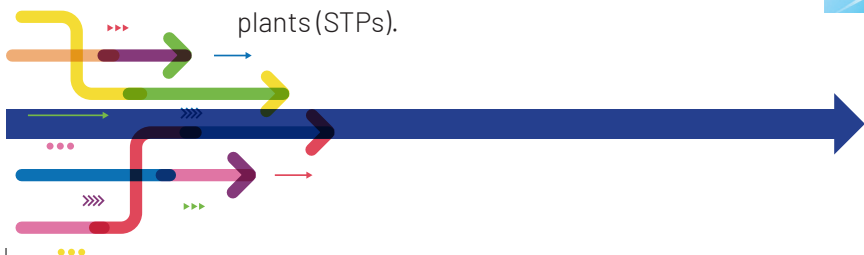
- 2. Industrial & Thermal Power Plant Water Use:** Encourage industries (both agro-industries and non-agricultural industries) and thermal power plants to use treated wastewater in non-human contact cooling towers to reduce freshwater dependency.

As per section 7 on Policy Consideration of Reuse of Treated Wastewater 2018, bullet point 7.6 does define the tone that the industries have to reuse the domestic wastewater for non-portable applications.

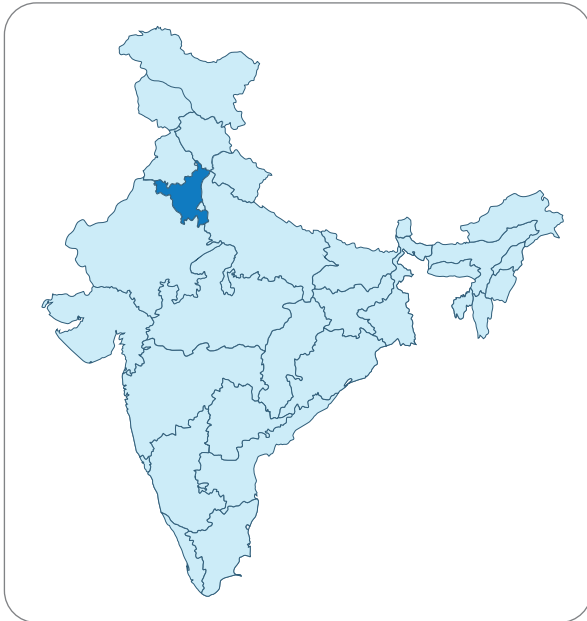
The Reuse of Treated Wastewater 2018 policy also States the Mandatory reuse (section 8.1 Non-potable Use) for non-potable activities for thermal power plants and industrial units in GIDC & SIR, Industrial Parks and industrial units consuming one lakh of freshwater per day for the non-portable water and which are situated within 50 Km the distance from STP or city limits to use TWW.

Recommendation:

The TWW water distribution must be tailored for different industries based on their water requirements.



Haryana



Capital: Chandigarh

Projected GSDP (FY 2025-26): INR13.47 lakh crore

YoY growth: 11%

Per capita net SDP (FY 2024-25): INR3.61 lakh

Key Industries: Automobiles, IT, biotechnology, and agriculture

Agriculture & Water Management

- Groundwater Depletion:** Strict regulation is needed to control excessive groundwater extraction for irrigation and industrial use.

With reference to the Haryana Reuse of Treated Waste Water Policy-2019, Section 8.1 Non-Potable Use does state under the sub-section on Industrial units highlights that the Consent to Operate to industries may be linked with utilization/purchase of water. TWW shall be considered first for meeting water requirements of the industries and extraction of groundwater as well as use of surface water shall be permitted thereafter.

Recommendation:

A comparable protocol should be developed for the irrigation sector.

- Treated Water Reuse:** Encourage industrial parks to adopt treated wastewater for non-potable purposes to reduce freshwater dependency.

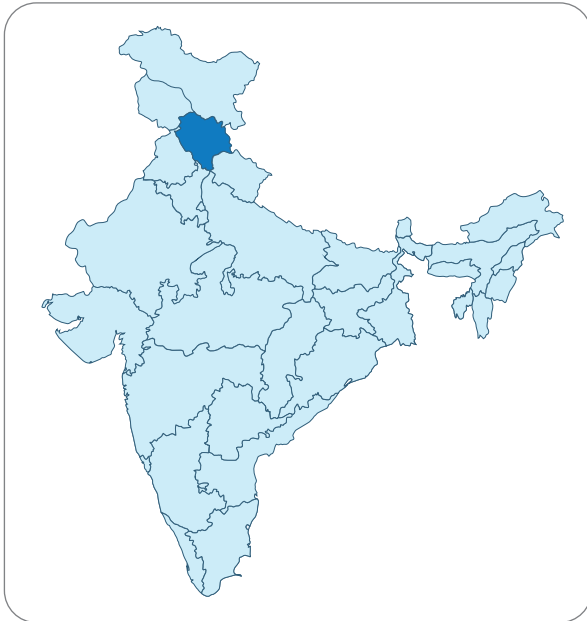
With reference to the Haryana Reuse of Treated Waste Water Policy-2019, Section 8.1 Non-Potable Use does state under the sub-section on Industrial units that It shall be mandatory for all Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) eStates, all Industrial units in Special Investment Region (SIR) Industrial Parks and large industrial units consuming more than 1000 KLD of fresh water for non-potable purposes, and which are situated within a 5.00 km radius of the STP or city limits to use TWW.

Recommendation:

The availability status of TWW for small-scale industries is unclear.



Himachal Pradesh



Capital: Shimla (Summer), Dharamshala (Winter)

Projected GSDP (FY 2025–26): INR2.55 lakh crore

YoY growth: 10%

Per capita net SDP (FY 2024–25): INR2.76 lakh

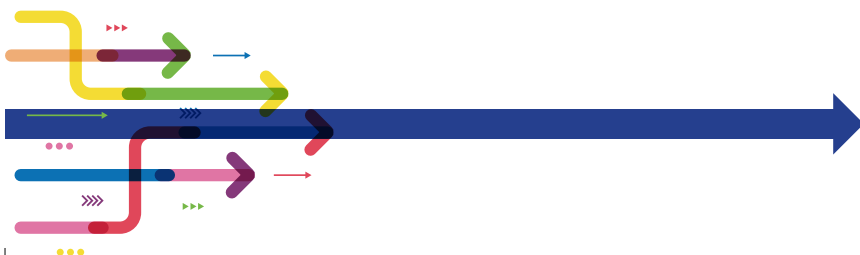
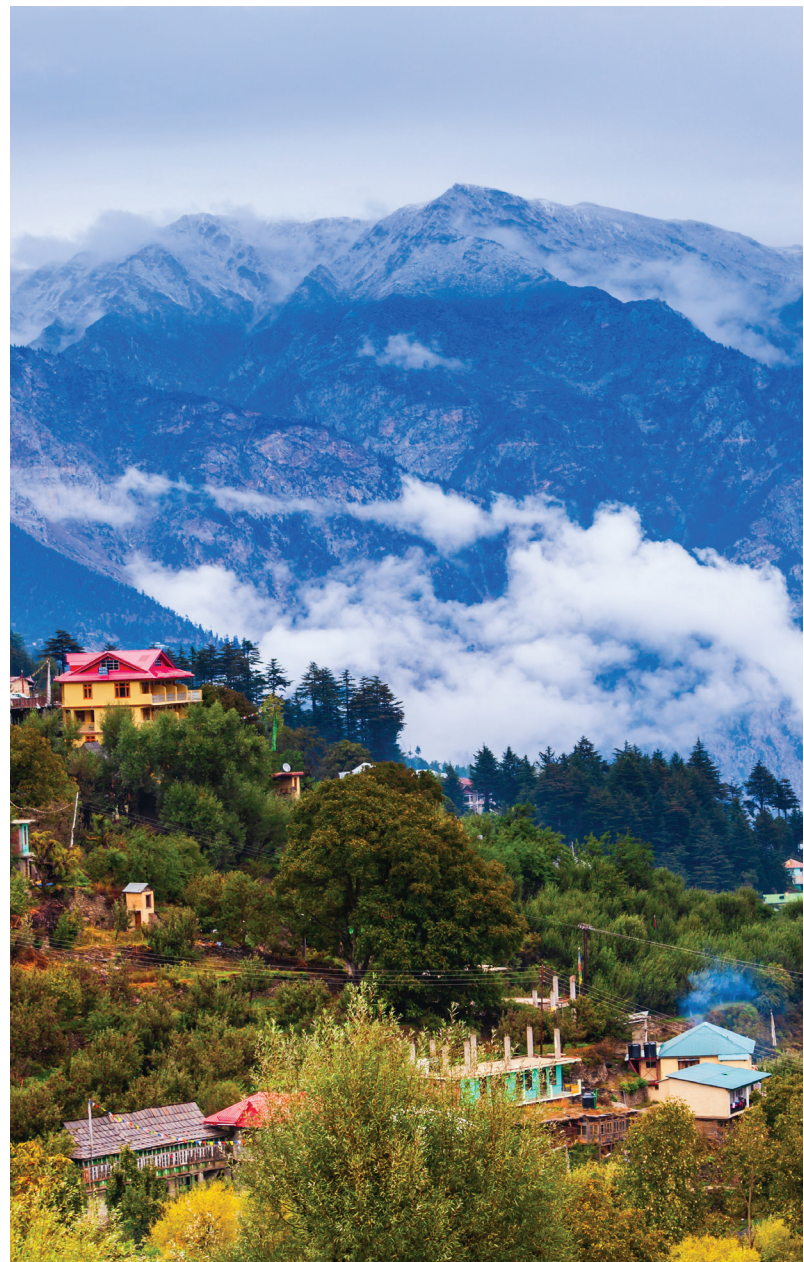
Key Industries: Pharmaceuticals, Hydropower, Tourism and Food Processing

Industrial Water Management

- Enhancing Water Efficiency:** Industrial processes should adopt advanced water-efficient technologies to minimize freshwater consumption.
- Subsidies for Water Recycling:** The government should implement financial incentives to support industries in recovering industrial pollutants and adopting recycling/reuse systems, as these initiatives are capital-intensive.

