

# Ease of Doing Business in India

*The Path to Viksit Bharat*

MAY 2026 EDITION





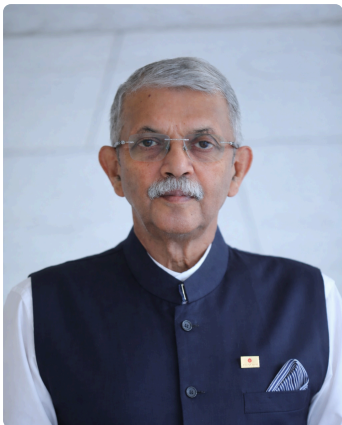
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**Mr. Saurabh Sanyal**

Secretary General,  
ASSOCHAM

Ease of Doing Business has become a key pillar of India's economic and industrial transformation. Over the years, India has implemented reforms to reduce procedural complexity, improve transparency, strengthen digital governance, and create a more investment-friendly ecosystem.

These reforms have significantly enhanced investor confidence, improved business efficiency, and accelerated formalisation across sectors. As India moves toward becoming a globally competitive economy, the next phase must focus on ground-level implementation, policy consistency, faster approvals, and ease of operations across sectors and states.

Today, businesses need not only simplified regulations but also predictability, responsiveness, and efficient execution systems.

Manufacturing industries seek globally competitive logistics and industrial ecosystems. Services sectors such as IT, fintech, banking, insurance, and education require agile, innovation-friendly regulatory frameworks. MSMEs, central to India's industrial ecosystem, need easier access to finance, simplified compliance, and stronger market linkages.

This report offers a comprehensive view of the evolving Ease of Doing Business agenda in India and highlights the importance of collaborative policymaking among government, industry, and institutions. It also emphasizes the role of states, digital systems, infrastructure, and institutional reforms in strengthening India's competitiveness and investment ecosystem.

At ASSOCHAM, we remain committed to facilitating constructive dialogue between industry and government and contributing towards policy recommendations that support inclusive and sustainable economic growth.

I congratulate the National Council on Ease of Doing Business, industry stakeholders, and all contributors associated with this important initiative. I hope this report will provide meaningful insights and contribute to strengthening India's reform and growth journey.



**Mr. Rahul Ahluwalia**  
Director, Foundation for  
Economic Development

India stands at an inflection point. The ambition of Viksit Bharat by 2047 is a statement about where we want to go. And we need to understand only one kind of economy can get us there: one where enterprise is trusted, where rules serve a purpose rather than create friction, and where the relationship between government and business is built on clarity and confidence rather than suspicion and compliance theatre.

At the Foundation for Economic Development, our work is grounded in a simple conviction: that economic freedom is the most important predictor of better lives for our citizens. The cost of a poorly designed approval process, an outdated licence requirement, or an inconsistently enforced rule is not hypothetical. It shows up in investment decisions deferred, factories not built, jobs not created. Getting ease of business right is not a technocratic footnote to the development story. It is central to it.

This report, prepared in partnership with ASSOCHAM, reflects a serious effort to take stock of where we stand. Not just at the level of policy announcement, but at the level of business experience on the ground. The reforms documented here are real, and they deserve recognition.

But the report also makes clear that the distance between a reform being notified and a reform being felt remains one of India's most persistent governance challenges. Frontline implementation, digital systems that reflect new realities, and accountability for how officials actually apply rules – these are where the gap between India's reform intent and investor experience continues to sit.

The Jan Vishwas Siddhant – with an emphasis on trust-based governance, risk-proportionate enforcement, and self-declared registrations – provides exactly the right philosophical framework for the next phase. The task now is to embed these principles not just in policy documents but in the standing machinery of regulation across every ministry and every state.

FED is committed to supporting this work through research, through EODB pulse surveys that track ground-level business experience, and through evidence-based engagement with policymakers at the Centre and the states. We are grateful to ASSOCHAM for the opportunity to bring this analysis to a wider audience, we hope this report contributes meaningfully to the conversation India needs to have and look forward to working with all stakeholders on this most important of missions.

## Where India stands on regulatory reform

India's ambition to become a developed nation by 2047 rests critically on its ability to attract investment and build a competitive business environment. This report, prepared by ASSOCHAM, takes stock of where India stands on regulatory reform, what is working, and what remains to be done.

