ASSOCHAM

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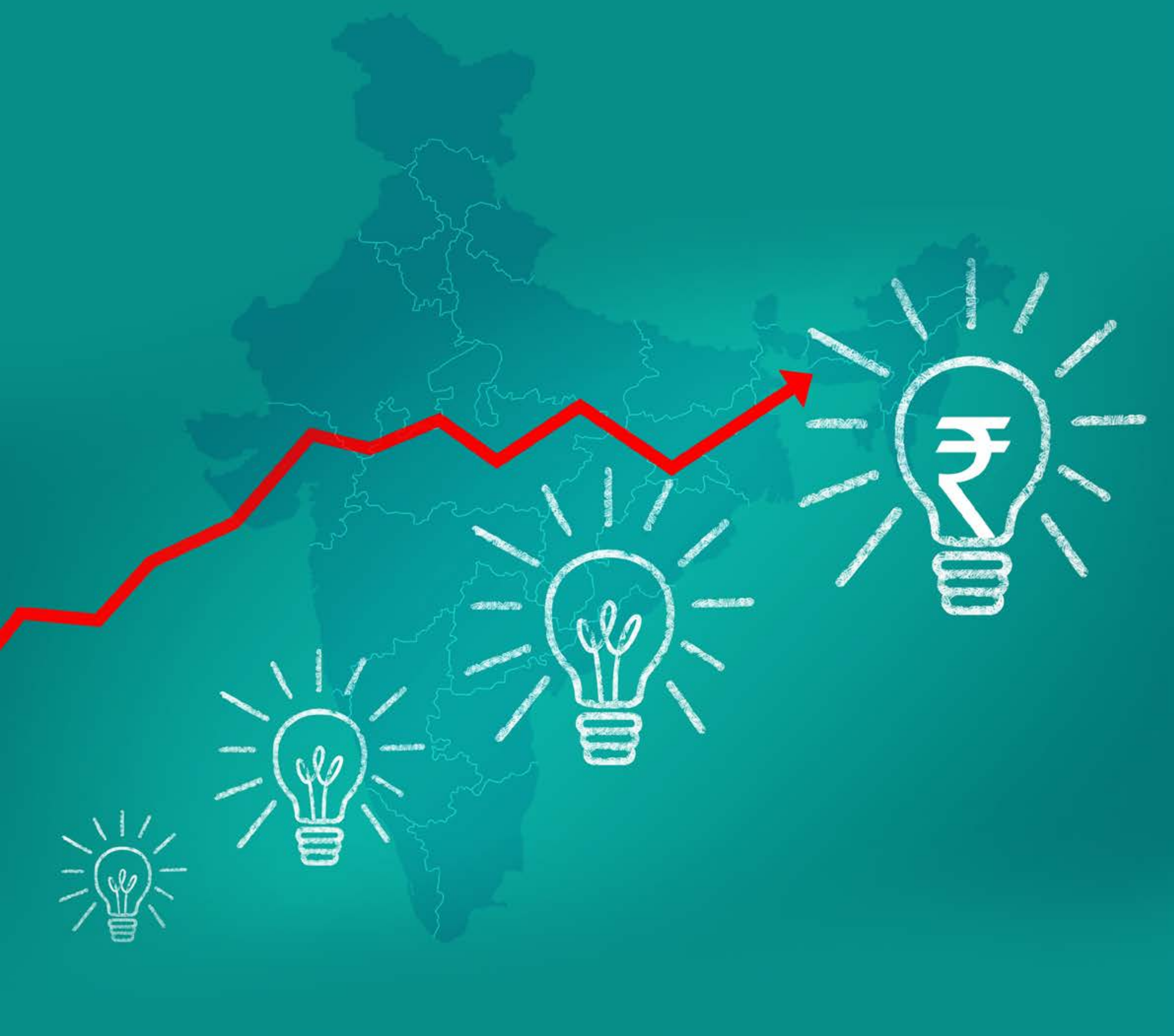
EASE OF DOING BUSINESS IN THE INDIAN STATES

Phase II

Regulatory Easing for Decentralised Economic Growth



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Foreword by Secretary General ASSOCHAM

The Directive Principles of State Policy (DPSP) enshrined in the Constitution of India lay down the responsibility of the State to promote social, economic, and political justice, while striving to reduce inequalities and ensure balanced decentralization. These principles remind us that governance is not only about reforms at the Centre but also about empowering States to create an enabling environment for enterprise, investment, and innovation.

In this context, ASSOCHAM undertook its first study, Ease of Doing Business in the Indian States, with technical and analytical support from The Convergence Foundation. The study revealed systemic challenges across States, including regulatory overlaps, labour rigidities, taxation complexities, and procedural hurdles in Legal Metrology, GST, and PESO licensing. Crucially, it emphasized that such barriers disproportionately burden smaller enterprises and MSMEs, making compliance more difficult and hindering their growth prospects.

By drawing on international best practices - such as streamlined permit approvals in Bogotá and the UK's accreditation systems - the report demonstrated how regulatory simplification can unlock growth. The recommendations from the first phase, helped frame a roadmap for creating a more predictable and efficient business environment across India's States.

Building on this foundation, ASSOCHAM now presents "Ease of Doing Business in the Indian States – Phase II." With the strategic guidance and essential inputs from The Convergence Foundation, this sequel builds on earlier findings to present a more nuanced analysis of the regulatory and infrastructural hurdles confronting enterprises. Drawing on the Foundation's expertise and direction, the report incorporates extensive ground-level consultations with industry stakeholders. It not only reconfirms the persistence of long-standing challenges but also highlights new and pressing issues that have surfaced in recent years.

Among the key findings are cumbersome and overlapping laws, regulations and approvals, ineffective Single Window Systems, GST-related hurdles, and infrastructural gaps. The report highlights complex Company Law and other related regulations as critical impediments. Most importantly, Phase-II brings MSME-specific challenges into sharper focus, including disproportionate compliance burdens and the urgent need for technology, skill and infrastructure upgradation.

This report goes beyond diagnostics to provide a structured set of recommendations - ranging from rationalisation of compliance norms and simplification of land-use approvals to GST reforms, infrastructure upgrades, and revised procurement thresholds for MSMEs. These proposals reflect not only policy imperatives but also industry-driven priorities.

As India marches toward the vision of Viksit Bharat, the role of States in shaping the business environment cannot be overstated. By aligning central and state-level reforms, and by implementing the actionable steps recommended in this report, we can build a transparent, predictable, and business-friendly ecosystem. This report is therefore not just a sequel to an earlier study but a critical step forward in ensuring that India's economic growth is inclusive, resilient, and globally competitive.

Manish Singhal
Secretary General
ASSOCHAM

01

Executive **Summary**

Scope of the Report & Focus Areas

This report builds on the initial "Ease of Doing Business in the Indian States" study (Phase I), with Phase II deepening the analysis through direct consultations with industry stakeholders, thereby capturing ground-level challenges and actionable insights. The following points outline the scope of the report and highlight its key areas of focus:

- The report identifies legal and regulatory challenges that cut across the national business ecosystem.
- The report highlights a range of regulatory and infrastructural issues encountered in Odisha, West Bengal, Maharashtra, Haryana, Andhra Pradesh, Telangana, Kerala, Tamil Nadu, Punjab, Himachal Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttarakhand, Gujarat & Dadra and Nagar Haveli, Goa, J&K, and Madhya Pradesh.
- It highlights sector-specific issues in land, building & construction, labour, environment, trade, taxation, utilities, among others.
- It brings MSME-specific challenges into sharper focus, particularly in the areas of compliance, finance, procurement, and technology adoption.
- The report provides essential recommendations to streamline regulations, strengthen infrastructure, and foster a more business-friendly environment.

Regulatory & Infrastructure Challenges Across Key Indian States

The report outlines the major regulatory and infrastructural bottlenecks that continue to hinder business operations across key Indian states. An overview of these challenges is presented in the following points:

- Cumbersome and overlapping approval processes - including building permits, construction clearances, fire/environment NOCs, and Change of Land Use (CLU) approvals - result in significant delays and uncertainty.
- Availability of skilled, complex labour regulations, such as restrictions on women's employment, frequent license renewals, etc., limit workforce flexibility.
- Single Window Systems (SWS) remain ineffective, often redirecting to manual processes and lacking transparency or escalation mechanisms.

- GST-related hurdles persist, including complex registration procedures, refund delays, and frequent ITC disputes.
- Logistics and infrastructure bottlenecks - including e-way bill inefficiencies, inconsistent axle load rules, and unreliable electricity supply in states such as West Bengal and Odisha - cause delays and production losses.
- Company Law and BIS rules burden MSMEs with complex compliance, exit, and certification delays, while unclear FSSAI norms (especially for biotech products) add further regulatory uncertainty.

Value of the Report

The report offers a clear roadmap for policymakers to build a more predictable, transparent, and efficient business environment.

- The report calls for aligning central and state-level reforms to accelerate economic growth, incorporating actionable recommendations from industry stakeholders.
- It balances regulatory simplification, recommending streamlined approvals, GST reforms, time-bound land-use conversion, flexible labour laws, and rationalisation of company-related regulations.
- It also brings forward MSME-focused insights, recommending revised procurement thresholds, simplified FSSAI norms with biotech-specific frameworks, and rationalized compliance through consolidated forms, greater self-declarations, aligned regulations, and reduced audits and penalties.
- The report calls for infrastructure improvements and standardisation of processes, a simplified e-way bill regime, dedicated logistics hubs, and upgraded electricity distribution with structured industry feedback.
- The report urges support for MSMEs beyond compliance through skill development, technology adoption, innovation, export promotion, and greater scheme awareness.

By addressing these issues, the government can build a predictable, transparent, and efficient business environment. The report's recommendations, from regulatory simplification to compliance rationalization and infrastructure upgrades, are vital steps toward a truly business-friendly India.