Recommendation:

Himachal Pradesh's Water Policy of 2013 should be redesigned to better address industrial needs and develop a framework that aligns with the National Framework on Safe Use of Treated Water 2022.



Jharkhand



Capital: Ranchi

Projected GSDP (FY 2025-26): INR 5.56 lakh crore

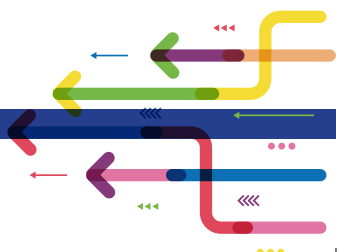
YoY growth: 10%

Per capita net SDP (FY 2024-25): INR 1.16 lakh

Key Industries: Mining, iron and steel, chemicals, handloom, food and beverages, automotive, and cement

Recommendations:

1. **DPIIT Certified Startups:** Create a special category with benefits such as relaxed CIBIL score requirements, easier loan approvals, and tax holidays.
2. **Timely Disbursal of Funds:** Immediate release of stipends, prototype grants, and marketing funds for selected startups under state and central government schemes.
3. **Single-Window System for Startup Loans:** Banks should establish dedicated loan products for startups and process applications through a single-window system.
4. **Interest & Fee Relaxation:** Banks should charge minimal interest rates, waive processing fees, and eliminate annual renewal charges on startup loans.
5. **Loan Guarantee by Government:** The central/state government should provide guarantees for startup loans, similar to existing MSME and agricultural loan schemes.
6. **Collateral-Free Loans:** Loans should be provided with minimal documentation and should be collateral- and security-deposit-free for DPIIT-certified startups.
7. **Recognition of Work Orders as Collateral:** Established startups' work orders should be considered valid collateral instead of additional documentation.
8. **Integration of DPIIT Recognition in Company Forms:** DPIIT registration numbers should be incorporated into the Companies Act to ensure startups receive automatic benefits and protection under company laws.
9. **Tax Incentives:** Registered startups should receive tax holidays or significant tax relaxations for at least five years.
10. **Corporate Investment in Startups as CSR:** Investments by corporations in startups should be recognized as CSR activities.
11. **University & Research Institution Support:** CSIR laboratories, central universities, and reputed institutes should be mandated to support at least three startups annually through product development, prototyping, and commercialization support.
12. **Industrial Land Allocation for Startups:** The Industry Department should allocate special industrial plots for DPIIT-certified startups with relaxed charges and exemptions from excessive liabilities.



13 Support for Export-Oriented Startups:

Dedicated infrastructure should be developed to facilitate the growth of export-driven startups in Jharkhand.

14 Mandatory Government Procurement from Startups:

The state government should be required to procure a portion of its supplies and services from registered startups to support their growth.

15 Startup Participation in State & District Development Funds:

District planning offices and state innovation funds should allocate dedicated financial support to local startups through schemes like Jharkhand Innovation Fund and DMFT.

16 Strict Enforcement of Startup Policies:

All state and central startup policies should be implemented within a defined timeframe to ensure startups receive the intended benefits.

Water Management & Industrial Use

1. Industry-Wide Water Reuse Policy:

Jharkhand mandates wastewater recycling in all new malls, hotels, industries, and universities. A structured incentive framework should be developed to encourage compliance.

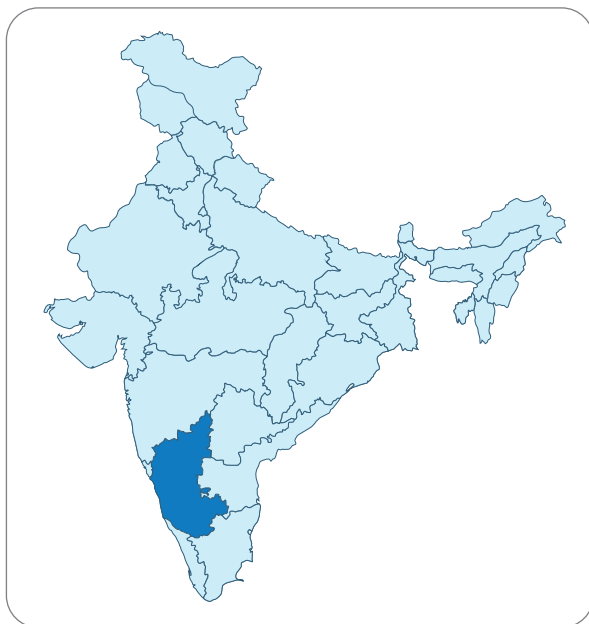
The Section 19 Tax Incentive of the Jharkhand Waste Water Policy, 2017 does consider that all the new malls, big hotels, industries, clubs, colleges, universities, hospitals, sports stadiums, etc. which will be constructed will compulsorily treat and reuse the treated water. In doing so they will get a rebate of 10 % of the construction permit fee, or Rs. 2,00,000/- (Two lakhs) whichever is less.

Recommendation

The incentive structure based on water consumption still requires consideration.



Karnataka



Capital: Bengaluru

Projected GSDP (FY 2025-26): INR 30.70 lakh crore

YoY growth: 7 %

Per capita net SDP (FY 2024-25): INR 3.68 lakh

Key Industries: Information Technology, biotechnology, aerospace, and textiles.

MSME

1. Banking and Finance:

- I. Access to Finance for MSMEs:** MSMEs struggle due to inadequate finance and lack of financial management

Recommendation:

A dedicated MSME financing methodology should ensure timely and adequate credit. Interest rates for MSMEs should be reduced to 7-8% to remain competitive.

- ii. Interest Subvention and Charges:** Even though MSMEs are considered for priority lending, the interest rate charged by the Banks to MSMEs is much higher than they charge to Medium and Large Industries.

Recommendation:

Introduce a 2-3% interest subvention for MSMEs. Remove annual renewal charges for CC/OD accounts. Waive pre-closure penalties and processing charges. Allow CC/OD renewal every three years unless enhancement is sought.

III. NPA Norms & Credit Assessment

Recommendation:

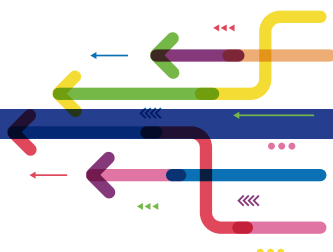
Extend the NPA classification period from 90 to 180 days to support MSMEs with temporary financial setbacks. Implement a new assessment model for MSME credit instead of relying solely on CIBIL.

- 2. Credit Guarantee (CGTMSE) Coverage:** CGTMSE covers 75-85% of the loans based on the category of borrower. The Banks are little hesitant to sanction loans under CGTMSE Cover with fear of losing 15-25%.

Recommendation:

Current CGTMSE cover (75-85%) should be increased to at least 90% to encourage banks to sanction loans without hesitation.

- 3. National Stock Exchange (NSE) Listing for MSMEs:** A very few industries are getting listed in NSE due to high cost to IPO for MSMEs. The Underwriters charge up to 13% as underwriting commission for underwriting IPO. With this high cost of IPO, the enterprises are finding it difficult to service investors which may adversely affect the investors mood.



Recommendation:

Government intervention is needed to reduce underwriters' commissions (currently up to 13%) by involving financial institutions like LIC and NBFCs.

- 4. Interest Subvention Of NSIC RMA Scheme - REG.:** The two important schemes supporting MSMEs in raw material procurement and availing credit facilities. Presently CGTMSE scheme is covering credit facility extended by lending institutions.

Recommendation:

CGTMSE and NSIC should coordinate to ensure CGTMSE covers RMA Scheme, reducing reliance on bank guarantees. This will help MSEs procure raw materials at better rates and improve their sustainability.