### Progress Made

The Union Government has taken significant strides over the past year. Key reforms include:

- 1 Environmental norms rationalised.** Green cover requirements on industrial land have been reduced from 33% to as low as 0–25% depending on pollution category, directly increasing productive use of industrial land. Units within notified industrial parks no longer need separate Environmental Clearances if the park already holds one.
- 2 National Building Code updated.** Height restrictions removed in many categories, mixed-use occupancies expanded, and fire protection standards modernised.
- 3 Jan Vishwas Decriminalisation.** The Jan Vishwas (Amendment of Provisions) Bill, 2026 proposes decriminalising procedural and technical offences across 79 Central Acts, replacing disproportionate criminal penalties with civil ones and introducing graded enforcement.
- 4 Labour reform.** Four comprehensive Labour Codes, effective November 2025, have consolidated 29 central laws into a single unified framework, sharply reducing compliance complexity.
- 5 MSME relief.** The 'small company' threshold has been doubled (paid-up capital to ₹20 crore; turnover to ₹200 crore), and automatic GST registration has been introduced for low-risk businesses.
- 6 State-level action.** Several states have reformed building byelaws, zoning norms, labour regulations, and approval processes.

## Challenges That Remain

Despite meaningful progress, significant gaps persist:

- 1 Implementation gap.** Reforms announced at the central or state level frequently do not translate to the ground. Frontline officials remain unaware of changes; digital systems go un-updated; old practices continue by default.
- 2 Incomplete reform agenda.** Large areas of regulation – including Environmental Clearance thresholds for construction projects, and wide variation across states – remain unaddressed. Many rules written for a different era have simply never been revisited.
- 3 Regulatory accretion.** Even as old regulations are simplified, new compliance requirements continue to accumulate – e.g. in data protection, ESG disclosure, extended producer responsibility, and other areas – adding cumulatively to the burden on businesses.

## What Needs to Be Done

The report recommends action on three fronts:

- 1 Formalise industry feedback loops.** Regular, institutionalised consultations – including mechanisms like EODB pulse surveys and dedicated roundtables – to ensure government has accurate, real-time information on the ground-level effects of regulation.
- 2 Build permanent reform capacity.** Dedicated regulatory review units embedded within each major ministry and mirrored at the state level, with standing mandates to continuously review regulatory stock. New regulations should require impact assessments; existing ones should carry sunset clauses.
- 3 Make third-party inspections functional.** Establish credible empanelment registries and provide clear mandate clarity so that third-party certification can actually replace government inspections at scale.

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## Conclusion

India is moving in the right direction. But the gap between policy intent and ground-level reality remains wide, and the pace of reform must accelerate. The path to Viksit Bharat requires a business environment built on trust, clarity, and efficiency – where approvals are swift, rules are stable and predictable, and the relationship between government and enterprise is one of partnership, not suspicion.

# 01 Introduction

India has set itself an ambitious goal: to become a developed nation by 2047, the centenary of its independence. This vision, for Viksit Bharat, is not just a target but a call to action for every arm of government, every business, and every citizen. Achieving it will require sustained economic growth at a pace that India has never seen before.

*"More investment means more factories, more supply chains – and most importantly, more jobs."*

At the heart of this growth story is investment. More investment means more factories, more supply chains, and most importantly, more jobs.

But investment does not come automatically. Investors – whether Indian or foreign – look for environments where they can set up and operate businesses with confidence. They ask: Can I get land easily? Will approvals come quickly? Are the rules clear and predictable? Is my investment protected? When the answers are uncertain, investment slows or moves elsewhere. India competes globally for every rupee of capital, and we must earn that investment by making our business environment genuinely attractive.

Making India a better place to do business means removing unnecessary hurdles that increase cost and time for investors. It means simplifying the approvals that businesses need before they can open a factory or expand a facility. A business-friendly environment is not about reducing accountability; it is about replacing friction with efficiency.

The Government of India has made important progress on this front in recent years, and this report recognises and builds on that work. At the same time, there is much more to do. Old regulations persist, new bottlenecks emerge, and the gap between policy intent and ground-level reality remains wide in many places. This report takes stock of where we are, what has worked, and what still needs attention.

## 02 Why Ease of Doing Business Matters for Viksit Bharat

The connection between ease of doing business and economic development is well established. Countries that make it easier to set up and operate businesses consistently attract more investment, generate more employment, and grow faster. India has seen this in its own experience — states that have moved quickly on regulatory reform have attracted large shares of new investment.

For Viksit Bharat to become a reality, India needs to significantly scale up its manufacturing sector. The country cannot rely on services alone to absorb its workforce. Manufacturing in electronics, textiles, chemicals, food processing, automobiles, defence, and many other sectors must grow rapidly. And for manufacturing to grow, land must be available, approvals must be swift, infrastructure must be reliable, and regulations must be clear.

