



Impact of government policies on ease of doing business in India

Anthony Savio Herminio da Piedade Fernandes

Co-Founder, Farming Industry, Philu's Farm, Goa, India

Abstract

In the past decade, India has undergone a lot of changes in its business landscape, mainly because the government has rolled out new policies and reduced the amount of red tape in the country. The government has worked to make it easier for people to start up and run their own businesses—think simpler procedures and fewer hoops to jump through for people to jump through. It is the purpose of this paper to examine how major reforms like the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), digitizing business processes, labour law updates, and campaigns like Make in India and Startup India have all impacted how easy it is to do business here in India. By digging into research, government reports, and global rankings, the study doesn't just focus on what's working, but also what's not. It also emphasizes what's holding things back, such as regional gaps, slow procedures, and the constant need to update policies to meet the ever-changing environment. Sure, India's ease of doing business rankings have improved over the past year, but in order to make real, lasting progress, more than just new rules need to be implemented. Coordinated policies, smoother regulations, and real conversations with the people who really matter -- the business owners, officials, and experts -- are all key to achieving this goal. The paper offers new insights for anyone who is creating policy, starting a business, or sifting through research. It emphasizes the need for better transparency, more robust digital systems, and the development of skills in order for these reforms to make a real difference in helping businesses grow.

Keywords: Ease of doing business, government policies, regulatory reforms, business environment, entrepreneurship, India, economic growth, policy implementation

Introduction

Ease of Doing Business (EoDB) reflects how effectively regulatory frameworks and policy interventions enable businesses to start, operate, and grow. The World Bank's Doing Business Report has become a global benchmark, ranking countries on metrics such as business registration, access to credit, taxation, contract enforcement, and investor protection. For emerging economies like India, EoDB is more than just a measure of administrative efficiency—it directly impacts investment inflows, entrepreneurial activity, and economic competitiveness. India's vast population, diverse states, and complex regulatory environment have historically posed challenges to business operations. Bureaucratic layers, fragmented tax systems, and lengthy approval processes have often hindered entrepreneurship and foreign direct investment (FDI).

Recognizing these obstacles, the Indian government has implemented policy reforms to simplify procedures, enhance transparency, and align domestic practices with global standards. Initiatives such as Make in India, Startup India, and the digitization of regulatory processes aim to reduce barriers and encourage innovation-driven growth.

Notably, the introduction of GST in 2017 streamlined indirect taxation, replacing multiple state and central taxes with a unified system. The IBC provided a structured framework for resolving insolvency efficiently. Labour law reforms, digitized registration portals, and single-window clearance systems further demonstrate the government's commitment to improving EoDB.

Despite these efforts, challenges remain. Regional disparities, variations in state-level implementation, and gaps in enforcement continue to affect seamless business operations. The dynamic global business landscape demands

continuous policy adaptation to maintain India's competitiveness.

This paper conceptually analyzes the impact of government policies on EoDB in India, examining how reforms shape business operations, investment, and entrepreneurship. Drawing on secondary literature, global indices, and policy documents, the study identifies both successes and areas needing improvement, offering insights for policymakers, entrepreneurs, and researchers.

Literature Review

Recent literature highlights the growing impact of government policies on EoDB. India improved its global ranking from 142nd in 2014 to 63rd in 2020, reflecting the cumulative effect of policy reforms (World Bank, 2015–2023). Scholars emphasize the importance of regulatory reforms, digitization, and structural policy changes in enhancing EoDB. Batra and Sharma (2018) ^[1] argue that GST and IBC have simplified procedures, improved business confidence, and increased formalization. GST unified indirect taxes, reduced cascading effects, and fostered a single market. IBC strengthened creditor rights, sped up insolvency resolution, and improved investor sentiment. Kapur (2019) ^[2] notes that digitization has transformed the business environment. Online registration portals, single-window clearances, and digital tax filing reduce delays, improve transparency, and benefit SMEs. Labour law reforms and streamlined licensing procedures also enhance operational efficiency. However, Singh and Jain (2020) ^[3] caution that national-level improvements may mask regional disparities. State-level administrative capacities affect the uniformity of policy outcomes. Sharma (2021) ^[4] further stresses that reforms alone are insufficient;

institutional quality, stakeholder engagement, and monitoring are essential for effective implementation. Overall, literature confirms that government policies drive EoDB, but their success depends on implementation efficiency, institutional robustness, and context-specific factors. While India has simplified regulations and promoted entrepreneurship, challenges remain, highlighting the need for sustained innovation in governance.