02

Legal & Regulatory **Framework**

2.1. Compliance

Section 92(4) of the Companies Act, 2013:

Relevant Extract:

(4) Every company shall file with the Registrar a copy of the annual return, within sixty days from the date on which the annual general meeting is held or where no annual general meeting is held in any year within sixty days from the date on which the annual general meeting should have been held together with the statement specifying the reasons for not holding the annual general meeting, with such fees or additional fees as may be prescribed.

Issue:

- It mandates every company, regardless of its size or revenue, to file an annual return within 60 days of the Annual General Meeting ("AGM"), failing which hefty penalties are imposed under Section 92(5).
- The 'one-size-fits-all' compliance model burdens MSMEs without legal or accounting teams. Limited resources force them to depend on costly external help for frequent filings.

Recommendations:

Simplifying compliance, regulations, and tax registration is vital, as their complexity strains MSMEs' limited capital, sometimes causing closures.

- **Biennial or triennial filing:** Allow registered MSMEs to file returns once every two or three years, instead of annually
- **Simplified annual return format:** Introduce a simplified annual return for registered MSMEs, limited to essential details such as ownership, financials, and compliance status.

Other Recommendations (Regulatory Process):

- Standardize state and central compliances to remove duplication and confusion. A single-window system mapping central and state laws, seamless data sharing, and a comprehensive GST registration process, would ensure a uniform and speedy compliance procedure nationwide.
- Upgrade the ICEGATE portal with AI to simplify customs duty payments, GSTIN linking, and document uploads like shipping bills and bills of entry, to reduce delays and inaccuracies.

- Simplify ADC licensing by streamlining certification fees, requirements, and procedures to reduce delays and challenges in the application process.
- A competent authority should review the single-window system every month, while higher authorities must ensure quick, time-bound clearances and NOCs.

Other Recommendations (Documentation):

- Introduce a common integrated return for MSMEs to streamline compliance across all applicable laws.
- Align the preparation of financial statements under the Companies Act and Income Tax Act to streamline compliance.
- Automate Annual Return Filing through self-certification mode.
- Mandate a centralized annual declaration of MSME status for companies registered as Micro or Small Enterprises.
- Launch an online compounding portal for MSMEs to file applications, upload documents, pay capped fees, and receive orders within 30 days.
- Convert most compliances to self-declaration, with others requiring self-declaration plus proof of compliance. Allow companies to start construction, operations, and hiring based on self-certification or self-undertaking.
- Publish clear compliance lists for each industry, showing what to submit, where, and to whom, with SLAs for approvals. Also provide transparent SOPs, templates, and SLAs for incentives and reimbursements.
- Streamline customs and simplify export-import licensing with self-declaration based on Indian standards to boost MSME export efficiency. Eliminate repetitive and overlapping documentation.
- DPT-3 and DIR-3 KYC and MSME Form-I may be integrated into a single unified form.

- Allow companies to file Form STK-2 for strike-off without first filing Form INC-20A (declaration of commencement of business).
- MCA may provide standardized downloadable templates for statutory registers and resolutions to support compliance.
- Align Directors' KYC with other identification cards.
- Allow bulk downloading of public documents for inspection.

2.2. Funding, Financing, & Investment

Section 185 of the Companies Act, 2013:

Relevant Extract:

(1) No company shall, directly or indirectly, advance any loan, including any loan represented by a book debt to, or give any guarantee or provide any security in connection with any loan taken by: -

(a) any director of company, or of a company which is its holding company or any partner or relative of any such director; or

(b) any firm in which any such director or relative is a partner.

(2) A company may advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loan taken by any person in whom any of the director of the company is interested, subject to the condition that: -

(a) a special resolution is passed by the company in general meeting:

Provided that the explanatory statement to the notice for the relevant general meeting shall disclose the full particulars of the loans given, or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security and any other relevant fact; and the loans are utilised by the borrowing company for its principal business activities.

(b) the loans are utilised by the borrowing company for its principal business activities.

Issue:

- Section 185 restricts directors from putting in personal funds, even though MSMEs – often promoter-led and dependent on internal or informal credit – need this for survival during cash crunches.
- The special resolution requirement for loans to "interested persons" under Section 185(2) adds procedural burden and compliance costs, particularly for private MSMEs with limited shareholders who are often directors.

Recommendation:

- **Simplified approval process for loans and guarantees by MSMEs:** Allow registered MSMEs to approve loans, guarantees, or securities via board resolution instead of a special resolution, within a pre-determined monetary threshold.

Other Recommendations:

- Streamline MSME lending with tech and scalability checks, simplify the portal with regional languages, and build an investment-friendly ecosystem.
- Make MSME funding easily accessible by cutting paperwork, enabling faster digital KYC, and offering quick, collateral-free loans.
- Expand credit guarantee schemes, use fintech for faster funding, mandate banks to promote and implement the Credit Guarantee Fund Scheme, and set monitored (by district and state committees) loan timelines for micro and artisan sectors.
- Identify and address key roadblocks in MSME lending, with sector- and product-specific regulations tailored to the diverse needs of different segments.

2.3. Audits

Section 139 of the Companies Act, 2013:

Relevant Extract:

Every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed.

Issue:

- The mandatory auditor appointment under Section 139 imposes a heavy compliance burden on MSMEs with limited resources. Uniform audit rules overlook their scale and risk profile, forcing reliance on external professionals and raising costs.

Recommendations:

- Exempt registered MSMEs from mandatory auditor appointment under Section 139 if their turnover and borrowings fall below a prescribed limit. Instead, allow such exempted companies to submit an annual self-certification to the Registrar of Companies confirming that:
  - They continue to qualify as MSMEs.
  - Their financial thresholds remain within the specified limits.
  - No statutory audit is required under other applicable laws.

2.4. Penalties

Section 92(5) of the Companies Act, 2013:

Relevant Extract:

(5) If any company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default.

Issue:

- Penalties are excessive and discourage formalization.
- The penalties under Section 92(5) - Rs. 10,000 for default and Rs. 100 per day up to Rs. 2,00,000 - are too high for MSMEs. These penalties, manageable for big firms, hurt MSMEs (especially new or struggling ones) and discourage informal businesses from registering.

Recommendations:

- **Exemption from penalty for first-time defaulters:** For registered MSMEs, use a graded penalty system or waive the fine for the first late filing, especially if it was unintentional or due to technical issues.

Section 185(4) of the Companies Act, 2013

Relevant Extract:

(4) If any loan is advanced or a guarantee or security is given or provided or utilised in contravention of the provisions of this section: -

(i) the company shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees;

(ii) every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees; and the director or the other person to whom any loan is advanced or guarantee or security is given or provided in connection with any loan taken by him or the other person, shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees, or with both.

Issue:

- **Penalties are severe and disproportionate:** For MSMEs, penalties of up to Rs. 25 lakh and/ or imprisonment are excessive, especially when loans are taken in good faith. Such provisions discourage formal group structures and reduce promoter involvement.

Recommendations:

- **Graded penalty structure for MSMEs:** Introduce a graded penalty system for registered MSMEs that distinguishes between first-time or technical defaults and continuing defaulters.

2.5. Other Sections & Areas of Concern

Other Sections of the Companies Act, 2013:

Section	Recommendations
Section 2(77)	The definition of "relative" under the Companies Act, 2013 may be aligned with Section 56(2) of the Income Tax Act, 1956.
Section 2(85)	Align the definition of 'small company' with the MSME definition under the MSMED Act, 2006.
Section 7, read with Rule 8, 8A, and 8B	Ad-hoc restrictions in the name reservation process cause delays and uncertainty. Scrutiny should be limited to what the Rules specify.
Section 8	Waive the rule that Section 8 companies must convert to private or public limited before strike-off. Allow them to wind up directly without conversion.
Sections 29 and 46	MSEs under the MSMED Act, 2006 should be exempt from the dematerialization requirement.
Sections 42 and 43	Allow shares issued at company incorporation to be issued only in digital form.
Sections 73 - 76A read with the Companies (Acceptance of Deposits) Rules, 2014	Allow MSME companies to take deposits or loans from directors' relatives and members.
Sections 77, 78, and 82	Timelines for the creation and satisfaction of a charge may be increased to 90 days for initial filings and 180 days for rectifications.
Section 92 read with Rule 11 of the Chapter VII of the Companies (Management and Administration) Rules, 2014	Introduce a single annual compliance form, 'MSC-A', for micro and small companies, combining filings like AOC-4, MGT-7/7A, MSME-1, DPT-3, DIR-3 KYC, and auditor details.
Sections 92 and 157	Penalties may be waived off for MSME companies.
Section 92 and 137	Merge Form AOC-4 and MGT-7, and allow MSMEs to file a single annual return.
Section 96(1)	Extend the Section 96 deadline for holding AGMs from six months to nine months.
Section 137 read with Rule 12 of Chapter IX of the Companies (Accounts) Rules, 2014	Set a maximum penalty cap for MSMEs on each form, instead of daily fines.

Section	Recommendations
Section 139	Waive statutory audits for micro companies with investments up to Rs. 1 crore and allow self-certification instead.
Section 143(11) - CARO, 2020	CARO exemption may be provided for all MSMEs registered on Udyam.
Sections 149, 177, and 178	Give corporate governance relaxations for companies on the SME Board, including exemption from appointing independent directors for MSMEs.
Section 173	Reduce the board meeting requirement for MSMEs from two per year to one.
Section 248	For MSMEs, increase the limit for being classified as inactive from 2 years of no business to 3 years, before strike-off action is taken.
Rule 12 A of the Companies (Appointment and Qualification of Directors) Rules, 2014	Make DIN KYC mandatory only when details change or merge it into annual forms like AOC-4/MGT-7A. Alternatively, allow it once in three years instead of yearly, as fines for delay burden MSMEs.
Companies (Registration Offices and Rules) Rules, 2014	Reduce extra filing fees for MSMEs and set a maximum cap on penalties.
SPICe+ Form	Use AI to auto-approve company names at incorporation for faster registration.
MGT-8 Form	Exempt MSMEs from filing MGT-8, which applies to companies with share capital of Rs. 10 crore or more and turnover of Rs. 50 crore or more.
Form DPT - 3 and AOC - 4	Link Form DPT-3 with AOC-4, or merge its disclosures into AOC-4 to avoid duplicate filing. Similarly, link DIR-3 KYC with AOC-4 for small companies.