MSMEs (micro, small, and medium enterprises) play a particularly crucial role in this story. They account for a large share of employment and contribute significantly to GDP and exports. Yet MSMEs are the most vulnerable to regulatory complexity and costs. Every hour spent chasing an approval is an hour not spent building the business; every unnecessary regulatory requirement is a hit to competitiveness. Reducing regulatory burden for MSMEs is therefore not just a matter of convenience — it is a precondition for the sector to fulfil its potential.

This report focuses on both national-level challenges and state-level opportunities. Since many approvals and regulations sit with state governments, the quality of a state's business environment is as important as the union framework. States that move faster and are more responsive will attract more investment and create more jobs for their people.

## 03 Reforms Undertaken by the Union Government

The Government of India has taken a series of meaningful steps over the past year to reduce the regulatory burden on businesses. Deregulation has emerged as a key policy priority.

The **Task Force on Compliance Reduction and Deregulation** was constituted in January 2025 to streamline regulations across five priority sectors: land use, building and construction, labour, utilities and permissions, and overarching priorities. Since its constitution, the Task Force has undertaken multiple rounds of state visits to translate reform commitments into ground-level change (PIB, 2025). Separately, in the Union Budget 2025-26, Finance Minister Nirmala Sitharaman announced the creation of a **High-Level Committee for non-financial sector regulatory reforms**, tasked with reviewing all regulations, certifications, licences, and permissions with the objective of strengthening trust-based governance. At the district level, DPIIT has launched the **District Business Reform Action Plan (D-BRAP)**, focusing on strengthening District Industry Centres, digitising land records, and streamlining inspection processes.

### JAN VISHWAS SIDDHANT — GUIDING PRINCIPLES

Limit licensing only to activities involving national security, public safety, health, or major public interest, with all other activities functioning without prior approvals. Registrations should shift to simple, self-declared processes, with most licences remaining perpetual. Inspections should be computer-assisted, risk-based, and carried out by accredited third parties. Regulations should be updated only on fixed annual timelines with prior stakeholder consultations.

In line with these central efforts, many states have not only adopted the reforms but have gone further to rationalise their own regulatory systems. The sections below describe some of the key changes that have come through these combined efforts.

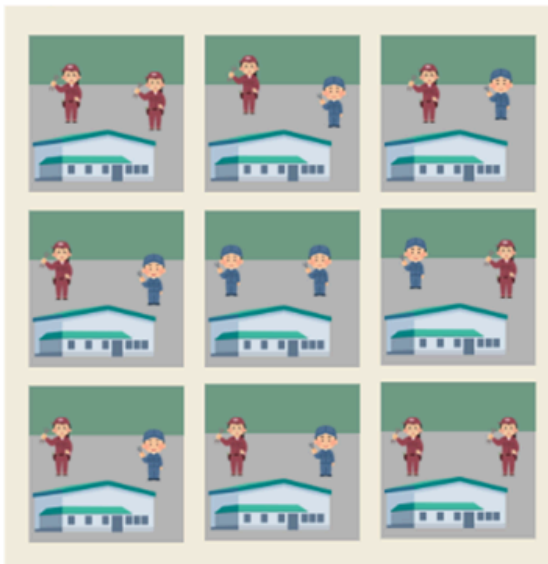
### 3.1 Environmental Reforms

One of the most significant burdens on industrial investment has historically been the requirement to reserve one-third of every industrial plot as green cover. In practice, this meant that a factory needing one acre of productive space in India required 1.5 acres of total land – a 50% premium compared to an equivalent facility in countries like China that have no such requirement. This made Indian land costs artificially higher and reduced the competitiveness of Indian manufacturing.

#### Easing the blanket 33% green cover mandate promotes job creation and enables denser, more effective green belts

Mandatory 33% green cover for all industries to optional cover for green/white category industries

##### BEFORE REFORM



##### AFTER REFORM



*Note: This visualization only depicts post reform for green/white category | Green/White industries are non-polluting (e.g. electronics assembly, apparel, footwear) | Visualization is illustrative and not to scale*

Chart: FED · Source: MoEFCC Office Memorandum

Chart: FED · Source: MoEFCC Office Memorandum. Visualisation is illustrative and not to scale.

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Alongside, the old rule also caused damage to the environment through two mechanisms. First, industries were forced to use much more land than necessary, while creating small, spread-out green fragments on industrial land with little to no environmental benefit. The harder-to-see, but potentially more dangerous mechanism, is that by preventing efficient industrialisation and urbanisation, people are forced to stay in agriculture – in greater conflict with wilderness and animal habitat. This not only caused much greater environmental damage by reducing agricultural efficiency, but also reduced standards of living for all of us.