- 5. ONDC, GEM & TReDS PORTAL:**

Recommendation:

Registration processes for these portals should be simplified. A common resource person with expertise across all portals should be deployed for MSME assistance.

- 6. Udyam Certificate Classification:** The MSME Udyam Certificate, issued universally across sectors—including manufacturing, services, and trading—is causing confusion due to a lack of clear classification. For instance, certificates are being issued to the construction sector under the service category without adequate clarity. This has led to issues in delayed payment cases, as a significant number of disputes registered with the Micro & Small Enterprises Facilitation Council (MSEFC) pertain to construction activities. Consequently, the manufacturing sector is not receiving due priority, resulting in unnecessary delays in case resolution.

Recommendation:

The certificate should be categorized by sector (Manufacturing, Services, Construction) to eliminate confusion, especially in dispute resolution.

- 7. Technology Upgradation Support:** SMEs struggle to access modern, affordable, and easily adoptable technology. Weak linkages between Indian R&D institutions, higher education institutions, and industry further hinder technological advancements. Additionally, inadequate or unfocused government subsidies and support mechanisms limit technology upgradation efforts.

Recommendation:

Foster industry-academia-R&D collaboration. Encourage large industries to mentor MSMEs for technology and skill development. Create a technology exchange platform for direct MSME access.

- 8. Cluster-Based Development (MSE-CDP):** Currently, while the Central Government provides the majority of funding for these clusters, their management largely rests with State Governments, which contribute only 10-20%. This misalignment affects the effectiveness and efficiency of cluster development initiatives.



Recommendation:

The scheme should be fully funded by the Central Government and implemented through SIDBI and MSME-DFO for efficiency. Land should be earmarked for sector-specific clusters to facilitate MSME growth.

- 9. Programme Grant to MSME-DFO:** Currently, the Ministry of MSME provides grants of ₹5 lakh per program to MSME-DFOs for conducting Vendor Development Programs (VDPs) and seminars. However, these funds are often utilized in partnership with Chambers of Commerce and Industry, yielding limited benefits. Greater impact could be achieved by collaborating directly with SME associations at the state level, ensuring better outreach and relevance for MSMEs.

Recommendation:

We urge MSME-DFO to directly partner with SME Associations and provide grants to them instead. This would enable us to conduct at least three programs with partial support from banks and other institutions, ensuring wider reach and greater impact for MSMEs.

- 10. MSME Data & Survey:** Neither the country nor individual States have comprehensive data on the number of MSMEs, their products, and other key details. The absence of a centralized and accurate database hampers effective policy-making and targeted support for the sector.

Recommendation:

A one-time physical survey should be conducted using MBA and college students for cost-effective data collection. A system for real-time tracking of MSME openings and closures should be implemented.

- 11. GST-Related Issues:** Challenges in Claiming ITC Faced by MSME Taxpayers - Many MSME members have reported difficulties in

claiming Input Tax Credit (ITC) due to minor technical errors made during the financial years 2017-18 and 2018-19. As a result, the tax department is imposing interest and penalties, adding to the financial burden of MSMEs, which are already under stress. A more flexible approach is needed to address these unintentional mistakes and provide relief to small businesses.

Recommendation:

Introduce an Amnesty Scheme to waive interest and penalties on old ITC claims (2017-18 & 2018-19).

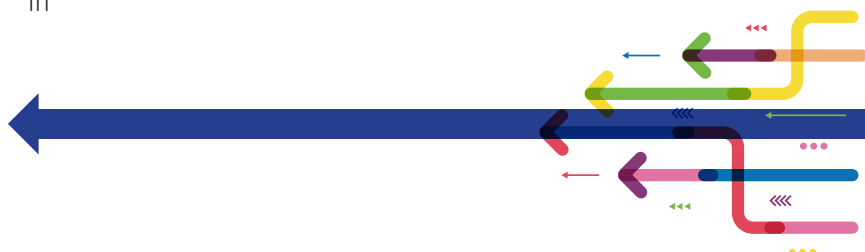
12 QRMP scheme and Non-filing of GST:

- I. Members have raised concerns that customers of QRMP scheme assesses cannot claim Input Tax Credit (ITC) in the month their suppliers pay the tax, as returns are filed quarterly. Additionally, non-compliance by certain GST payers is creating hardships for genuine taxpayers, further complicating the system.

Recommendation:

This issue requires a better solution to ensure a fair and equitable tax system for all. The responsibility of tax collection from registered dealers lies with the department, not the taxpayers. Therefore, the law should be amended to allow Input Tax Credit (ITC) irrespective of whether the supplier has paid the tax, preventing undue hardship for genuine taxpayers.

- II. **Difficulties in Filing GSTR-1:** Under the current rules, any clerical errors or mistakes in filing GSTR-1 can only be rectified in the following month. This leads to delays in filing GSTR-3B, which in turn causes hardship for customers in claiming Input Tax Credit



(ITC). A more flexible mechanism for immediate rectification is needed to avoid unnecessary disruptions in tax compliance.

Recommendation:

Allow rectification of GSTR-1 errors in the same month to avoid delays.

13. GST Refunds: Disparity in Interest Rates:

Taxpayers are charged 18% interest for delayed tax payments, whereas the government refunds delayed payments at only 6% interest. This disparity is unfair, especially when refunds are delayed for months. A more balanced approach is needed to ensure fairness in the tax system.

Recommendation:

Propose that the difference be limited to 2-3% to ensure a fair and equitable system for taxpayers.

14. Uniformity in Tax structure for stationary products:

Currently, stationery items such as files, folders, file covers, loose-leaf binders (HSN Code 4820) are taxed at 18%, whereas other stationery items like pens, pencils, notebooks, exercise books, envelopes, and paper-based articles (HSN Code 4819) are taxed at 12%. This disparity creates confusion among registered dealers and customers. A uniform tax rate for all stationery products would simplify compliance and reduce ambiguity.

Recommendation:

A uniform tax rate for all stationery items instead of the current differential tax structure. This will simplify compliance for registered dealers and provide clarity to consumers.

15 Exit Policy:

Currently, there is no structured exit policy for entrepreneurs who wish to close their businesses respectfully.

Recommendation:

To facilitate a structured and hassle-free exit for entrepreneurs, we suggest the following measures:

I. Simplified Tax Clearance & Assessments:

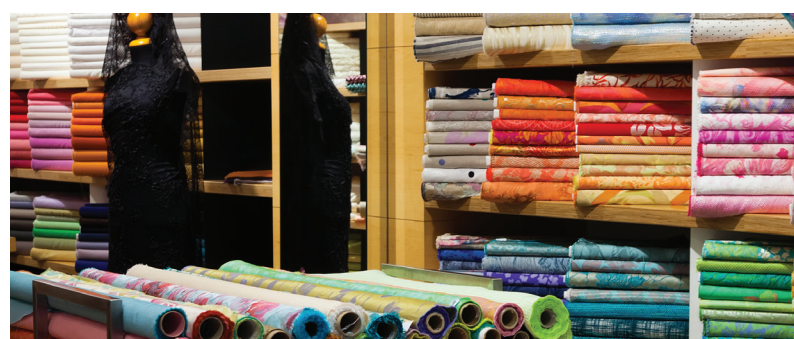
Entrepreneurs wishing to exit their business, particularly in the absence of a second generation to take over, should be provided with a streamlined process to obtain NOCs for various tax obligations.

- i. Post-closure, they should not be subjected to assessments for the next eight years.
- ii. All pending assessments should be completed within a fixed timeframe, such as six months to a year.

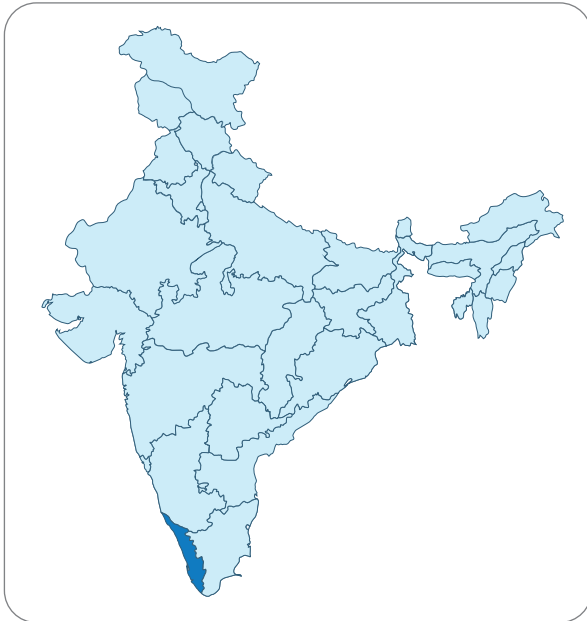
II. Financial Protection for Entrepreneurs Facing Heavy Losses:

Entrepreneurs suffering significant financial losses often have to forfeit their earnings and sell personal assets to clear debts.