Insolvency and Bankruptcy Code, 2016

Section	Recommendations
Section 4	The default amount may be reduced to Rs. 10 lakhs for MSME operational creditors.
Section 53	MSME operational creditors may be considered at par with the financial creditor in the waterfall mechanism.

Authorised Share Capital:

- The payment of stamp duty may be exempted for MSMEs for increasing the authorised share capital.

Dispute Resolution:

- A dispute resolution mechanism may be provided to rectify the inadvertent errors made during the conversion process of LLP into companies.

Labour:

- Improve labours' skills to boost MSME productivity and competitiveness, and fill the skill gaps that informal SMEs face during digital adoption.

Awareness Generation:

- MSMEs need awareness about registration, government schemes, and compliance. Simple processes, on-ground support, and outreach programs can bridge this gap and ensure fair access.
- Make lenders disclose the Credit Guarantee Fund Scheme to MSME borrowers and run awareness programs to educate entrepreneurs on their rights under it.
- Run large awareness drives to educate entrepreneurs (especially in semi-urban and rural areas) about the benefits of insurance tailored to MSME risks.
- Hold digital finance literacy bootcamps and offer AI-based help on the portal to support first-time users and boost adoption across regions.

Land Acquisition:

- Improve transparency and efficiency in land acquisition for MSMEs by simplifying procedures and reducing high stamp duty and registration costs.

Logistics:

- Enhancing infrastructure and automated supply chain systems can cut logistics costs and reduce delays.

Innovation and R&D:

- Set up a sandbox for manufacturing innovations with AI dashboards and officer tracking to speed up processes and ensure accountability.
- Give SMEs access to universities and COE labs for R&D, engineering, testing, and certifications.

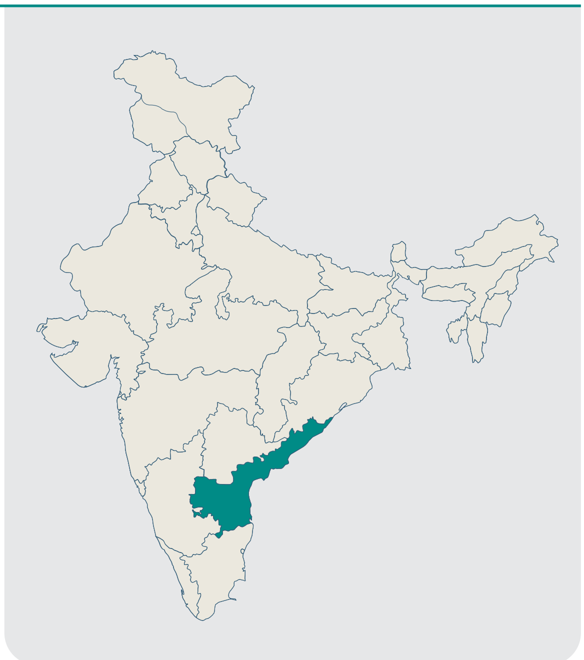
Branding:

- Promote global recognition of Indian standards to make exports smoother.

03

Regional **Recommendations**

3.1. Andhra Pradesh



Challenges

- **Frequent Renewals:** Fire NOCs and other clearances, previously valid for five years, are now required annually. The renewal cycle often begins immediately after the 4-5 month processing time, creating a "perpetual loop".
- **Public Hearings:** Public hearings for new manufacturing facilities are a major hurdle due to the involvement of "vested interests".
- **Ineffective Single Window System:** All departments continue to function independently, and a "true single window" does not exist. There are no defined timelines, and "deemed approvals" do not work in practice.
- **Land Use & Zoning:** The process for converting agricultural land to industrial or commercial use faces bureaucratic delays. Even after converting from NALA (Non-Agricultural Land Assessment), land zoning remains pending. There is no clear industrial land policy, and commercial/residential norms are often applied to industrial land.
- **Environment & Pollution:** The Andhra Pradesh Pollution Control Board (APPCB) enforces stricter pollution norms than national standards. Mandating 33% green cover is considered impractical and is being applied retrospectively.
- **Fire & Safety:** The Fire Department restricts operational clearance to 12-15m, despite byelaws allowing 30m height. The department lacks familiarity with fire protection systems for hazardous industries.
- **Product Mix Changes:** Any change in product mix requires a fresh Consent to Operate (CTO), with consent fees calculated on 50% of the total project cost, not the actual investment for the change.

Recommendations

- Create a **common platform to sensitize investors**, especially MSMEs, on approvals, compliance, and end-to-end processes.
- Establish a **dedicated Industrial Land Policy** with clear zoning, classification, and conversion norms that are distinct from residential/commercial guidelines. Digitize and centralize the land conversion and zoning process to eliminate dependency on local officials.
- Define clear timelines for each clearance and fix accountability to make the **Single Window System** effective. Power for approvals should be given to parent departments, with the industries department acting as the nodal agency.
- **Allow industries to grow a green belt outside their facilities**. Continuous water supply is critical, and a "**marine discharge of treated effluents**" system should be encouraged.
- The purpose of criminal provisions should be clarified, and **offenses should be rationalized** with respect to their severity.

3.2. Bihar

Challenges

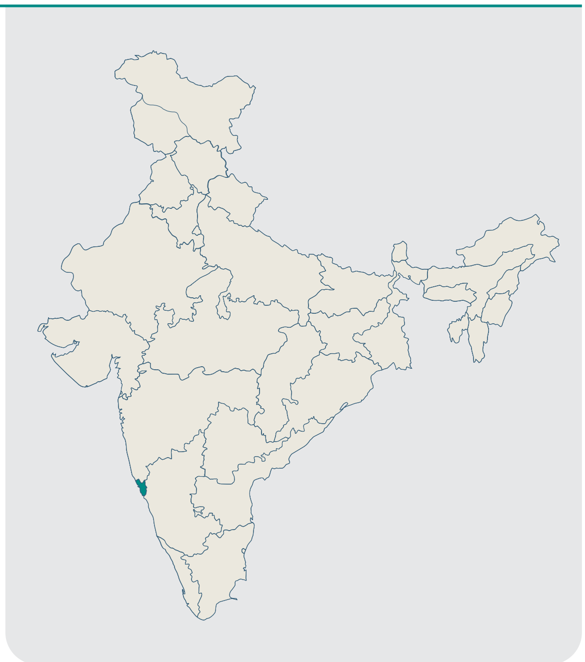
- **Infrastructure and Land:** Need for designated, minimum-cost land bank for MSMEs. Rare comprehensive industrial ecosystems. Underdeveloped waterways infrastructure. Middlemen in land acquisition. Poor electricity quality (incorrect voltages, interruptions).
- **Environmental Compliance:** High green cover ratios. Delays in obtaining environmental approvals.
- **Taxation and Compliance Complexity:** GST rules challenging for small business owners.
- **Access to Finance:** Lack of micro-loans for early-stage startups. Credit availability is a core barrier.
- **Regulatory and Legal Barriers:** Excessive compliance burden on early-stage businesses under Companies Act. Redundant licensing requirements (15-20 licenses). Building code and tax norm confusion.
- **Access to Government Markets:** Startups excluded from MES procurement. Need flexibility in tender rules (subcontracting, consortiums).
- **Export and Certification Hurdles:** Major challenges in securing export certifications for food sector startups.
- **Labour and Skills Ecosystem:** Outmigration of unskilled labour. Critical gap in job-ready skills.

Recommendations

- **Allow industries to contribute to** adjacent designated **green zones**.
- Introduce a **Digital Environment Clearance Portal** for swift approvals.
- Launch a **single digital platform for Bihar-specific registrations and local levies** harmonized with GST.
- Develop **loan relief** frameworks and government-backed **micro-loan products**.
- Implement **Bihar Single Window Reforms (BSWBSP)** to strengthen online clearance with real-time updates, grievance redressal, and dashboard analytics.
- **Exempt startups from criminal liability** for minor/first-time non-compliance.
- **Auto-link DPIIT recognition** with UDYAM, GST, PAN, and local trade license portals.
- Enforce **fixed timelines** (max. 30 days) for approval/disbursement of startup/MSME benefits.
- **Dedicated Export Helpdesks** and streamlined certification channels for the food sector.
- **Strengthen ITIs** for market-relevant skill development.
- **District-Level EoDB Rankings.**
- **Provisional UDYAM Acceptance.**
- **Tax Holiday** for recognized startups (minimum 5 years).

3.3. Goa

Key Challenges



Land:

- **Central Government Land:** Parcels under Public Sector Undertakings (PSUs) like BHEL remain unused for long periods.
- **Change of Land Use (CLU):** There's a lack of clarity and slow processing for CLU approvals.
- **Local Bodies:** Dealing with local bodies like Panchayats is difficult when acquiring or setting up a business.

Labour:

- **Inspections:** There is a duplication of inspections from the Labour, Pollution, and Factories departments.
- **SME Compliance Burden:** PF and gratuity compliance are financially and administratively heavy for small units.
- **Female Workforce:** A lack of transport and hostel facilities discourages the hiring of women for night shifts.