Under the revised norms, green cover requirements have been rationalised and are now calibrated to the pollution potential of the industry rather than applied uniformly. For industrial estates, a **10% green cover** is required at the estate level. For individual units within the estate, **Red** category industries must maintain 15% green cover, **Orange** 10%, and **Green and White** category units have the flexibility to comply as they see fit. For industries located outside industrial estates, the requirements vary by pollution category – Red category air-pollution industries must maintain 25% green cover, Orange 20%, Green 10%, and White category is optional. For all other industries outside estates, the requirement is 20% for Red, 15% for Orange, and optional for Green and White categories. Norms for Critically Polluted Areas and Severely Polluted Areas remain unchanged.

The revised framework is more rational precisely because it directs environmental obligations where they matter most. Highly polluting industries face meaningful green cover requirements; low-pollution industries are freed from requirements that served no genuine environmental purpose. Equally important, individual industrial units located within notified industrial parks will no longer need a separate Environmental Clearance if the park itself has already received a park-level EC.

## 3.2 National Building Code Revised

The National Building Code (NBC) has been comprehensively updated after nearly ten years. The newly revised NBC includes several important changes: maximum height restrictions have been removed in many categories, allowing developers to build taller and use land more efficiently; mixed-use occupancies are now allowed in more cases, enabling more efficient use of land; and fire-protection requirements have been aligned with modern standards, giving developers clearer and more rational specifications.

## 3.3 Decriminalisation — Jan Vishwas

The Jan Vishwas (Amendment of Provisions) Act represents one of the most significant signals of a shift in the government's relationship with business. The Act decriminalises a large number of minor, procedural, and technical offences across multiple central laws — replacing criminal penalties such as imprisonment with civil penalties and compounding provisions.

For businesses, this is meaningful: the threat of criminal prosecution for a paperwork error or a minor regulatory lapse has long created a chilling effect on investment and enterprise. Removing that threat does not reduce accountability — penalties remain — but it ensures that the punishment is proportionate to the offence.

### JAN VISHWAS BILL, 2026 — SCOPE

**79**

CENTRAL ACTS

**23**

MINISTRIES

**784**

PROVISIONS

Criminal penalties replaced with proportionate civil ones. Advisory notices and warnings before penalties. Graded enforcement across all sectors.

For businesses, this changes the texture of compliance: a procedural slip no longer threatens a director with imprisonment, but is met with proportionate civil action.

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### 3.4 E-Commerce and Trade Facilitation

India's e-commerce sector has grown rapidly and represents a significant opportunity for export growth, particularly for MSMEs. The government has removed the INR 10 lakh per consignment value cap for courier exports, opening up the courier channel for a much wider range of export goods. Additionally, the validity of self-sealing permission for factory stuffing has been granted in perpetuity for manufacturing exporters – up from the earlier 5 years – and extended to 1 year for merchant exporters, reducing a recurring compliance requirement for export-oriented businesses.

### 3.5 Corporate Affairs: Revised Small Company Thresholds

The thresholds for qualifying as a 'small company' have been raised significantly – from paid-up share capital of ₹10 crore to ₹20 crore, and turnover from ₹100 crore to ₹200 crore. This brings a much larger number of growing businesses within the lighter compliance framework, reducing their administrative burden and allowing them to focus resources on growth rather than paperwork.

● **Paid-up share capital**

₹10 crore → **₹20 crore**

● **Turnover**

₹100 crore → **₹200 crore**

### 3.6 PESO: Removal of Overlapping NOC Requirement

A PESO licence for storage of petroleum, gas cylinders, pressure vessels, or explosives previously required a separate No Objection Certificate from the District Magistrate, even though facilities had already obtained fire, building, and pollution approvals. This overlapping requirement has now been removed – a clear example of regulatory rationalisation that eliminates duplication without reducing safety.

### 3.7 Taxation: Simplified GST Registration & Permanent Establishment Reforms

The GST Council has implemented a major rate rationalisation, collapsing the four-slab system (5%, 12%, 18%, 28%) into a two-slab structure (5% and 18%) – simplifying compliance and boosting consumption.

The government has also taken steps to simplify and speed up the GST registration process, reducing the scope for arbitrary delays and discretionary rejections. Rule 14A now provides a fully system-based GST registration for applicants whose output tax liability on B2B supplies is less than ₹2.5 lakh per month. Such applicants need only Aadhaar authentication, with no manual intervention, and registration is granted within 3 working days.