- i. To safeguard them, the government should allocate a portion of the GST revenue collected by these businesses to create a reserve fund or introduce an insurance cover for such contingencies.
- ii. This will help prevent micro and small entrepreneurs from facing severe financial distress due to unforeseen business failures.



Kerala



Capital: Thiruvananthapuram

Projected GSDP (FY 2025-26): INR 14.27 lakh crore

YoY growth: 12 %

Per capita net SDP (FY 2024-25): INR 3.17 lakh

Key Industries: Tourism, IT, Agriculture, Fisheries

Water Management & Industrial Use

- Industry-Wide adoption:** Encourage industries that adopt water conservation best practices.

Kerala Water Policy 2008 focus on adopt integrated and multi-sectoral approach for planning, development and management of water resources and enable appropriate institutional mechanism and legal measures for sustainable water resource development and management.

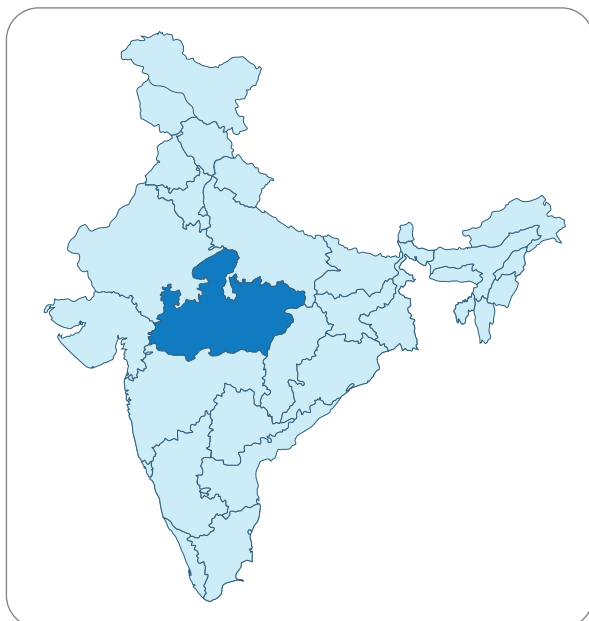
With reference to Kerla Industrial Policy 2023, which do provide the incentives for sustainability and responsible industrialization in form of reimbursement of Reimbursement of 25% of expenses incurred for purchase of Plant & Machinery/ equipment for setting up ETP, installations for substitution of power from grid, rainwater harvesting, Zero Discharge technologies, recycling of e-waste and recycling of wastewater, conducting audits for energy and water conservation & purchase of material for such conservation, excluding the expenditure incurred for civil works, subject to a maximum of Rs.25 Lakh during the policy period.

Recommendation:

Both policies remain silent on the TWW reuse and suggest the need to develop the framework in alignment with the National Framework on Safe Use of Treated Water 2022.



Madhya Pradesh



Capital: Bhopal

Projected GSDP (FY 2025-26): INR 16.94 lakh crore

YoY growth: 13 %

Per capita net SDP (FY 2024-25): INR 1.56 lakh

Key Industries: Agriculture, textiles, cement, mining, and tourism

MSME Sector

- MSME Factory License (Factories Act, 1948, and Madhya Pradesh Factories Rules, 1962):** Currently the factory license under the (Factories Act) has provision for renewal in every 3, 5 or 10 years.

Recommendation:

There should be separate consideration in Factory licensing for MSME's and large businesses.

MSMEs factory licensing fees should be reduced and be given a validity period of 10 years only.

- Drugs & Cosmetics Act of 1940 (Good Manufacturing Practices):** The Pharma industry operates under stringent regulations. The manufacturing facilities are designed as sealed premise having installed Air Handling Units (AHUs) to ensure prevention of external contamination and emission of pollutants.

Obtaining an Air Pollution Certificate can be eliminated. As the purpose of this is already covered under Good manufacturing Practice.

Recommendation:

Eliminating this will reduce unnecessary paperwork.

- Capital Subsidy for MSME:** The capital subsidy for (MSMEs) in Madhya Pradesh (MP) is up to 40% of the cost of plant and machinery. The subsidy is also available for the purchase of land and construction.

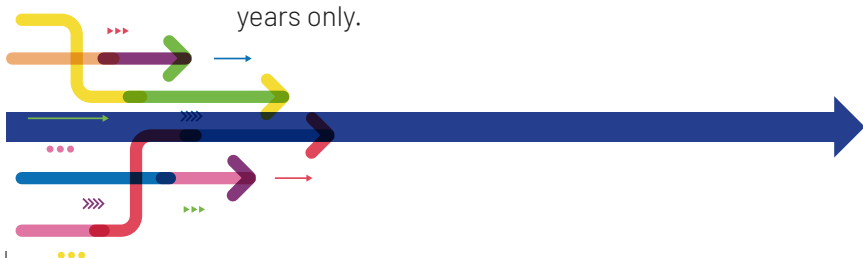
Recommendation:

All annual MSME subsidies including the Capital Subsidy to be disbursed within the same year.

Pharmaceutical Sector

- License Renewal for Pharmaceutical Industry (RS2A):** A significant portion of MSMEs in Madhya Pradesh not only belong to the Pharmaceutical Sector but as well are major exporters from the state.

Pharmaceutical units manufacturing both API & formulation require procurement of alcohol for which such units have to acquire 'RS2A' license from the State Excise Department. For exporting pharmaceutical products, a registration with the importing country's Ministry of Health needs to be done by sharing all concerned licenses of the exporting company.



Categories for alcohol covered under the 'RS2A' licence

- a. Alcohol
- b. Refined Spirit
- c. IP Grade Alcohol
- d. Extra Neutral Alcohol

- 2. Export issue:** Shipment or transport of alcohol specific pharmaceutical products around 31st March comes to a halt due to expiry of RS 2 license and the export supply chain breaks, till renewal.

Importing country's Health Ministry registration often doesn't succeed due to nearing expiry (or short validity period) of RS2A license.

Recommendations:

Increase the validity period of RS2A License at least up to 5 years as followed for Drug License, GMP and MP FDA procedures.

Water Management & Industrial Use

- 1. Wastewater Reuse in Industries:** Priority should be given to agricultural reuse of treated effluent for unrestricted irrigation. Industries should be responsible for treating wastewater to required quality standards before reuse.

Special incentives should be introduced for the industries/sectors that are taking steps towards reducing freshwater consumption and increasing the reuse of treated wastewater. Wastewater Reuse Incentives

Incentives, such as discounts on water charges or tax exemptions for the development of wastewater treatment and reuse systems.

With reference to the Govt. of Madhya Pradesh State Level Policy (2017) for Waste Water Recycle & Reuse and Faecal Sludge Management (FSM)

The segment of Reuse of Recycled Wastewater/ Effluent emphasized reusing treated wastewater for beneficial purposes such as agricultural and landscape irrigation, industrial processes, toilet flushing, and replenishing a groundwater basin (referred to as groundwater recharge).

Under section 7.2 Resource Management: The use of treated wastewater in irrigation and industrial applications shall be given the highest priority and shall be pursued with care. Effluent quality standards shall be defined based on the best attainable treatment technologies and calibrated to support or improve ambient receiving conditions, and to meet public health standards for end users.

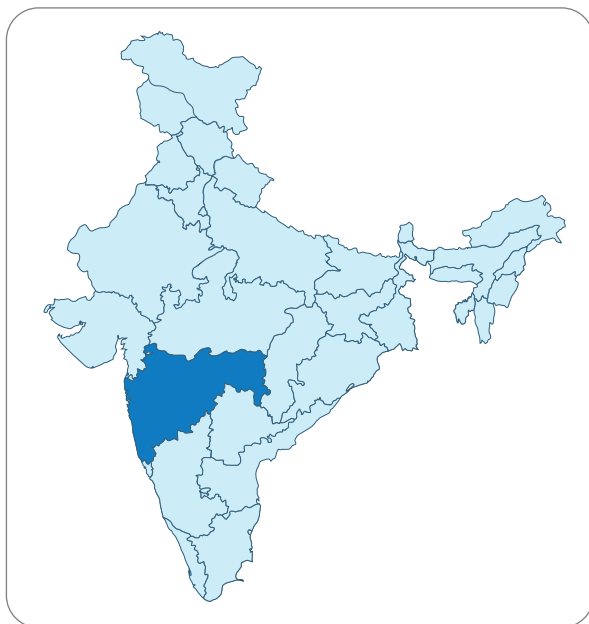
Industries shall be encouraged to recycle part of their wastewater and to treat the remainder to meet standards set for ultimate wastewater reuse or to meet the regulations set for its disposal through the collection systems and/or into the receiving environment. Wastewater from industries with significant pollution should be treated separately to standards allowing its reuse for purposes other than irrigation or to allow its safe disposal.

Recommendation:

Quality standards need to be revised as per specific requirements and geographical conditions for the potential reuse of wastewater.