Licensing & NOCs:

- **Duplication of Inspections:** Overlapping inspections occur during the establishment stage (Labour, Pollution, Factories) and for hotels and restaurants (Health, Labour, Fire).
- **Trade License:** While multiple validity options (1, 3, 5, 10 years) have been introduced, there are still issues.

Pollution & Environmental Compliance:

- **Testing Requirements:** Monthly/quarterly water and air testing requirements involve cumbersome procedures.
- **CETP Capacity:** Common Effluent Treatment Plant (CETP) capacity is insufficient in some industrial areas.

Recommendations

Land:

- Release underutilized PSU/government land for industrial use.
- Adopt transparent acquisition policies with local stakeholder engagement.

Labour:

- Provide government incentives for women-specific infrastructure (hostels, transport).
- Strengthen ESIC awareness and enforce timely accident reporting.
- Simplify PF and gratuity procedures for SMEs and review financial thresholds.
- The government should co-fund maternity leave for small enterprises.

Licensing & NOCs:

- Implement a single-window unified inspection system to reduce duplication.

3.4. Gujarat & Dadra and Nagar Haveli

Challenges

Building & Construction:

- **Town Planning (TP) Act:** The approval process has too many stages and lacks time-bound processing.
- **FSI Definition:** The definition is not harmonized across states, leading to confusion for foreign companies who feel misled by varying definitions of 'super area'.
- **GIS Master Plan:** The master plan layers are not integrated, and revisions happen too infrequently (every 10 years instead of 5).

Land Administration & Approvals:

- **Land Availability:** While land is available, approvals, pricing, and a general lack of information are major bottlenecks.
- **Land Revenue Rules:** There are different rules in Kutch and Saurashtra, which creates confusion.

Real Estate:

- **Environmental Clearance (EC):** The process is slow and takes 3-4 months.
- **Building Permission & Revision:** These processes do not run in parallel, and TDR (Transferable Development Rights) processes are delayed due to revision backlogs.
- **Redundancy:** RERA re-scrutinizes projects that have already been approved by Urban Local Bodies (ULBs).

Education:

- **Regulatory Hurdles:** The education sector faces high land prices and bureaucratic hurdles for building permissions.
- **Benchmarking:** The document notes that Gujarat private schools have outperformed Singapore in a PISA pilot.

Labour Codes:

- **Non-Implementation:** The draft Labour Codes exist but are awaiting Presidential assent, which causes major issues with minimum wages, overtime, and working hours.

Taxation & Other Issues:

- **Professional Tax:** This tax is being imposed by Panchayats in non-municipal areas.
- **GST:** Aggressive GST enforcement is creating operational challenges, and advance licensing delays at the DGFT are leading to customs notices.

Recommendations

Building & Construction:

- Reduce the number of approval stages and ensure time-bound processing for Town Planning Schemes.
- Implement predefined Special Town Planning (STP) areas with common infrastructure.
- Delegate pre-approval checks to certified third-party professionals and give final approvals to technical experts instead of Commissioners.
- Harmonize the FSI definition with RERA to include only carpet, balcony, and wash areas.
- Integrate all GIS layers and reduce the revision cycle from 10 to 5 years.

Land Administration & Approvals:

- Release underutilized land and implement unified land revenue rules.

Real Estate:

- Establish a permanent expert committee for faster EC scrutiny.
- Allow building permission and revision processes to run in parallel.
- Delegate minor approvals to junior officers.

Labour Codes:

- Call for state-level solutions for minimum wages, overtime, and working hours, instead of relying solely on central codes.
- Unify digital registers for streamlined compliance.

Taxation & Other Issues:

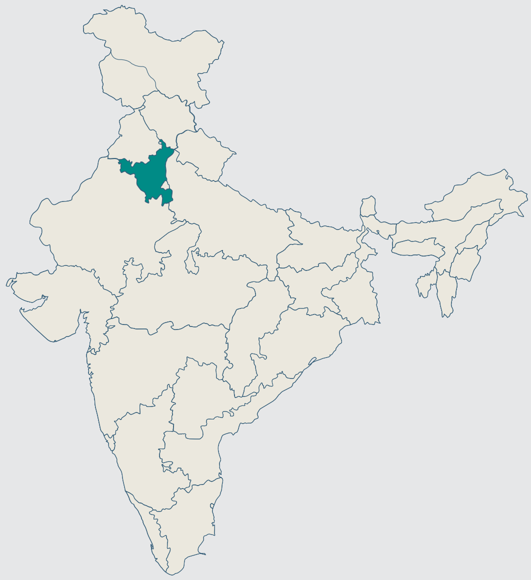
- Address the issue of Professional Tax being imposed by Panchayats.
- Protect the public export data to prevent data leaks.

Digital Integration:

- Use the DIGIT OBPS for efficient building plan approvals.
- Auto-fetch ULNs (Unique Land Numbers) from RERA.

3.5. Haryana

Challenges:

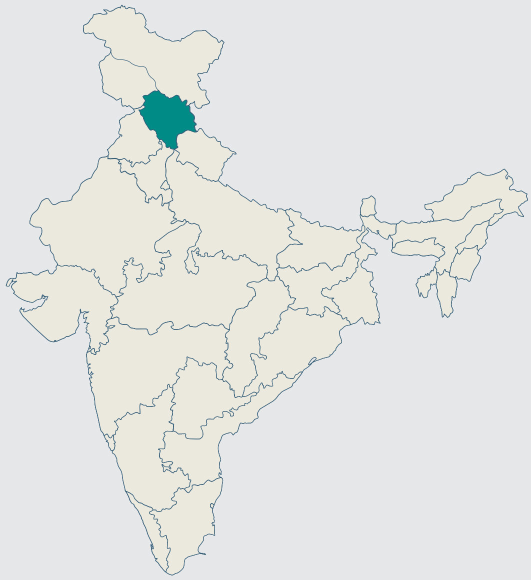


- **Land & Construction:** The process for Change of Land Use (CLU) is extremely slow (3-9 years) and involves over 30 agencies. Single-use zoning prevents mixed development. Building plan approvals are not integrated with other clearances, leading to redundant submissions.
- **Education Sector:** Setting up a school requires approvals from over 20 departments, and the CBSE imposes impractical mandates. The Right to Education (RTE) policy faces issues with EWS quotas and minimal reimbursement.
- **MSME & Industrial Policy:** MSMEs facing distress lack re-establishment funds and are forced to shut down. There is a significant shortage of skilled labour and managerial talent, and MSMEs struggle to access private capital
- **Governance:** Decision-making power is centralized in Chandigarh, creating delays. The state lacks a true single-window platform, and existing digital portals for various departments are often broken or non-intuitive.

Recommendations

- Allow the **amalgamation of plots and land parcels**. Repurpose vacant government properties into incubation centres. Increase the Floor Area Ratio (FAR) to improve project feasibility.
- Implement a **voucher-based model for EWS families**. Allow schools to use a 5% + CPI-linked fee hike model. Decriminalize minor infractions, replacing court summons with fines.
- Provide **re-establishment funds to distressed MSMEs**. Create government-owned co-working spaces. Implement a policy with incentives to allow dormitories in industrial zones to increase female participation.
- **Decentralize decision-making** from Chandigarh to local offices. Create a single-window platform for all NoCs with clear tracking and timelines. Implement a uniform solar policy across states.

3.6. Himachal Pradesh



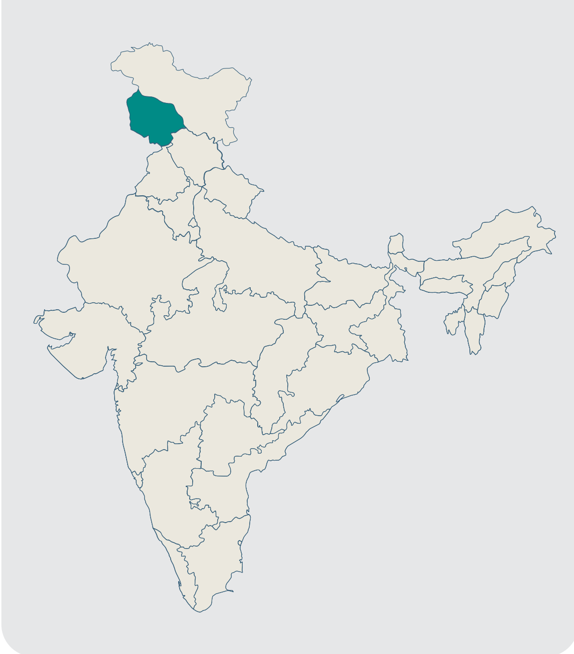
Challenges

- **Land:** Long approval delays for private land (6-24 months) due to dual permission requirements. Tedious and expensive TCP approvals. Reduced lease deed term (90 to 40 years) restricts market freedom. Section 118 restrictions cause excessive delays due to centralized approvals. NHAI restrictions prevent rural factories from accessing highways. Unearned premiums on land cost for firms.
- **GST:** Advance Goods Tax (AGT) applicable on raw material and finished goods. Refund of SGST in certain subsidies not followed. GST notice on scraps making principal buyer accountable. CGCR tax not subsumed post GST.
- **Pollution:** High pollution control fees (3x Haryana). Many industries wrongly classified as 'orange'.
- **Fire:** Impractical huge water resource tank requirements. Outdated NBC compliance (2005) is costly for older industries. Frequent map submission (every 6 months). Unclear applicability period (1 or 2 years).
- **Transport (State Specific):** Truck union monopoly leads to 40% higher freight rates. Poor train and air services. High and annually increasing toll tax. Mandatory Vehicle Location Tracking (VLT) device.
- **Electricity:** Longest power connection process in India. Duty on captive power. Low LT connection limit (50kW vs 100-150kW in other states) forcing MSMEs to HT. High electricity expenses for MSMEs (25% of cost). TCP NOC required for electricity connection (not in Electricity Act). Increased authority steps and reduced delegation. Lack of transmission/augmentation. Tariff increase (40-45% in last year).
- **Labour:** High statutory minimum wage (INR 12,750/month on 30-day month). Unpredictable wage revision (twice a year without CPI linkage). Duplication in map submission for factory license renewal. Overtime payment complexity due to 'basic' wage calculation.