#### RULE 14A — AUTOMATED GST REGISTRATION FOR LOW-RISK B2B APPLICANTS

**3 days**

WORKING-DAY  
GRANT

**Aadhaar**

AUTHENTICATION  
ONLY

**₹2.5 L/mo**

B2B LIABILITY CAP

No manual intervention · System grants registration automatically · Low-risk B2B applicants only.

For electronics manufacturing, a **5-year tax exemption** (through tax year 2030-31) has been introduced for foreign companies that provide capital goods, equipment, or tooling to Indian contract manufacturers, providing much-needed clarity to global supply chains investing in India.

### 3.8 Tourism

The government has announced significant GST rationalisation measures aimed at making India's tourism sector more affordable and competitive. Key changes include reductions in GST rates on hotel accommodation, tour packages, and cultural events.

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### 3.8 Tourism (cont.)

The Ministry of Culture has opened monument conservation to private agencies, ending the Archaeological Survey of India's long-standing exclusive mandate over India's 3,700 centrally protected monuments. Under the new framework, corporate donors contributing to the National Culture Fund as part of their CSR obligations can select from a list of 250 priority monuments, directly hire empanelled private conservation agencies, and commission detailed restoration plans — with the ASI retaining supervisory oversight throughout. Previously, even when private funds were involved, the ASI planned and executed all work, leading to slow implementation and delays in utilisation of CSR funds. This is also a step beyond the earlier 'Adopt a Heritage' scheme, which limited private involvement to building amenities such as toilets and ticketing infrastructure. For the first time, private players are being brought into the core work of conservation itself.

### 3.9 Health and Education

Building a Viksit Bharat requires a robust healthcare system, and a robust healthcare system requires a steady pipeline of trained doctors. Historically, only non-profit entities have been permitted to establish educational institutions in India. Recent reforms have opened the door for private capital to enter the medical education space, significantly expanding the potential supply of medical colleges and training capacity. The competitive pressure that private players bring will also incentivise all institutions — public and private — to raise quality standards in order to attract students. Over time, this positions India to become a medical education hub capable of producing world-class doctors for both domestic and global needs.

### 3.10 Labour

India has enacted four comprehensive Labour Codes, effective **November 2025**, consolidating 29 central labour laws into a single unified framework. The codes reduce over 1,200 sections of earlier legislation into approximately 480, significantly simplifying compliance for businesses. The new framework covers minimum wages, social security, occupational safety and health, and industrial relations. For businesses, this means dealing with fewer laws, fewer authorities, and a clearer set of obligations. For workers, it expands the coverage of social security and formalises protections that were previously fragmented across multiple statutes.

**4**

NEW LABOUR CODES

**29**

LAWS CONSOLIDATED

**1,200 → 480**

SECTIONS REDUCED

## 04 Reforms Led by State Governments

States play a critical role in the ease of doing business. While the Centre sets the overall framework, the day-to-day experience of investors and businesses is shaped significantly by state-level policies and administration. A number of states have taken proactive steps to improve their business environment.

### 4.1 Flexible Zoning Reforms

Several states have moved towards more inclusive zoning frameworks. Rather than specifying only what is permitted in each zone, the new approach works on a **negative-list basis** – everything is permitted except a specific list of activities that are excluded for legitimate reasons. This shift gives investors greater flexibility and reduces the number of approvals needed for common activities. States are also encouraging more commercial and industrial activity within urban development authority areas.

### 4.2 Building and Construction Approvals

Industrial buildings in India used to lose 50% of land to building standards compliance. Building regulations have been amended in some states to reduce unnecessary land loss.

For instance, **Madhya Pradesh** has increased FAR from 1 earlier to 1.5–2 now (2 for smaller plots). **Andhra Pradesh** reduced parking norms from 20% to 10% of built-up area.

Ground coverage and setback requirements have been made proportionate to plot size rather than applied uniformly – larger plots carry larger setback obligations, but smaller plots are freed from requirements that made construction on them practically unviable. Road-width requirements have been differentiated by risk: 12 metres for red category industries and 9 metres for non-red category, rather than a single higher standard applied regardless of actual pollution or safety risk. Parking norms have similarly been made proportionate, with one car parking space required per unit above 200 square metres rather than blanket requirements irrespective of unit size.

States have introduced several reforms to address construction approval bottlenecks. Third-party involvement in building approvals is becoming more common; accredited private professionals are being allowed to certify compliance for lower-risk buildings. Joint inspections and streamlined Occupation Certificate issuance have also been introduced in several states.