Research Methodology

This study adopts a conceptual and theoretical approach, drawing on academic journals, government reports, policy documents, and global indices. It synthesizes secondary literature to evaluate the impact of government policies on India's business environment. Key policies examined include GST, IBC, labour law reforms, digitization initiatives, and programs such as Make in India and Startup India. The study explores how these reforms affect business registration, investment, operational efficiency, and entrepreneurship.

Objectives

1. Assess the impact of major government policies on EoDB in India.
2. Identify challenges and limitations in policy implementation.
3. Examine the relationship between regulatory reforms and entrepreneurship.
4. Provide recommendations for enhancing policy effectiveness and business facilitation.

Limitations: The study relies on secondary sources and does not capture firm-level experiences quantitatively. Rapid policy changes mean the analysis may not reflect the latest developments, though it provides a holistic conceptual understanding of policy impacts.

Historical Context Of Business Regulations In India

Before major reforms, India's business environment was marked by bureaucratic red tape and complex taxation. The "License Raj" era required numerous permits, creating inefficiencies and slowing growth. Entrepreneurs faced lengthy approval times, rigid labour laws, and fragmented state and federal regulations. Economic liberalization in 1991 eased foreign exchange controls and encouraged private sector participation. However, cumbersome procedures, inefficient legal enforcement, and fragmented taxes continued to hinder growth, especially for SMEs (Kumar & Bansal, 2015). This historical context underscores the need for systematic policy interventions to streamline regulations.

Government Policy Reforms: An Overview

The Indian government has implemented reforms in taxation, labour, insolvency, and business facilitation. Initiatives like Make in India, Startup India, and Digital India aim to attract investment, support entrepreneurship, and enhance efficiency. Procedural simplifications such as single-window clearances and automated compliance reporting have reduced administrative burdens. These measures collectively improved India's global EoDB ranking, boosting investor confidence and entrepreneurship (DPIIT, 2019).

Goods And Services Tax (GST)

Implemented in 2017, GST replaced multiple taxes with a unified system, simplifying compliance and reducing cascading taxes. Online filing, automated input tax credits, and harmonized rates improved predictability for businesses. GST increased formalization, enhanced compliance, and contributed to revenue growth (Batra & Sharma, 2018) ^[2]. Initial challenges, including IT infrastructure and rate complexities, highlighted the need for ongoing refinement.

Insolvency And Bankruptcy Code (IBC)

Enacted in 2016, the IBC provides a time-bound framework for resolving insolvency, replacing a slow and fragmented process. Structured creditor committees and liquidation processes improved legal certainty and strengthened investor confidence. By promoting financial discipline and reducing NPAs, IBC supports risk-taking and a healthier business ecosystem (Sharma, 2021) ^[4]. Challenges remain, including judicial capacity constraints.

Labour Law Reforms

India consolidated 29 central labour laws into four comprehensive codes on wages, industrial relations, social security, and safety. These reforms reduce compliance complexity while balancing worker protection with business flexibility. Streamlined labour regulations improve industrial relations, reduce litigation, and enable scaling operations effectively (Gupta & Singh, 2020) ^[3, 12].

Digitization And E-Governance

Digital initiatives have transformed business processes. Online registration, single-window clearances, and automated tax filings reduce delays and enhance transparency. Programs like UMANG and eBiz allow entrepreneurs to access multiple services digitally, saving time and cost (Kapur, 2019) ^[2]. Digitization fosters transparency, reduces corruption, and strengthens governance.