Recommendations

- **Deemed Approval for Map Approval.**
- Create an **"economic exit route" for industrial land** allowing reuse, automatic transfers, subdivision, rental, and resale.
- Request **concessions on stamp duty** and clarity regarding unearned premiums.
- Expand the **'white category'** for industries.
- Allow **sewerage line discharge** up to certain metrics.

3.7. J&K

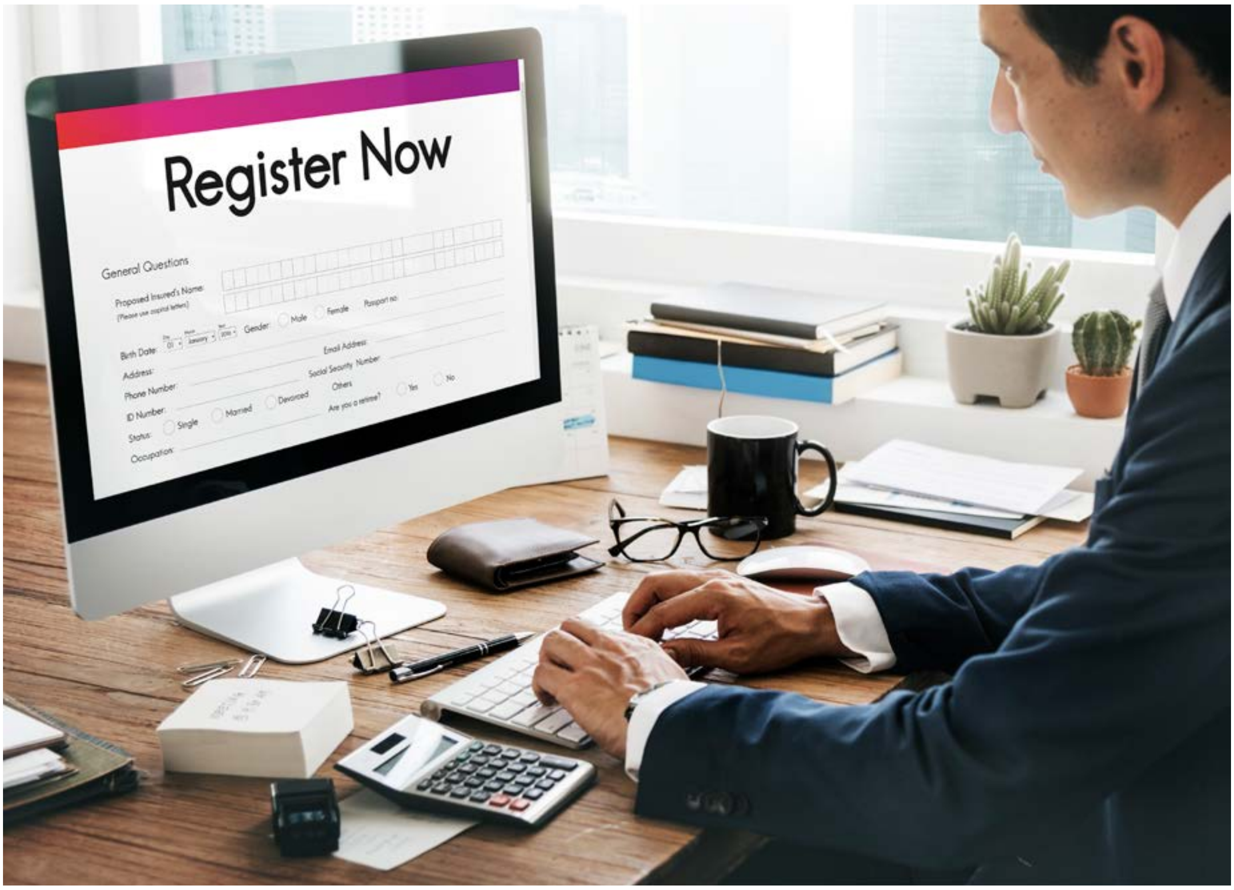


Challenges

- **Single Window System:** The existing single-window portal is not functional, with frequent crashes and no clear timelines for approvals.
- **Approvals & NOCs:** Approval processes happen sequentially rather than in parallel, causing significant delays. Different departments, like Tourism, demand NOCs from other departments, creating a parallel and duplicative approval system.
- **Tourism Sector:** Obtaining a tourism license requires submitting all other required NOCs first, creating a double compliance burden. The renewal process is as lengthy as setting up a new unit, and there is no tracking for inspections.
- **Land & Building Construction:** The process for Change of Land Use (CLU) is lengthy and fragmented, requiring up to 16 NOCs. Outdated or missing Master Plans cause additional scrutiny. Many businesses operate without full approvals due to the complexity and delays.
- **Pollution & Environment:** There is a lack of clarity in industry categorization (Red/Orange/Green), and the process for obtaining pollution NOCs is manual and prone to long delays (up to 1 year).
- **Labour:** EPFO contributions are mandatory even for workers employed for just one day. Businesses are still required to maintain manual registers, and there are a lack of local skilled labour and a shortage of worker housing.
- **Industrial Estates:** Many existing industrial estates lack basic infrastructure like roads, drainage, and water, existing only on paper.
- **Miscellaneous:** There are frequent power cuts, and the process for obtaining power feasibility reports is delayed.

Recommendations

- Establish a unified, effective **single-window portal** to streamline applications, approvals, and disbursals with a clear, stipulated timeline.
- **Renew registrations for existing units** without demanding retrospective compliance.
- Introduce a **slab-based, predictable fee structure for CLU**. Increase the Floor Area Ratio (FAR) and ground coverage limits. Allow context-specific relaxations for rigid road standards.
- Introduce a **decentralized, automated, and time-bound clearance mechanism**. Include more industries in the "white" (non-polluting) category.
- **Limit PF and labour law compliance** to permanent employees to ease the burden on MSMEs. Allow for the construction of dormitories and worker housing in industrial zones.
- **Develop new industrial zones** through Public-Private Partnership (PPP) models. Create a **Special Purpose Vehicle (SPV) for each industrial estate** with an Estate Manager to ensure localized governance.
- Create a **centralized digital system for school affiliation and recognition**. Exempt low-fee schools from strict fee regulations. Allow automatic 10-year renewals for schools with a clean compliance history



3.8. Kerala

Challenges

- **Factory and Trade Licenses:** Licenses must be renewed every 1-3 years, creating a "perpetual loop" of renewals. While the law permits 5-year licenses, officers rarely grant them, and renewal fees are required annually even for multi-year licenses.

- **Land & Zoning:** Zoning updates happen only once every 10-15 years. Land conversion and zoning are inconsistent. The Kerala Conservation of Paddy and Wetland Act, 2018, adds an additional fee for building areas above 3,000 sq. ft. The Kerala Land Reforms Act imposes a 15-acre land ceiling, which is a significant deterrent for large-scale projects.

- **Regulatory Bottlenecks:** Building permits from Panchayats can take 1-2 years to issue. Deemed approvals do not function as actual approvals. The State Environmental Appraisal Committee (SEAC) is non-functional, and the State Environment Impact Assessment Authority (SEIAA) has been inactive for nine months, causing long delays for projects.

- **Labour:** The Kerala Loading and Unloading Act is seen as "outdated and extortionary". It restricts entrepreneurs from hiring their own labour, mandates designated union workers and leads to demands for cash payments. Additionally, women are not allowed to work night shifts in many industries.

- **Environment:** The Kerala Pollution Control Board (PCB) is perceived as "excessively revenue-focused". There is inconsistency in industrial categorization across states; a "green category" manufacturing unit in Kerala may be "white" in another state.

- **Fire:** Fire NOC processing takes 3-6 months. Mandatory installations like fire hydrant networks and underground tanks are cost-prohibitive for MSMEs with capital investments under ₹1 crore.

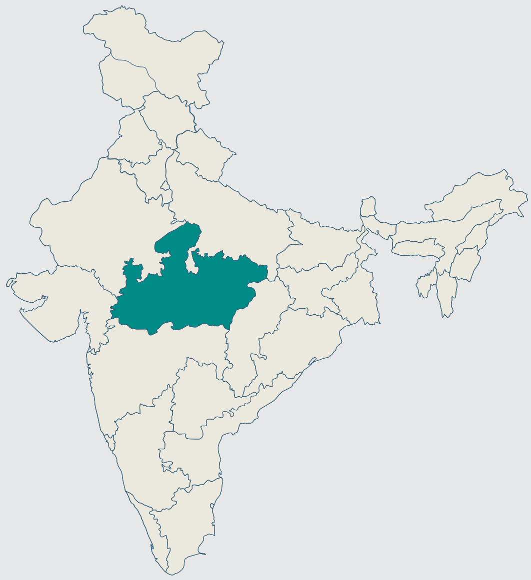
- **Legal Metrology:** Businesses face fines for trivial or unclear infractions, such as using "1 pair" instead of "2 nos." for shoes. E-commerce platforms require batch numbers and manufacturing dates in pictures, which is difficult for businesses with frequently changing production batches.

- **Tourism:** The tourism sector is treated as "commercial real estate," which makes it difficult to access credit and prevents long-term financing and concessional lending.