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### 4.3 Labour Law Reforms

Several states have removed blanket prohibitions on women working in industries previously classified as hazardous. Restrictions on women working night shifts have been eased by rationalising the conditions to a reasonable set of safety requirements. Some states have also raised the threshold for compliance under the Shops and Establishments Act to 20 workers.

### 4.4 Utilities and Operational Approvals

Several states have simplified the process for approving and renewing factory and trade licences, reducing steps and moving registrations fully online. Fire NOC processes have been reformed in some states, with third-party fire inspectors authorised for low- and medium-risk buildings, and extended validity periods introduced.

### 4.5 Third-Party Inspections and Approvals

Multiple states are actively moving towards third-party compliance verification, reducing dependence on government inspectors and shortening approval timelines. Under this model, accredited and independent agencies – rather than government officials – are authorised to inspect premises and certify compliance in sectors such as factories, construction, fire safety, and environmental standards.

- **Flexible zoning**

Negative-list approach replaces narrow permitted-use lists.

- **Higher FAR**

MP FAR increased to 1.5–2× from 1×, unlocking floor area.

- **Reduced parking norms**

AP cut industrial parking from 20% to 10% of built-up area.

- **Third-party fire inspections**

Accredited inspectors for low- & medium-risk buildings.

## 05 These Reforms Are Making a Difference Across the Investment Lifecycle

The reforms described in the previous sections are not just policy changes on paper — they are already making a tangible difference across the full lifecycle of an investment. From the moment an investor makes the decision to enter India, through land acquisition, construction, registration, operations, and eventual expansion, the regulatory experience is meaningfully better than it was even two to three years ago.

### Entry and investment decision

The introduction of industrial park-level Environmental Clearance has significantly reduced the uncertainty that investors face upfront. An investor looking at setting up in a notified industrial park no longer has to factor in the risk of a lengthy individual EC process — that risk has been substantially reduced.

### Land acquisition and construction

Two changes stand out. The green-cover requirement on industrial land has been reduced from 33% to anywhere between 0 and 25% depending on the category of industry — directly increasing the productive use of every acre of industrial land purchased. Alongside this, byelaw reforms have enabled up to a **60% increase** in permissible built-up area on industrial plots, meaning that the same piece of land can now support substantially more economic activity than before.

### Establishment and registration

The expansion of the Small Company definition and the move towards automatic GST registration for low-risk businesses have reduced the administrative burden of getting formally operational. Businesses can now get registered faster and with less friction, particularly at the smaller end of the scale.

### Operations

Businesses are seeing improvements in input and operating costs. The introduction of SAFE worker housing norms for industrial areas is a positive step — better worker housing reduces absenteeism and improves productivity, benefiting both workers and businesses.

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## Ongoing operations and renewals

The RBI has simplified cross-border payment processes, reducing the compliance burden for businesses with international transactions. Significantly, lifetime validity has been introduced for Consent to Operate (CTO) certificates for compliant units – removing what was previously a recurring and often cumbersome renewal requirement.

## Expansion, restructuring and exit

Environment norms have been relaxed around expansion activities, making it easier for businesses that are growing to scale up without triggering a fresh round of environmental approvals. Changes to the Insolvency and Bankruptcy Code are also underway, which will make the exit process more orderly and predictable – an important signal for investors who need to know that capital is not permanently locked in if a business does not work out.

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## 06 Challenges That Still Persist

Progress on ease of doing business is real, but it would be a mistake to let it obscure the challenges that remain. Reforms passed at the national level often take months or years to reach the ground. Entire domains of regulation remain largely untouched. And even as old bottlenecks are removed, new ones continue to emerge. Sustained, effective attention to these gaps is essential if India is to convert its reform ambitions into a genuinely competitive business environment.

### 6.1 Reforms Are Not Percolating to the Ground

One of the most persistent challenges in India's regulatory landscape is the gap between what is announced and what is experienced. A reform may be notified at the central or state level: a simplified approval process, a reduced compliance requirement, a new single-window system — and yet businesses on the ground continue to encounter the old process, the old demands, and the old delays. The notification exists; the reality does not match it.

For instance, while most states have a single-window portal on paper, investors on the ground still find themselves coordinating with multiple departments and officials. The list of approvals required is rarely clear upfront, and the portal often serves as little more than a tracking interface rather than a genuine single point of clearance.