Maharashtra



Capital: Mumbai

Projected GSDP (FY 2025-26): INR 49.39 lakh crore

YoY growth: 9 %

Per capita net SDP (FY 2024-25): INR 3.19 lakh

Key Industries: Finance, IT, textiles, automobiles, and chemicals.

Food Safety and Standards Act, 2006 (Good Manufacturing Practices)

1. License Renewal for Food Processing Industry:

- I. A significant number of MSMEs in Maharashtra belong to the food processing sector, contributing substantially to domestic supply and exports.
- II. Food processing units manufacturing ready-to-eat (RTE) foods, dairy products,

and nutraceuticals require multiple licenses, including FSSAI registration and Maharashtra FDA licenses.

- III. These licenses require annual renewal, causing operational disruptions and financial strain.

2. Environmental Clearance for Food Processing Units:

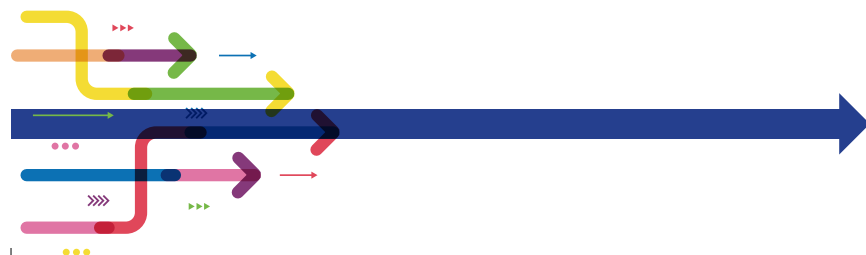
- I. Food processing units adhere to strict hygiene and pollution control measures under Good Manufacturing Practices (GMP).
- II. Despite compliance, additional Pollution Control Board (PCB) certifications are required, increasing the regulatory burden.

3. Export Challenges:

- I. Short validity of licenses leads to supply chain interruptions, delaying exports for MSMEs.
- II. Exporting companies must renew their FSSAI and FDA licenses annually, affecting business continuity.

Recommendations:

1. Extend the validity of FSSAI and FDA licenses for MSMEs from 1 year to 5 years, similar to GMP and Drug Licenses.
2. Implement a single-window clearance system for streamlining the renewal process.
3. Waive air and water pollution clearance requirements for MSMEs already complying with GMP norms.



Factories Act, 1948, and Maharashtra Factories Rules, 1963

1. Factory License Reforms:

- I. The Factories Act, 1948, and Maharashtra Factories Rules, 1963, do not differentiate between MSMEs and large businesses, leading to excessive compliance requirements for smaller enterprises.

2. Capital Subsidy for MSMEs:

- I. Maharashtra provides capital subsidies under the Package Scheme of Incentives (PSI) to support MSMEs in setting up manufacturing facilities.
- II. Delays in disbursing these subsidies hinder the growth of MSMEs and affect their working capital and expansion plans.

Recommendations:

1. Establish a separate licensing mechanism for MSMEs, reducing licensing fees and extending validity to 10 years.
2. Ensure timely disbursement of all annual MSME subsidies, including capital subsidies, within the same financial year to improve cash flow and business expansion.

Goods and Services Tax (GST) Act

1. Incorrect Application of GST Provisions:

- I. Section 17, read with Rule 42 & 43, concerning Input Tax Credit (ITC) apportionment, is incorrectly applied in some cases, leading to undue tax liabilities for businesses.

2. Denial of ITC Due to Third-Party Non-Compliance:

- I. Section 16(2)(C) denies ITC to taxpayers due to the mistakes or non-compliance of suppliers, which is beyond the taxpayer's control.

Recommendations:

1. Deploy dedicated assessment teams within the department to ensure smooth and accurate compliance with GST provisions.
2. Amend ITC regulations to prevent the denial of credit due to the mistakes of other entities.
3. Ensure taxpayers are not penalized for errors that are beyond their control.

Water Management & Industrial Use

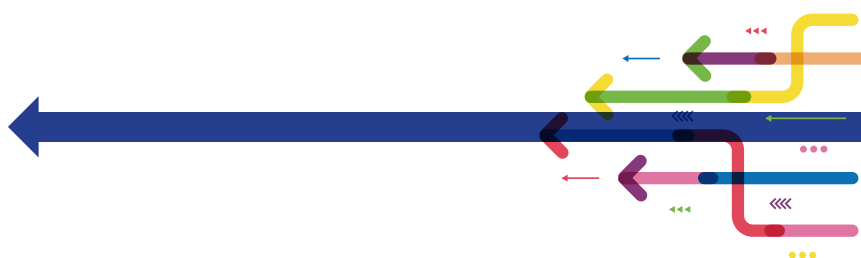
1. Mandatory Water Recycling in Industries:

All industrial units should aim to reduce their water footprint by optimizing processes, recycling wastewater, and increasing awareness among workers.

With reference to Maharashtra State Water Policy 2019, Section 9.3 Industrial Water Management bullet point (i) All industrial units must endeavor to reduce their water footprint over time by optimizing the various industrial processes, modifying the equipment, recycling wastewater, and creating awareness amongst their workers. Accordingly, industries shall be encouraged to recycle and reuse water and follow the policy of 'Zero effluent' in the final stage.

Recommendation:

The acceptable Framework for Standard of Operations Reporting for calculating the water footprints needs to be shared as per the authorities' objective.



- 2. Incentives for Wastewater Reuse:** A properly planned tariff system should incentivize industries that recycle and reuse treated water, following a 'Zero Effluent' policy.

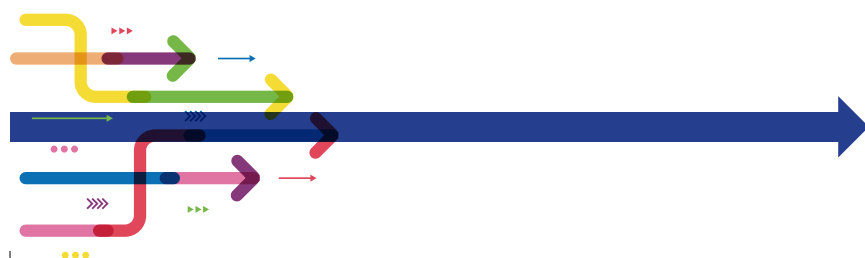
Section 17 Water Charges bullet point (f) Recycle and reuse of water after treatment of sewage water to specified standards be incentivised through a properly planned tariff system.

- 3. Restrictions on Water-Intensive Industries:** New water-intensive industries should be permitted only in areas with sufficient annual water availability.

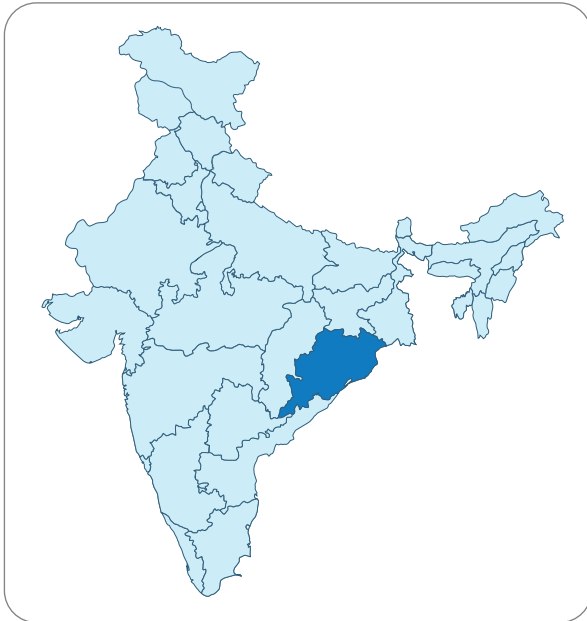
With reference to Maharashtra State Water Policy 2019, Section 9.3 Industrial Water Management bullet point (v) Water intensive industries will be permitted only in sub-basins having average annual water availability more than 3000 cubic metre per ha of Cultivable Command Area.

Recommendation:

When identifying areas of water stress, updated data resources and reporting must be considered.



Odisha



Capital: Bhubaneswar

Projected GSDP (FY 2025-26): INR 10.63 lakh crore

YoY growth: 12 %

Per capita net SDP (FY 2024-25): INR 2.03 lakh

Key Industries: Mining, steel, aluminum, power, and fisheries

Manufacturing & Mining Sector

1. **Environmental Clearances:** Odisha is promoting Manufacturing and Mining sector, however delayed environmental clearances impact projects.

Recommendation:

A time bound procedure for environmental clearances shall support industry.