Recommendations

- Move to a **10-year factory and trade license** model. Even with a 10-year license, allow businesses to pay annual renewal fees to reduce financial strain.
- **Integrate zoning documents with GIS mapping** to provide clarity to investors. Introduce third-party systems for approval processes and make data on land convertibility available to avoid wasting time. Amend the Kerala Land Reforms Act, 1963 to **abolish the 15-acre land ceiling** for industrial and township projects.
- Implement a **fully automated system integrated with KSMART and KSWIFT** for real-time approvals.
- **The Kerala Loading and Unloading Act should be repealed** to allow for labour flexibility, mechanization, and to eliminate non-transparent cash demands.
- Allow third-party entities to support **environmental compliance**. Harmonize industrial classification systems across all states. Allow third-party certification for Consent to Establish (CTE) and Consent to Operate (CTO).
- **Update and simplify fire norms** to reflect actual risk and safety capabilities, as many provisions are outdated.
- Grant **infrastructure status to the hospitality sector** to unlock growth potential.
- Allow **GST input tax credit for repairs and maintenance** of equipment, plants, machinery, and vehicles.
- A **licensed contractor's approval for electricity connections** should be sufficient. Rationalize annual inspection fees and charges.

3.9. Madhya Pradesh



Key Challenges

Land & Infrastructure:

- **Access to Land:** Most industrial land is allocated to large companies, making it difficult for MSMEs to access. Rental costs are high in accessible areas, while affordable areas lack basic utilities and amenities.
- **Change of Land Use (CLU):** The process for converting land use requires multiple documents and is prone to delays. New dues can be raised even after approval.
- **Building Approvals:** There is no single nodal agency for streamlining approvals. Businesses, even non-hazardous ones, face delays for building and fire NOCs.

Labour & Workforce:

- **Labour Inspections:** Industries face multiple and overlapping inspections from different departments.

Education Sector:

- **Regulatory Bottlenecks:** The education sector is not recognized as an industry, which prevents it from receiving subsidies and incentives.
- **High Costs:** Land prices are prohibitively high, and fee regulations are influenced by politics, not market demand. Educational institutions must pay GST on inputs but cannot charge it on their services, creating a double burden.

Industrial & Environmental Compliance:

- **Overlapping Inspections:** The inspection parameters of the Pollution Control Board and the Food Safety and Standards Authority of India (FSSAI) are similar, leading to redundant audits.
- **Approval Timelines:** The process for getting a Consent to Operate (CTO) or Consent to Establish (CTE) takes 1–3 months, while Environmental Clearance (EC) can take up to 2 years, significantly delaying projects.

Utilities and Infrastructure:

- **High Fixed Costs:** Industries are charged minimum consumption fees even when their actual usage is lower, increasing fixed costs.
- **Parallel Operation Charges:** Captive power plants connected to the state grid are charged parallel operation fees, which increases their operational costs.

Recommendations

Land & Infrastructure:

- Create smaller, dedicated plots for MSMEs in textile, food, and other clusters.
- Amend the Madhya Pradesh Land Revenue Code to allow private landowners to change land use between commercial and industrial.
- Establish a single nodal agency to streamline all building and fire approvals.

Labour & Workforce:

- Implement a single/third-party audit system to reduce the burden of overlapping inspections.

Education Sector:

- Decriminalize minor infractions by replacing arrests with fines.

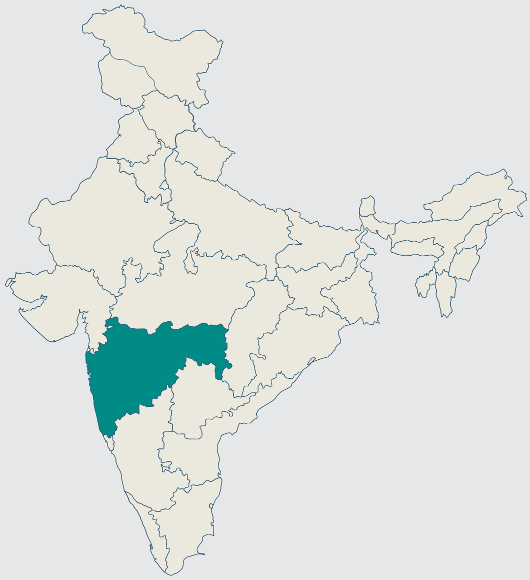
Utilities:

- Reduce minimum consumption charges to provide flexibility and cost competitiveness.
- Remove or reduce the parallel operation charges for captive power plants.

Compliance:

- Simplify and streamline the processes for CTO, CTE, and EC to reduce project delays.

3.10. Maharashtra



Challenges

- **Land & Construction:** Rigid and outdated zoning regulations with a lack of clarity (non-digitized maps, vague definitions). CLU is a major hurdle (6 months to over a year). Complex, lengthy construction permits (up to 2 years) with multiple NOCs and uncoordinated departmental visits. Fire permits face significant delays due to manual processes and subjective assessments.
- **Environmental Compliance:** Lengthy EC timelines (over a year), operational delays until EC is granted, and frequent amendments requiring new ECs. Multiplicity of agencies for EC, CTE, CTO with no integration or real-time tracking. Impractical Zero Liquid Discharge (ZLD) mandates.
- **Company Law:** Disproportionately high compliance burden for MSMEs, and complex/time-consuming processes for capital raising, restructuring, and exit.
- **Taxation:** Complex GST registration for multi-state operations and significant burden for ongoing compliance (return filing, ITC reconciliation). Disputes on ITC claims and delays in GST refunds are major pain points.

Recommendations

- **Digitize and regularly update zoning maps**, clarify permissible activities, and standardize regulations.
- **Simplify CLU documentation**, reduce clearances, improve transparency, and enforce strict timelines.
- **Implement a true single-window system** for construction permits, digitize the entire process, and establish clear timelines.
- **Expedite EC processes**, introduce "deemed approval" for low-risk projects, and standardize state-level variations.
- **Simplify GST compliance**, provide a more user-friendly GSTN portal, streamline ITC reconciliation, and ensure a faster refund mechanism.

3.11. ODISHA

Challenges

Land & Approvals:

- **Private Land Conversion:** There are no clear regulations for converting private land to industrial land, and the process can take from 6 months to 2 years, with no set timeline.
- **Stalled Projects:** Several large projects, including those by international companies like Taj and Marriot, have been halted due to a government directive related to the Puri airport project.
- **Inefficient Allotment:** Land is allotted but lacks basic utilities like electricity and water, even after five years.
- **Difficult Exit:** The business exit process is "coercive" and complex for legal heir transfers. Lease cancellations can occur for minor encroachments (as little as 0.01%) with no process for appeal.

Building & Construction Permits:

- **Ineffective Single Window:** The GO-SWIFT system is fragmented and considered an "eye wash," functioning as a window for multiple windows.
- **Inter-Departmental Hurdles:** The Bhubaneshwar Development Authority (BDA) and local authorities demand separate NOCs and permissions from multiple agencies.
- **Rent-Seeking:** Completion Certificates are difficult to obtain, which enables rent-seeking and extortion.

Labour:

- **Restrictive Laws:** Labour laws are a major challenge and restrict hiring. Any attempt to improve productivity is penalized due to strict monitoring of working hours.
- **Minimum Wages:** Minimum wages are a significant hurdle for businesses.

Environment:

- **Clearance Discrepancies:** Odisha does not grant exemptions for Consent to Establish (CTE) even when Environmental Clearance (EC) is taken.
- **Land Identification Burden:** The onus of identifying non-forest land in lieu of forest land falls on the project proponent, which is a problem.
- **Approval Delays:** Project approvals submitted 14 years ago were only approved 4 years ago.

Trade & GST:

- **Trade License Bottleneck:** The process for obtaining a trade license is a major bottleneck due to confusion in industry categorization.
- **Working Capital Lock-up:** There is a mismatch in receivables and payout cycles. Businesses that receive 99% of their revenue from the government must deposit 18% GST instantly, while government payments are delayed by three months.

Utilities:

- **Water Charges:** Water connections are mandatory but often have no supply. Water charges are applied without infrastructure, and there is no pay-as-you-use model.
- **Slurry Pipelines:** Approvals for slurry pipelines, which are the only way to transport large quantities of minerals, are stalled due to "political issues".

Recommendations

- Simplifying the categorization of industries for **trade licenses** to remove the bottleneck.
- It is recommended that the government not only allow green cover on industrial land but also allow it on a separate patch of land, **leaving the industrial land for industry use**.
- A single nodal agency should be created to handle all **land and building approvals**.
- Improve and empower nodal officers and a better **grievance redressal** system.
- Create a "pay-per-use" model for **water charges**, similar to other states, so that businesses are not charged for water without receiving supply.
- Approve and facilitate **slurry pipelines** as the only way to **transport** large quantities of minerals safely and efficiently, noting that the current lack of approvals is a "political issue".

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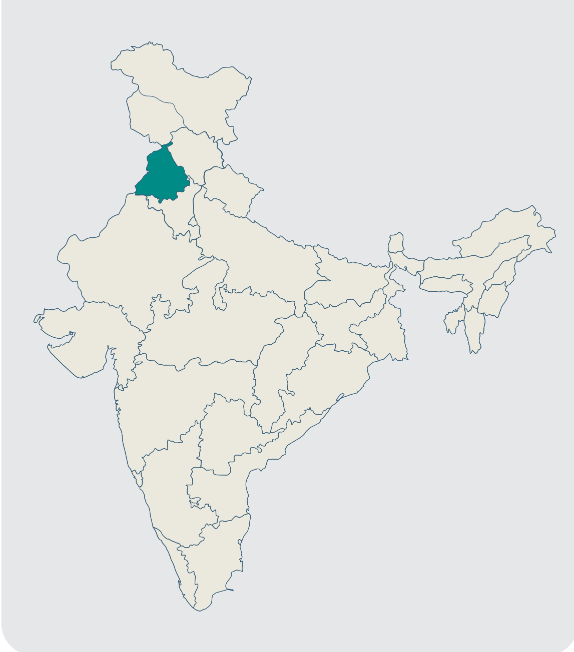
3.12. Punjab



Challenges

- **Land & Building Construction Permits:** Delayed and multiple approvals (up to 3 years). Stringent byelaws (low FAR, high setbacks, low GCR) lead to land loss. Underutilized industrial land due to earmarking. Overlapping approvals (MC/Factories, PUDA/Factories). Building plan approval is a prerequisite for factory license. Centralized approval authority. Outdated Building Byelaws.