This gap has several causes. Frontline officials — the inspectors, approving officers, and district-level administrators who interact directly with businesses — are often unaware of recent changes. In other cases, digital systems that are supposed to enable new processes have not been updated, leaving officials with no practical mechanism to apply the reform even if they know about it. And in some instances, local practice simply continues as before, driven by habit, informal expectations, or the absence of any accountability for non-compliance with the new regime.

The result is that businesses simply comply with what the official in front of them demands, regardless of what the law or policy actually requires. The reform exists on paper; the burden remains in practice.

Closing this gap requires more than communication. It requires monitoring and tracking whether the experience of businesses has actually changed after a reform is announced — not just whether the notification has been issued.

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## 6.2 Many Reforms Are Still Pending

The reforms of the past few years, while meaningful, have addressed a relatively narrow slice of the regulatory terrain. India's business environment is shaped by thousands of rules, licences, and approval requirements spread across dozens of central and state agencies. Progress in one area does not automatically reduce friction in areas that have not been touched.

The work of identifying and removing outdated or disproportionate rules must continue systematically. Many regulations that impose costs today were written for a different era and have simply never been revisited.

For example, one of the most significant unresolved bottlenecks is **Environmental Clearance for building and construction projects**. The requirement for EC currently applies when a project's built-up area exceeds 20,000 square metres — even for projects like commercial buildings, warehouses, or mixed-use developments that have very low pollution potential. This has led to investors deliberately scaling down projects to avoid the clearance threshold, which is a poor outcome for everyone. A risk-based approach — calibrating the rigour of the clearance process to actual pollution potential rather than just project size — would be more rational, more effective, and less damaging to investment.

At the state level, variation remains wide. Some states have moved aggressively to reduce approval timelines, digitise processes, and make their business environment genuinely investor-friendly. Others have made only surface-level changes, or have not effectively implemented even the reforms they have announced. For businesses operating across multiple states — which includes most businesses of any scale — this patchwork creates significant complexity and inconsistency.

## 6.3 New Burdensome Regulations Continue to Emerge

Perhaps the most structurally challenging problem is that even as existing regulations are being reformed, new ones continue to accumulate. Regulations have a natural tendency to accrete. New concerns — environmental, safety-related, consumer-facing, geopolitical — generate new rules, often introduced quickly in response to specific incidents or pressures. Without a discipline of proportionality and review, the overall regulatory burden can rise even in a period that is nominally focused on ease of doing business.

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India has seen this pattern play out across several sectors. New compliance requirements under extended producer responsibility frameworks, revised data localisation and data protection obligations, additional reporting requirements for listed companies, and expanded ESG disclosure mandates have all added to the compliance load on businesses in recent years. Individually, each may have a legitimate rationale. Cumulatively, they represent a significant and growing burden – one that is felt most acutely by medium-sized businesses that have grown beyond the lighter MSME compliance framework but do not yet have the scale to absorb large compliance teams.

## 07 What Needs to Be Done

Despite the progress made, significant gaps remain. Sustaining this reform momentum and deepening it requires action on three fronts: continuing to identify and act on regulatory bottlenecks that remain unresolved; institutionalising reforms so they are protected and built upon over time; and maintaining a strong, ongoing dialogue with industry.

### 7.1 Formalise a Feedback Loop with Industry

Regulations do not operate in a vacuum. They affect real businesses in complex ways that regulators, however well-intentioned, cannot always anticipate from the outside. Maintaining a genuine and ongoing dialogue between government and industry is essential for identifying where regulations are working, where they are creating unintended problems, and where new gaps have opened up.

This is not about giving industry a veto over regulations. It is about ensuring that government has accurate information about the real-world effects of its rules.

Government at both the Centre and state levels should institutionalise regular consultations with industry – not just at the point of creating new regulations, but as an ongoing process of monitoring and review. Dedicated feedback mechanisms – like an EODB pulse survey that FED is piloting, regular roundtables, and open channels for reporting compliance difficulties – can all contribute to a system that learns and improves continuously.

### 7.2 Continuing to Build and Sustain Reform Capacity

India has made important strides, but the reform agenda is not complete. Regulations that were put in place decades ago often reflected the realities of their time – when physical inspections were the only way to verify compliance, when the scale of industrial activity was different, and when digital infrastructure did not exist. Many of those regulations have not been updated to reflect how much has changed. The work of identifying and removing outdated or disproportionate rules must continue systematically, through a standing mechanism that identifies bottlenecks, evaluates evidence, and makes time-bound recommendations for reform.

- **Proper empanelment**

Credible accreditation registry, transparent entry & renewal, removal for poor performance.

- **Mandate clarity**

Unambiguous legal standing for third-party certificates so officials don't fall back to government inspection.