Impact On Smes And Startups

SMEs and startups benefit from policy reforms through tax incentives, funding, incubation, and simplified registration. Access to credit has improved via government-backed schemes and digital platforms. Such support promotes economic inclusivity, innovation, and market competitiveness, contributing to employment and regional development (Rao & Mehta, 2018) ^[11].

Regional Disparities

Despite reforms, regional differences in administrative efficiency and governance lead to uneven EoDB outcomes. States like Gujarat and Karnataka outperform others, while weaker states lag. Effective central-state coordination and capacity building are crucial for uniform business facilitation.

Foreign Direct Investment And Global Competitiveness

Improved EoDB has increased FDI inflows, signaling global confidence. Streamlined policies, transparent procedures, and investor-friendly reforms enhance competitiveness and integrate India into global value chains (Iyer, 2019) ^[13].

Challenges And Limitations

Reforms face procedural bottlenecks, regional disparities, and enforcement gaps. Rapid technological and market changes demand adaptive governance. Effective policy requires institutional robustness, stakeholder engagement, and continuous monitoring.

Future Directions And Recommendations

Future reforms should focus on harmonizing central and state policies, expanding digitization, strengthening institutions, and fostering public-private collaboration. Recommendations include:

1. Enhancing transparency through digital monitoring.
2. Aligning central and state-level policies for uniform facilitation.
3. Building institutional capacity to enforce reforms.
4. Promoting dialogue between policymakers, businesses, and industry.
5. Encouraging innovation-driven policy adaptation to evolving challenges.

Conclusion

Government policies have significantly improved EoDB in India. Reforms like GST, IBC, labour law simplification, and initiatives like Make in India have reduced bureaucratic barriers, improved operational efficiency, and fostered entrepreneurship. SMEs and startups have particularly benefited, and FDI inflows have increased. Yet, regional disparities, implementation gaps, and the need for continuous policy adaptation remain. Sustained growth requires integrated policies, adaptive governance, and active stakeholder engagement. By focusing on transparency, capacity building, and innovation-driven reforms, India can continue its journey toward a truly business-friendly environment.

References

1. Batra A, Sharma R. Policy reforms and ease of doing business in India. *J Bus Stud*,2018;10(2):45–60.
2. Kapur S. Digital governance and business facilitation in India. *Indian J Public Adm*,2019;65(3):301–20.
3. Singh V, Jain P. Regional disparities in ease of doing business in India. *Int J Bus Res*,2020;12(4):78–95.
4. Sharma N. Policy interventions and entrepreneurship growth: Evidence from India. *J Econ Policy Res*,2021;15(1):21–39.
5. World Bank. *Doing Business Comparing business regulation in 190 economies*. Washington, DC: World Bank Publications, 2020.
6. Government of India. *Goods and Services Tax Act*. Ministry of Finance, 2017.
7. Government of India. *Insolvency and Bankruptcy Code*. Ministry of Corporate Affairs, 2016.
8. Ministry of Commerce & Industry. *Make in India initiative*. Government of India, 2015.
9. Department for Promotion of Industry and Internal Trade (DPIIT). *Startup India action plan*. Government of India, 2016.
10. Agarwal R, Kumar S. Business environment reforms in India: A review. *Asian J Manag Res*,2019;9(1):55–70.
11. Rao P, Mehta S. Ease of doing business reforms and SMEs: Evidence from India. *Small Enterp Res*,2018;25(2):150–68.

12. Gupta A, Singh R. Labour law reforms and business facilitation in India. *Econ Polit Wkly*,2020;55(45):33–42.
13. Iyer K. FDI trends and ease of doing business in India. *J Int Bus Stud*,2019;50(6):987–1005.
14. Chandra V, Mishra R. Policy challenges in improving business environment in India. *Indian J Econ Bus*,2021;20(1):71–90.
15. World Bank. *Doing Business Training for reform*. Washington, DC: World Bank Publications, 2019.