- **Labour:** Frequent minimum wage revisions. Lack of worker housing and amenities in industrial zones. Skilled labour shortage. Employer liability for incidents beyond their control. Minor penalties for non-critical issues. Complex women employee compliance. Frequent license renewals and separate registers. Night shift restrictions for women. Limited banking access for workers.

- **Environment:** Misclassification of industries. Bond issue for CTO. Insufficient common facilities (CETPs, ETPs). Difficulty disposing hazardous waste.

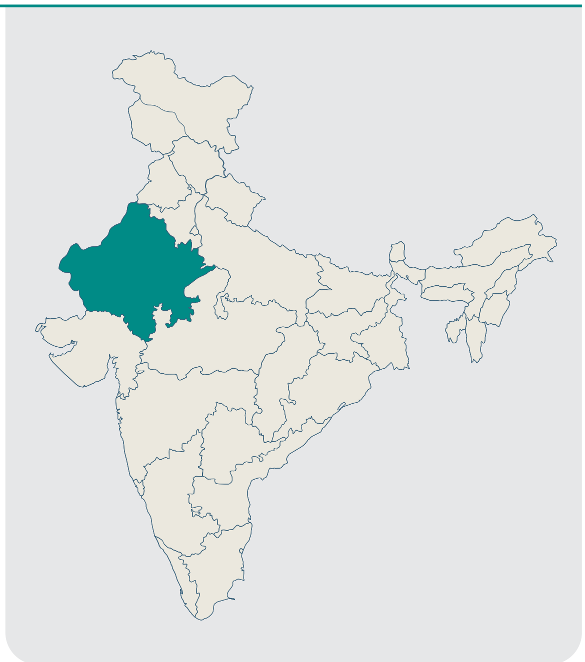
- **Single Window System:** Not fully functional; effectively a "single window with multiple gates."

- **Miscellaneous:** Minor violations leading to court cases (Decriminalization issue). Lack of local regulatory support. Unreliable power supply. GST compliance burden (credit balance, cash flow). Banking & financial constraints for SMEs (difficult credit access, high interest rates, slow bank transitions). Airport authority approval beyond 15m. ~145 licenses required to start a pharma company. All approvals are manual. Zero response from government. Lack of commitment/business acumen. Huge syndicate raj for cement and sand. SWM charges not regularized/uniform. Leasehold to freehold conversion program unknown to registrars.

Recommendations

- **Streamline Building Plan Approval** and delink from factory license. Decentralize approvals to district level. Amend PUDA Building Rules (2018) for flexibility (setbacks, amenity space, regularization). Provide ready-to-move-in industrial spaces for rent.
- **One-Time Factory License** with online auto-renewal. Permit combined registers. Allow night shift work for women under defined conditions.
- **Reassess Classification Norms** for industries to expand 'white category'.
- Introduce an **amnesty scheme for minor labour law offences**. Set up **NIC Help Desks at district level.**
- Regularize and unify **SWM charges.**

3.13. Rajasthan



Challenges

- **Land Use, Zoning, CLU & Construction Permits:** Jurisdictional & institutional conflicts (Municipal vs. Development Authority). Multiple agencies involved with no mechanization. Lengthy CLU timelines (at least 6 months, most over a year). High CLU fees exceeding affordability for micro-investors. Complex approval chain for Patta land conversion. Contradictory zoning and master plans. JDA boundaries and associated charges (shelter funds, external development, frontage). Built-up area restrictions for resorts/tourism (only 20%). Multiple registrations from same approving authority. Fragmented approvals (22 required in real estate). No true Single Window System: physical visits required. Warehousing not allowed in industrial land and taxed commercially. SC/ST land transfer constraints.

- **MSMEs, Industrial Policies and Economic Infrastructure:** Access to collateral-free loans is difficult despite legal provisions. Scheme awareness deficit. Out-of-state tycoons win open tenders, blocking MSME payments. High energy/fuel costs (₹8-9/unit electricity) leading firms to relocate. Solar energy issues (expensive land, low selling price for surplus). Lack of data centre & internet connectivity in suburban areas. Labour issues (no late-night shifts for women, 8-hour shifts with 2x premium for extra hour, competitive minimum wages). Skill scarcity. Burdensome ESI & PF compliance.

- **Education Regulation and Private School Challenges:** Fee Regulation Committee (FRC) implementation (3-year fee plan, no changes allowed). Poor autonomy (fee, curriculum, pay scales rigid). RTE reservations misuse due to improper vetting. Companies not allowed to run educational institutions for profit. Dual Central-State Regulations (UDISE + OSS) leading to duplication. JJ Act liabilities for principals/directors.

- **Environment Regulations:** Mandatory EC for industries >20,000 sqm BuA. Duplicate approval requirements (CTE not exempted when EC taken). PCB approval for DG sets. Virtual appraisal meetings. Multiple documents & departments ("CTE redundant").

- **Fire NOC:** Yearly inspection despite no operational change.

- **Utilities and Others:** Centralized groundwater regulation by CGWA. Highest electricity rates compared to MP and Delhi. Incomplete online processes (applications must be submitted in person). No status tracking for expansion applications, fire NOC, pollution board CTE/CTO renewals. Fragmented waste disposal, hazardous medical waste, fire NOC, and pollution consents. Trade licenses not issued by local bodies since 2015. Liquor sales restriction for restaurants.

Recommendations

- **Tabulate activities, charges, GIS mapping** on CLU portal.
- **Rationalize charges** state-wise for agricultural to industrial conversion.
- **Digitize** zoning mandates.
- Allow **renting of land** (or lease for 99 years) for builders.
- Implement a **single, concretized** entity for **real estate approvals**.
- **Limit ESI & PF requirements** based on employee numbers.
- Adopt a **fee regulation model** similar to UP and Rajasthan (CPI + 6% formula suggested).
- Allow **education** to be profit-based.
- Leverage good **Third-party certifications for Fire NOC.**

3.14. Tamil Nadu

Challenges

- **Land & Approvals:** The Open Space Reservation (OSR) rules require 10% of the land to be reserved, which, combined with setbacks and parking requirements, reduces usable space. Land conversion in CMDA areas can take up to six months. Obtaining exemptions for land ceiling laws can take up to five years, requiring clearances from multiple revenue authorities.
- **Environmental Clearances:** Industries within 5 km of rivers face delays in clearances, even if they are Zero Liquid Discharge (ZLD) compliant. The 20,000 sq m threshold for requiring full environmental clearance is impractical for industries that need to expand rapidly. New or unlisted industries are by default placed in the "Red" (highly polluting) category.
- **Single Window System:** There are two separate portals for the Single Window System: CMDA within the city and DTCP outside, which causes delays and confusion. The lack of integration between different bodies means they continue to operate independently.
- **Utility Connections:** For plots over 20,000 sqm, developers must give land to the Electricity Board (EB) for substations, but a recent RTI showed only 2% of this land is utilized. The EB often delays cable installation, forcing industries to do it themselves.
- **Property and Housing:** The "composite value" rule, which combines land and building costs and is based on nearby luxury properties, forces developers to sell affordable housing at prices that are too high. Affordable housing development is also hindered by outdated building regulations and minimum room size requirements.
- **Police NOC:** Police NOC is still mandated for events exceeding a certain number of attendees, regardless of the venue.
- **Record of Rights:** There are significant delays in updating the Record of Rights (RoR) even after land subdivision, despite the process being digitized.

Recommendations

- **Review overlapping regulations** like OSR, setbacks, and parking in industrial areas. The process for land ceiling exemptions should be streamlined and time bound. A single, unified software for the entire state is strongly recommended to replace the two separate portals.
- **Allow at least 30% expansion for existing units that are ZLD-compliant**. Proactively classify new industries so they are not defaulted to the "Red" category. The CTE and CTO processes should be integrated.
- **Utilities** should be integrated into a unified online system to speed up the process.
- **A dedicated, integrated cell for large projects** should be created within the CMDA. Separate classifications and regulations for affordable housing are needed to make the process more efficient.

3.15. Telangana

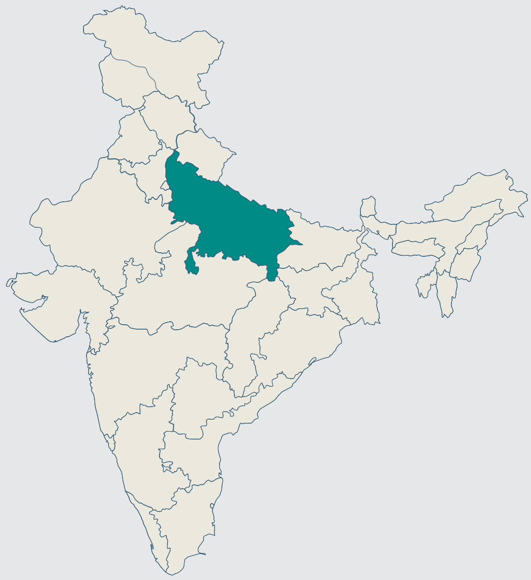
Challenges

- **Exit Difficulties:** Landowners in industrial clusters, especially the elderly, face strict restrictions on converting, subdividing, leasing, or selling land. This leaves them "locked into holdings" they no longer want to manage.
- **Poor Infrastructure:** Industrial estates suffer from poor infrastructure, with long commutes (2-2.5 hours) and inadequate logistics and support facilities.
- **Credit Access:** Industrial parks and clusters often face difficulty in accessing bank credit, possibly due to unclear land titles or non-compliant construction, making it hard to scale.
- **Environment:** "Red category" industries face limits on vertical expansion (G+1 or G+2), preventing efficient upward growth. The mandate to maintain 30-40% green cover strictly onsite increases developer costs significantly.
- **Single Window System:** The system lacks effective institutional accountability, and there is no enforcement of timelines or consequences for bureaucratic delays. A comprehensive list of required approvals across central and state departments is not provided through a unified interface.
- **GST:** In Joint Development Agreements, the legal responsibility for GST payment falls solely on the developer, even when the landlord contributes land, creating an "unfair liability imbalance".
- **Startup Hurdles:** New startups cannot own land and often rent old, non-compliant buildings, unfairly transferring the burden of compliance to the startup owner. Rigid plot size norms mean there are no affordable or legally compliant smaller land options.