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For this to happen continuously, the capacity to identify, design, and implement regulatory change needs to be built into the permanent architecture of government. The Deregulation Cell is an important step in this direction, but a single central unit cannot by itself review the full breadth of regulation across dozens of ministries and hundreds of state departments. The model needs to be replicated at scale — with dedicated reform units embedded within each major ministry and mirrored at the state level, each with a clear mandate to continuously review their regulatory stock and report progress against measurable targets. Inter-ministerial coordination also remains a structural weakness — businesses frequently encounter situations where the requirements of one ministry conflict with or duplicate those of another. A standing mechanism for identifying and resolving such conflicts would reduce a category of regulatory burden that is entirely self-inflicted.

The direction of travel is clear. The Jan Vishwas Siddhant — built around the principles of trust-based governance, risk-proportionate inspections, self-declared registrations, and perpetual licences where risk is low — and the Prime Minister's own call for its adoption across all arms of government provide both the framework and the political mandate for this work. The task now is to make these principles operational — not just as aspirations, but as binding constraints on how regulation is made and reviewed.

Equally important is making sure that reforms, once made, are not undone. A change of administration, a single high-profile incident, or quiet pressure from vested interests can roll back years of progress. New regulations should have to justify themselves: there should be a basic assessment of what problem a rule is solving, whether regulation is the right tool, and what it will cost businesses to comply. Existing regulations should have expiry dates, with sunset clauses that force a periodic question of whether a rule still makes sense. And regulatory changes must be predictable — businesses can absorb change, but not surprise. A published, regular reform cycle where changes are announced in advance would go a long way towards building the investor confidence that sustained growth requires.

### **7.3 Making Third-Party Inspections Work on the Ground**

Third-party inspection has been one of the most consistently recommended reforms across sectors and states, and rightly so. The principle is sound — accredited independent professionals certifying compliance faster, at lower cost, and with less burden on government inspection capacity. It features in reform action plans, committee reports, and state-level notifications. The recommendation has been made many times over.

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The next step is implementation. In most places, third-party inspection either does not yet exist in practice or exists in a limited form that has not delivered the intended benefit. Businesses still queue for government inspectors. Approvals still depend on the availability and discretion of the official rather than an objective assessment by a qualified professional. The intent has been established; the experience on the ground now needs to catch up.

Two things are needed to make this work. The first is **proper empanelment**. A credible registry of accredited third-party professionals needs to be established with clear eligibility criteria, no limits on the number of accredited third parties, a transparent application process, regular renewal, and a mechanism to remove inspectors who do not perform or who certify compliance dishonestly. Without this infrastructure, third-party inspection cannot function at scale.

The second is **mandate clarity**. Businesses and officials both need to know exactly which inspections can be handled by third parties, under what conditions, and what the legal standing of a third-party certificate is. Where this is ambiguous, officials default to requiring a government inspection anyway — and the reform delivers nothing.

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## 08 Conclusion

India's journey towards Viksit Bharat is well underway. The government has demonstrated real commitment to improving the ease of doing business, and the reforms of the past year are meaningful steps forward. The reduction in green-cover norms, the simplification of environmental clearances for industrial parks, the updated National Building Code, the PESO reform – all move India in the right direction.

But the journey is far from complete. The culture of suspicion requiring compliance still shapes too many regulatory interactions. Reforms that have been achieved need to be protected through institutionalisation – through RIA requirements, sunset clauses, and predictable reform cycles – so that the progress made today is not quietly undone tomorrow.

The path to Viksit Bharat runs through a business environment where investors are welcomed, rules are clear and stable, approvals are swift, and trust is the foundation of the relationship between government and enterprise. We are making progress. The task now is to move faster, go further, embed the gains we have made, and ensure that the momentum of reform is sustained for the long term.

## Who We Are



### The Associated Chambers of Commerce & Industry of India

The Associated Chambers of Commerce & Industry of India (ASSOCHAM) is the country's apex national chamber since 1920. It advocates actionable policy suggestions to strengthen the Indian economy by leveraging its extensive membership reach of over 450,000 companies, comprising of large corporates and SMEs.

With over 70 Sector and State Councils, ASSOCHAM effectively represents diverse segments of Indian industry and focusses on aligning industry priorities with the nation's growth aspirations.



### Foundation for Economic Development

Foundation for Economic Development (FED) is an independent, economic policy action tank. Our mission is to rapidly improve the average Indian citizen's standard of living to developed country levels.

We work with central and state governments to identify India's most important growth opportunities and support the implementation of reforms needed to translate these opportunities into outcomes.




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