Water Management & Industrial Use

1. **Encouragement for Water Recycling:** Incentives should be provided to industries

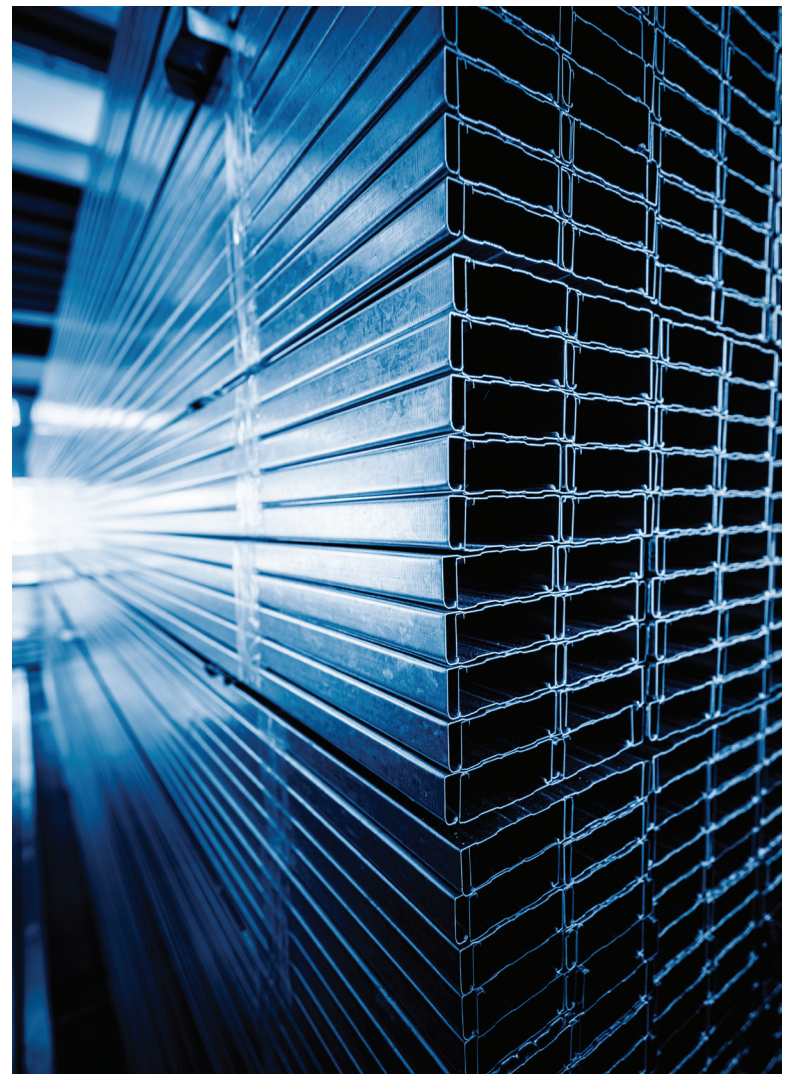
for recycling water, while disincentives should be introduced for non-recycling to promote sustainable water usage.

Recommendation:

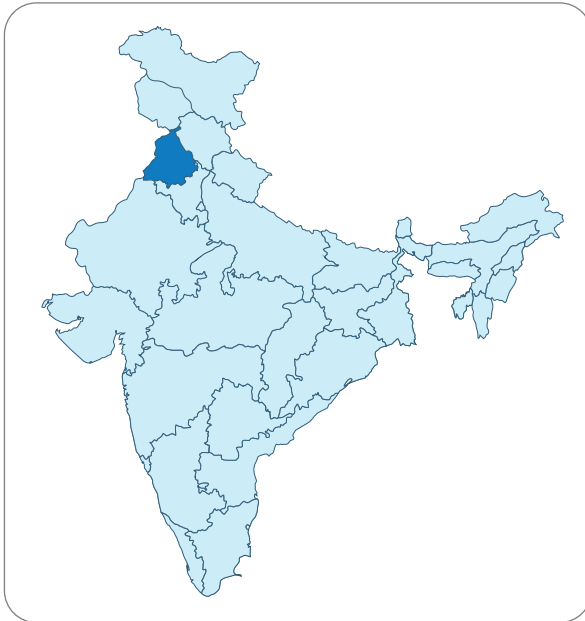
The wastewater reuse policy should clearly define the reuse standard for each sector with defined targets.

Good Practices in Odisha

1. **Investment Desk:** A dedicated investment desk facilitates project approvals and coordinates with district authorities to streamline operations.



Punjab



Capital: Chandigarh

Projected GSDP (FY 2025-26): INR 8.91 lakh crore

YoY growth: 10 %

Per capita net SDP (FY 2024-25): INR 2.27 lakh

Key Industries: Agriculture, Textiles, Manufacturing.

Agriculture & Industry

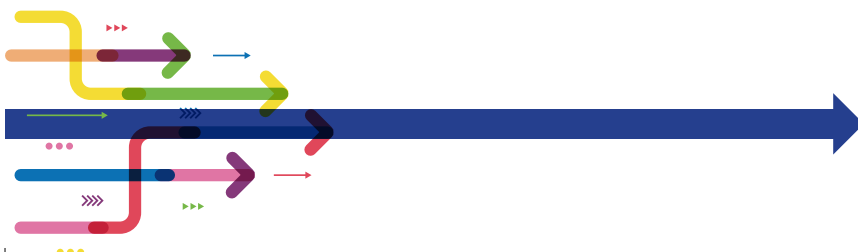
1. Reduction of Industrial Water Consumption:

Implement mandatory water recycling targets for large industrial units.

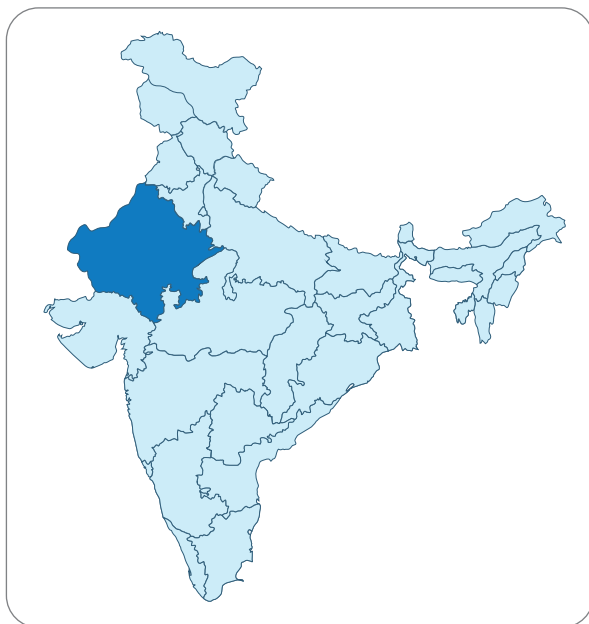
With reference to the Action Plan for Reuse of Treated Wastewater, 2020 Section 4.6 Reuse of Treated Wastewater for Industrial Use highlights that Punjab Pollution Control Board needs to explore the feasibility of reusing the treated sewage of nearby STPs in existing industries as well as for new industries to set up in notified blocks/areas, to meet their water demand.

Recommendation:

It does not specify the timeline and milestones related to the policy's vision.



Rajasthan



Capital: Jaipur

Projected GSDP (FY 2025-26): INR 19.89 lakh crore

YoY growth: 16.7 %

Per capita net SDP (FY 2024-25): INR 1.87 lakh

Key Industries: Textiles, tourism, renewable energy, cement, and mining.

Water Scarcity & Industrial Development

- 1. Water Conservation for Industries:** Implement mandatory water recycling targets for large industrial units.

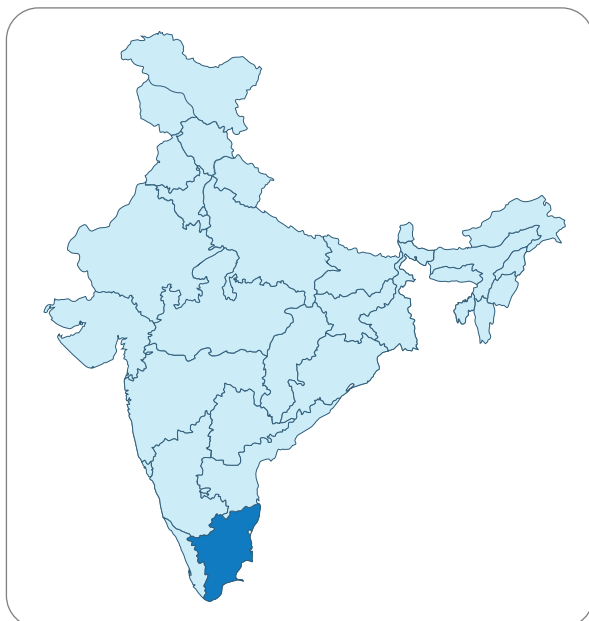
With reference to the Action Plan for Reuse of Treated Wastewater in Rajasthan 2019, Section 1.2 Reuse Options identified possible uses of TWW(Treated Waste Water) such as Industries including mining and thermal power plant.

Recommendation:

The policy does not provide any clarification regarding the TWW distribution based on consumption or process.