Recommendations

- Promote **better infrastructure** such as broadband, transport, medical, and worker housing **in industrial clusters**. A **Geographic Information System (GIS)** should be put in place **to identify land** for new projects.
- A **central compliance unit near clusters** should be established to offer GST and other regulatory services. A single nodal agency should be designated to coordinate with all relevant departments.
- **Green cover norms should be rationalized** to allow for off-site or park-level compliance. Shared effluent treatment facilities (CETP/STP) can help manage industrial waste collectively.
- **Builders and landlords** should be **jointly liable for GST payments** in Joint Development Agreements.
- A **unified land-use policy** across states is required to address the current disparity. Authorities should strictly enforce industrial zoning to prevent residential encroachment.
- The **Factories Department** should be the **primary approving authority for factory construction** to expedite the process and avoid delays from multiple departments.
- **Open access permission** should be granted **to industries** to **buy power from Indian Energy Exchange or any third party.**

3.16. Uttar Pradesh



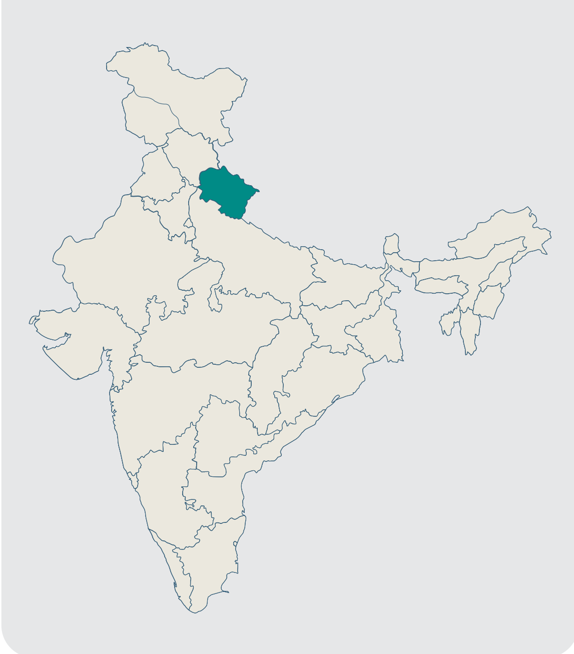
Challenges

- **Land Allocation:** Shift from lottery to bidding system makes land acquisition difficult and expensive. Secondary resale prices 3-4x higher. No process to convert leasehold to freehold.
- **Compliance, Approvals & Licensing:**
  - **Fire:** Separate fire license for units >36-seaters. NBC not uniformly enforced. Fire code mandates (refuge floors, water curtains) add cost. Ambiguity in compliance; inconsistent enforcement.
  - **Environment:** Slow pre-construction approvals; CTO takes 45-60 days. Green belt mandates (33-40%) burdensome for older units.
  - **Overlaps:** Shops Act and Trade License overlap. CPCB requirements vary by state for restaurants.
  - **Food & Hospitality:** Requires 24x7 operation permissions. Nightlife needs policy support. Uniform environmental enforcement regardless of capacity.
- **Built-up Area, FAR, and Building Regulations:** Individual STPs and fire pump systems mandated per industrial plot despite poor upkeep. Limited FAR (≈2). Retrospective application of new building codes. Unclear building ownership/commercial activity. Unequal compliance enforcement.
- **Education Deregulation:** 18% GST on land leases passed on via fees. UP Fee Regulation Act lacks published rules. Varying fee hike formulas. RTE certificate authenticity issues. Vacant government schools. No company-owned schools. Non-profit mandate for CBSE in India. Unaffordable salaries for schools.
- **Agricultural Land & Conversion:** Panchayat involvement lacking. Ambiguous zoning regulations (e.g., industrial use for offices).
- **Industrial Park / Zoning / Infrastructure:** Lack of publicity for private MSME parks. Utility gaps (roads, electricity). ODC transport issues (low bridge clearance). Expensive fire hazard systems testing. Airport area restrictions (no-build/no-fly zones). Renewable energy cap in SEZs (50% vs Gujarat's 100%). Skilling & housing gaps. Fickle financial ecosystems.

Recommendations

- **Harmonize building codes, fire NOC norms, and environmental clearances.** Allow CTO application midway through construction. Provide alternative green belt compliance. Abolish trade licenses.
- **Allow shared infrastructure** for STPs and fire safety. Increase FAR. Ensure new building codes are not retrospective.
- **Fill government schools first** for RTE. Follow Karnataka's DBT model for RTE. Allow day/night school models. Allow company-owned and for-profit schools.
- **Clarify zoning regulations** for mixed-use areas.
- **Publicize private MSME parks**. Remove agricultural land ceiling. Allow collective CETP operation. Address utility gaps. Improve ODC infrastructure. Allow open access to renewable energy. Develop skill centres and worker housing.
- **Privatize licenses** (fire, trade, environmental) through third-party approval.

3.17. Uttarakhand



Challenges

- **Land Acquisition and Use:** Domicile requirement for land procurement. Leasehold rigidity. CLU delays (6-7 months), with officers unfairly rejecting applications.
- **Industrial Development & Logistics:** Implementation bottlenecks for Logistics Act (execution plans, land supply absent). Minimum threshold mandates for logistics players. Absence of plug-and-play models.
- **Regulatory & Governance Issues:** E-way bill burden (stoppages, penalties). Inconsistent FAR/setback/green cover norms.
- **Taxation & Goods & Services Tax (GST):** Undue GST credit liabilities (purchaser liable if vendor doesn't file ITR). Awareness gaps post incentives/updates (officers unaware). Missed initial GST exemptions due to department ignorance.
- **Education Sector:** Land access for schools (trusts without domicile cannot hold land). CBSE rules prevent affiliation unless land lease is 30 years (Uttarakhand max 29 years). Dual NOC burden from state boards. Not-for-profit restriction for CBSE/State boards. Over-criminalization in education sector. Fee regulation rigidity (no automatic CPI +5-6% pass-through). BIS rules for educational toys (sensors/batteries).
- **Inconsistent Subsidies and Incentives:** Delayed subsidies and inconsistent policy rollout (factories built under older policies lose eligibility).
- **Environmental & Safety Compliance:** Red category classification for non-polluting industries (rare-earth metals). PESO bureaucracy (physical inspections, rent hikes). Universal restrictions applied even in non-sensitive plains.
- **Tourism & Hospitality:** Licensing barriers (expensive/restrictive bar/liquor permissions). Restrictive environmental mandates (500m buffer from rivers, STP mandates). Homestay restrictions (homeowners must inhabit). Tourism infrastructure gaps (poor roads, landslide risks).

Recommendations

- Make **leasing flexible** with adequate compensation to landowners. Allow a **freehold model** for land ownership.
- **Non-sensitive zones** in the state should have **more relaxed environmental policies.**

3.18. West Bengal

Challenges

Land & Approvals:

- **Arbitrary Valuation:** The valuation of the same property can vary across government departments, causing significant delays of up to two years.
- **CLU Delays:** Land conversion (CLU) has no set timeline and often takes two years to resolve.
- **Mutation Delays:** The mutation process is extremely lengthy, with approvals taking more than four years. An application is not accepted if the previous owner has governmental dues.

Fire License:

- **Protracted Timelines:** Obtaining a fire safety certificate takes around two years due to a non-functional online system and manual processes.
- **Lack of Customization:** The fire safety format is uniform across all industries, which is impractical. An industry-specific checklist is needed.
- **Administrative Gaps:** If a key official like the DG Fire retires, all applications are put on hold.

Labour:

- **Fixed Employee Mandate:** The Plantation Labour Act mandates a fixed number of permanent workers, regardless of the workload, making it difficult for tea garden owners to manage operations.
- **Workforce Management:** Approximately 60% of male workers in tea gardens do not report to work but cannot be terminated because they are permanent employees.
- **"License Raj":** Labour compliances are entangled in a "license raj".

Single Window System (SWS):

- **Fragmented System:** The state's existing SWS is not a true single-window system.

- **Approval Delays:** Applicants must obtain up to 145 licenses to start a business. There is no transparency on the status of documents.
- **Lack of Response:** Government departments have a "zero response" policy and refuse to respond to queries.

Export:

- **Trade Decline:** Trade with Bangladesh has declined significantly, and there is a shortage of trucks.
- **High Pass Fees:** A **SUVIDHA** pass costs ₹10,000–₹12,000 per truck, which is a heavy financial burden.

Recommendations

- **A single consolidated license** should be introduced specifically for labourers at construction sites to ease compliance.
- **Reduce the SUVIDHA pass fee for trucks**, given the sharp drop in trade with Bangladesh.
- The report recommends a customized, industry-specific checklist for fire safety compliance, rather than a uniform format. The **online system** for obtaining a **fire safety certificate** be made functional to reduce delays.
- West Bengal must adopt a **"true single window system"** like Odisha's, to consolidate the 145 licenses required to start a pharma company.

NOTES

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