Tamil Nadu



Capital: Chennai

Projected GSDP (FY 2025-26): INR 35.67 lakh crore

YoY growth: 15 %

Per capita net SDP (FY 2024-25): INR 3.53 lakh

Key Industries: Automobiles, electronics, textiles, leather, IT, and defense manufacturing

Recommendations:

- 1. Simplifying GST Compliance for MSMEs:**
Allow deferred tax payments and simplify compliance by limiting it to basic invoices. This change will reduce cash flow bottlenecks and administrative costs, enabling MSMEs to focus on business growth rather than compliance complexities.
- 2. Ensuring Timely Payments to MSMEs:**
Mandate a 15-day payment cycle for PSUs/ PSEs and introduce penalties for delays. Additionally, make Trade Receivables Discounting System (TReDS) mandatory for

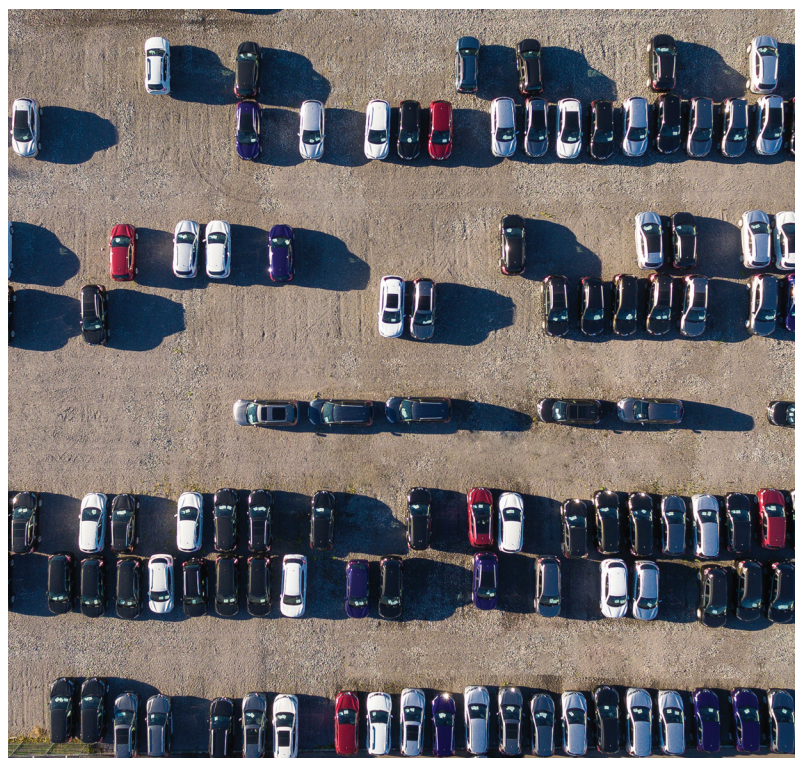
defaulters under MSEFC Council regulations. This will lower borrowing costs for MSMEs and accelerate their revenue cycles, improving overall financial stability.

3. Reducing Bureaucratic Compliance

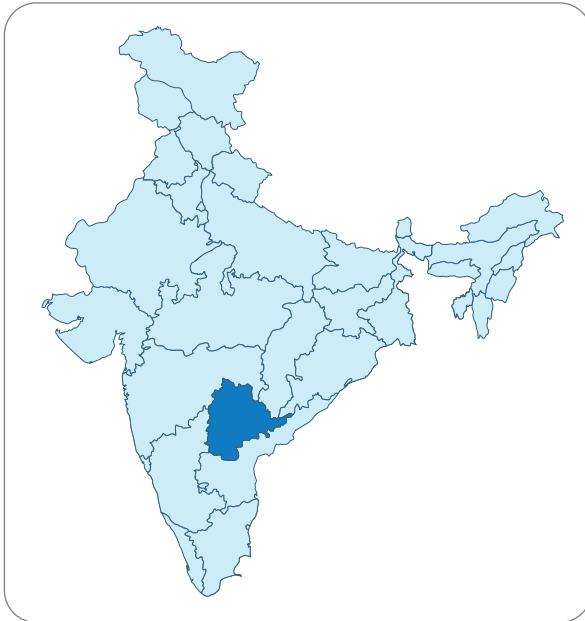
Burdens: Standardize compliance to basic invoices, eliminate redundant inspections, and enhance transparency in regulatory processes. These measures will reduce operational timelines and compliance costs, allowing MSMEs to function more efficiently.

4. Improving Access to Loans for MSMEs:

Set specific targets for PSU Banks to issue collateral-free loans and publicly display achieved and pending targets at all branch offices. Additionally, provide a five-year exemption from GST and Income Tax for MSMEs. This will reduce financial stress on MSMEs and promote entrepreneurship by ensuring easier access to credit.



Telangana



Capital: Hyderabad

Projected GSDP (FY 2025-26): INR 18 lakh crore

YoY growth: 12 %

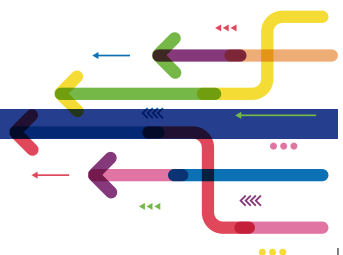
Per capita net SDP (FY 2024-25): INR 3.93 lakh

Key Industries: Information Technology, pharmaceuticals, manufacturing, tourism, textiles, and mining.

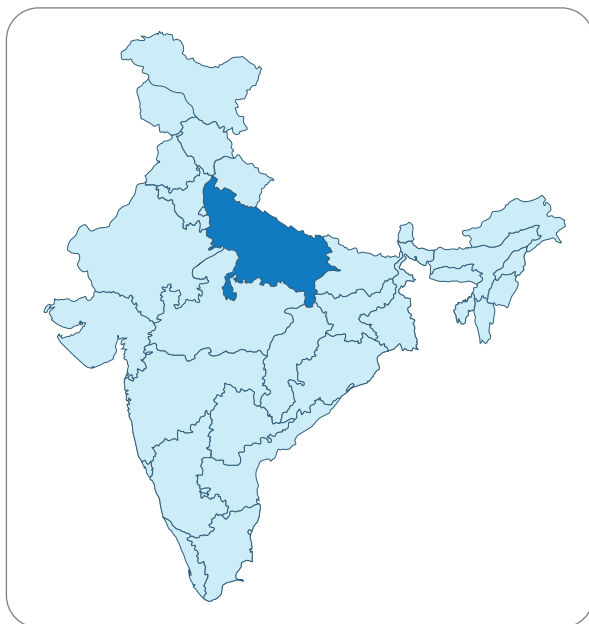
Industrial & Investment Policies

- Incentive Disbursal Delays:** Telangana is lagging in disbursing incentives, discouraging new investments and expansion. The FAB city and Maheswaram EMS cluster are fully occupied, yet 50% of units have not started production due to delays in government support.
- Land Sanctioning:** Land allotments should be expedited to prevent bottlenecks in project commencement, as obtaining all permissions takes nearly two years.

- Dry Port Development:** The proposed dry port in Nalgonda should be fast-tracked to improve logistics efficiency and reduce supply chain costs.
- Component Manufacturing:** Strengthen the local supply chain by developing ancillary units for component manufacturing in the EMS cluster, reducing import dependency.
- Skilled & Semi-Skilled Labour Supply:** Government-certified agencies should be designated for workforce sourcing to ensure industries have a continuous labor supply.
- E-Waste Recycling:** Establish a centralized e-waste recycling unit and common facility center in E-City to improve sustainability measures.



Uttar Pradesh



Capital: Lucknow

Projected GSDP (FY 2025-26): INR 30.80 lakh crore

YoY growth: 12 %

Per capita net SDP (FY 2024-25): INR 1.07 lakh

Key Industries: Agriculture, textiles, leather, and handicrafts

Industrial Development & Water Use

- Smart Water Infrastructure in Industrial Parks:** Develop centralized water treatment facilities for industrial clusters.

With reference to the DRAFT POLICY ON WASTEWATER RECYCLE AND REUSE IN URBAN LOCAL BODIES, UTTAR PRADESH intended to direct the water sector towards more efficient use of water resources. It details the intention to reuse treated wastewater in irrigation that enables freeing fresh water to be utilized for municipal

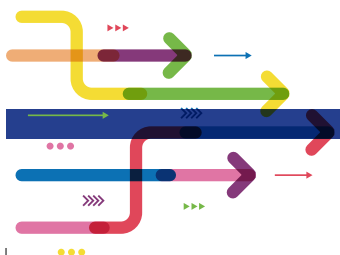
uses. It also provides for using the treated wastewater in other economic activities. It calls for expanding collection and treatment of wastewater, updating, and development of standards and practices for substituting fresh water used in irrigation and industry by treated wastewater after blending it.

The policy can be better implemented through centralized wastewater collection and treatment systems.

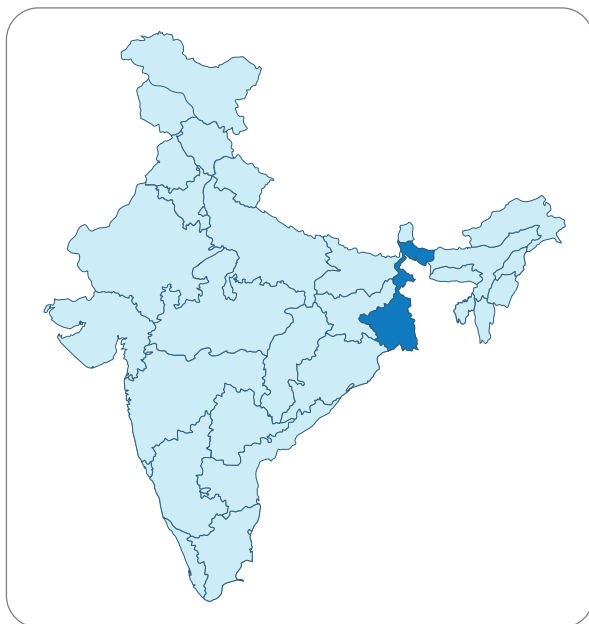
Water reuse resource conservation and preservation of the sensitive ecosystem and reducing polluted loading.

Recommendation:

Although policy establishes the vision and aspirations, it lacks specific targets and timelines for action.



West Bengal



Capital: Kolkata

Projected GSDP (FY 2025-26): INR 20.31 lakh crore

YoY growth: 12 %

Per capita net SDP (FY 2024-25): INR 1.71 lakh

Key Industries: Agriculture, textiles, leather, and IT.

Taxation & Fiscal Policies

- 1. Cost Recovery Charges (CRC), pertaining to Customs** – Issue regarding the demand for interest on Cost Recovery Charges (CRC) by field formations, which lacks a clear legal mandate under the Customs Act, 1962. Section 28AA of the Act, which deals with interest on delayed payment of customs duty, does not apply to CRC. Several ICDs/CFSSs have met the criteria for a waiver under Circular 02/2021 but are still being asked to pay interest on CRC dues accrued before the waiver.

Recommendation:

The CBIC needs to intervene and issue a definitive guideline clarifying that interest on CRC is not payable due to the lack of legal backing. This will enable the prevention of arbitrary demands by field formations and reduce unnecessary litigation and compliance costs. It will also ensure uniformity and clarity in applying CRC policies across different customs jurisdictions.

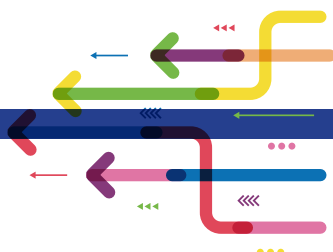
Ease of Doing Business

- 1. Industrial Land usage** – Conversion of land for industrial usage is a prerequisite for obtaining institutional finance. However, in West Bengal there is unprecedented delay in the process of conversion of land to “industrial use”.

Recommendation:

The procedure for converting land to ‘industrial usage’ needs to be streamlined and reformed.

- 2. Brewing Industry: Imposition of Rs.5/- for every 100 BL exceeding 10,000 BL for wholesale of ordinary denatured spirit** – As per the Notification 1588-F.T. dated 11.09.2023, the Government of West Bengal levies an annual registration fee of Rs. 500 up to 10,000 BL and Rs. 5 for every 100 BL exceeding 10,000 BL, for license renewal on wholesalers of ordinary denatured spirit. This is in addition to the GST, comprising CGST and SGST paid under the Central Goods and Services Act, 2017. However, this additional fee, characterized as a tax on the product, extends beyond the Bengal Excise Act’s scope and contradicts the legislative intent. Moreover, it is not a fee for the sale of intoxicating liquor, thus exceeding legislative competence.



Recommendation:

This additional fee for wholesale of ordinary denatured spirit for every 100 BL exceeding 10,000 BL contravenes government policies and constitutes double taxation. The final product is already taxed under GST, including the State Tax component, making this fee an undue burden. Thus expectation is that the additional levy be waived off.

Mining Sector

- Licensing policy and other clearances** – A lot of valuable labour hours is wasted in procuring licences and other necessary clearances like Environmental Clearance (EC) for initiating mining operations in West Bengal. Long delays in the processes and absence of a 'Centralised System' in issuing such licenses are jeopardising mining activities in the State.

Recommendation:

Issuance of all licenses, permits, ECs should be brought under one roof. The process should involve least human interaction and carried out digitally in a time bound manner.

West Bengal Land Policy

- Land Procurement:** As per the State's 2013 Land Policy, the industries are expected to deal with the landowners on their own to buy land through market mechanisms and the Government only acts as a facilitator in that. This often leads to unforeseen delays and disruption in land procurement.

Recommendation:

A mechanism where State Government goes extra mile to facilitate land procurement on behalf of the industry and the procuring company is adequately compensated if the procurement fails or is largely delayed.

Transport and Logistics sector

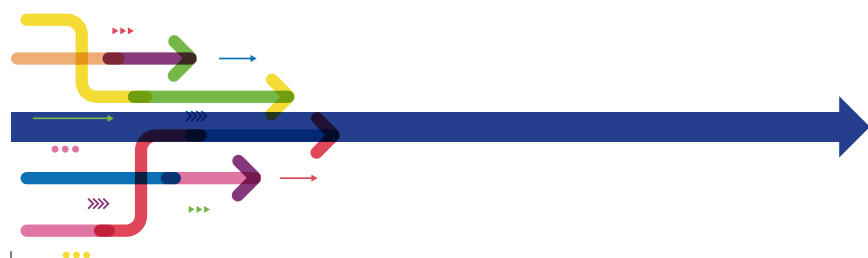
- Policy Consideration for Carrying 2 x 20 ft Loaded EXIM Containers on 18-Wheel Trailers** – Currently, there is no vehicle configuration capable of legally carrying two 20 ft loaded containers weighing 30 MT each (equivalent to a total payload of 60 MT). The permissible Gross Vehicle Weight (GVW) of 45.5 MT for an 18-wheel trailer falls significantly short of accommodating such a load. Despite the limitations, it is an established practice across ports in India to transport two 20 ft loaded containers using 18-wheel trailers for internal port movements and nearby transportation within a 180 km radius of ports. Transporting two 20 ft containers on a single trailer reduces the cost of logistics by almost half compared to moving them individually.

Recommendation:

Permission for transport of Two 20 ft Containers on 18-Wheel Trailers within specific limits should be allowed within a 180 km radius of ports and ICDs, provided the road infrastructure can support the higher GVW. In this regard, reformed load distribution policies should be implemented wherein a combined payload of up to 60 MT on reinforced roadways, particularly for EXIM cargo transported from ports to nearby industrial or storage hubs, should be permitted.

- Clarification on Movement of Export and Import Cargo from Gateway Ports to Container Freight Stations (CFS) in Kolkata –**

As per the recent Public Notice (PN) issued by Jawaharlal Nehru Custom House (JNCH), containers designated for Kolkata Port can now be directly transshipped from Gateway Ports to CFS without routing through Kolkata Port under the ETP (Export Transshipment



Procedure). The ETP process in Kolkata began with Public Notice No. 10/2019, which allowed transshipment via coastal/feeder vessels for export and import containers. However, this circular did not specify the mode of transport or address the extension of the ETP process beyond coastal/feeder movements.

Recommendation

Clarifications in this regard are still pending.

Water Management & Industrial Use

- 1. Sector-Specific Limitations in Water Policies:** West Bengal lacks a structured framework for wastewater reuse in industries beyond thermal power plants. Industries should be classified based on their water consumption needs, ensuring equitable distribution.

With reference to the Treated Wastewater Re-use Policy of Urban West Bengal, 2020; The section 6.9 Reuse of the Treated Water States that Industries should reuse their treated water and sludge and minerals to be sold out for appropriate use. Further industries within 30 km of a Sewage Treatment Plant should use treated water in place of fresh surface/ groundwater.

In compliance with the Government of India's recently revised Power Tariff Policy (2016), the Department of Power, Government of West Bengal should coordinate partnerships of thermal power plants with urban centres within 50 km radius for off-take of all Wastewater treatment available; and facilitate operational sustainability of wastewater treatment plants.

Recommendation:

Workplan for the small industrial clusters needs to be considered.

2. Financial Incentives for Water Recycling:

Clear incentives should be provided to industries adopting wastewater recycling, along with structured guidelines on technological requirements for reusing treated water.

With reference to the Treated Wastewater Re-use Policy of Urban West Bengal, 2020; The Section 6.15 Source Funding

Provide incentives to the financial institutions, Micro finance institutions, mutual funds, corporate sectors, trusts and foreign institutional investors for investing in treatment of wastewater.

Recommendation:

However, the clear incentive bins have not been referred.

Good Practices in West Bengal

- 1. State-Level Investment Synergy Committee:** Established for single-window clearance of investment proposals within a mandated timeframe.



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