



Measuring Cost of Regulation (CoR) in India

April 2023

Background

Ease of Doing Business

ranks jump in World Bank's Doing Business Rankings

implementation rate in Business Reforms Action Plan (BRAP)

compliances reduced
- 3,500 provisions decriminalized

Cost reduction, as per DBR Year: 2016 – 2019

Starting a Business

- Reduced to half (% of income per capita)

Construction Permits

- Reduced by 0.85x (% of warehouse value)

Getting Electricity

- Reduced by 0.8x (% of income per capita)

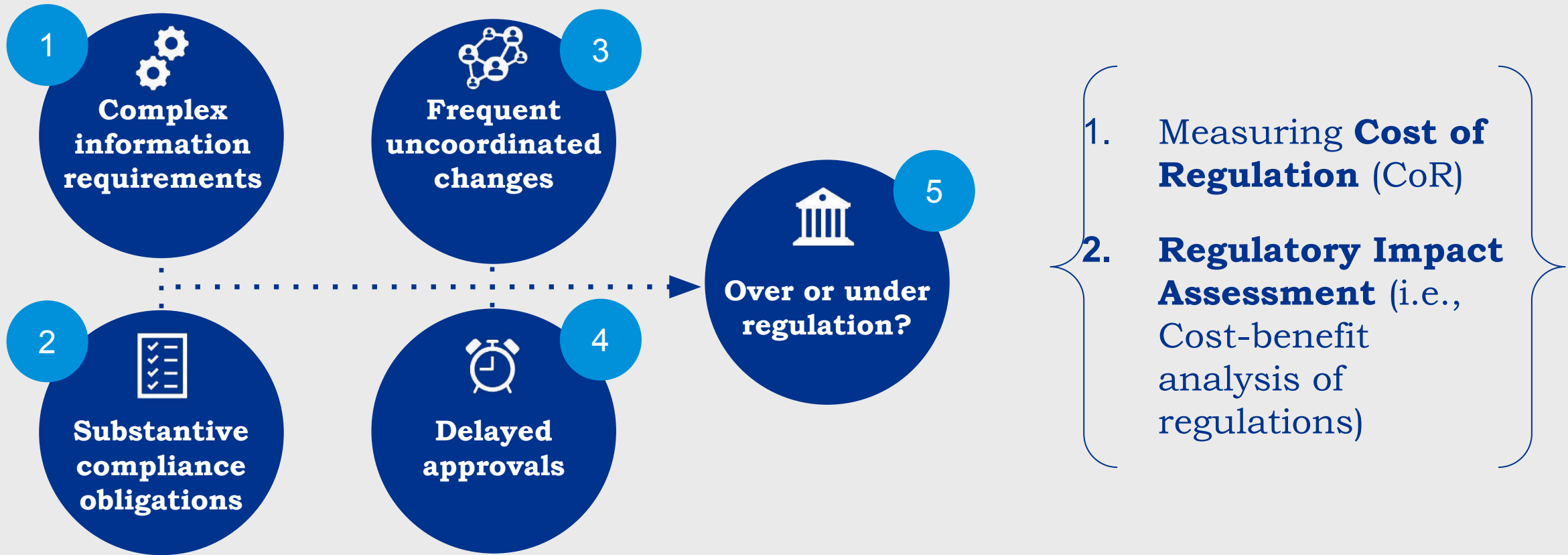
Trading across Borders

- Export: Border compliance – reduced to half
- Export: Documentary compliance – reduced by 37%
- Import: Border compliance – reduced to half
- Import: Documentary compliance – reduced by 26%

Measuring Administrative Cost Burden

What needs attention?

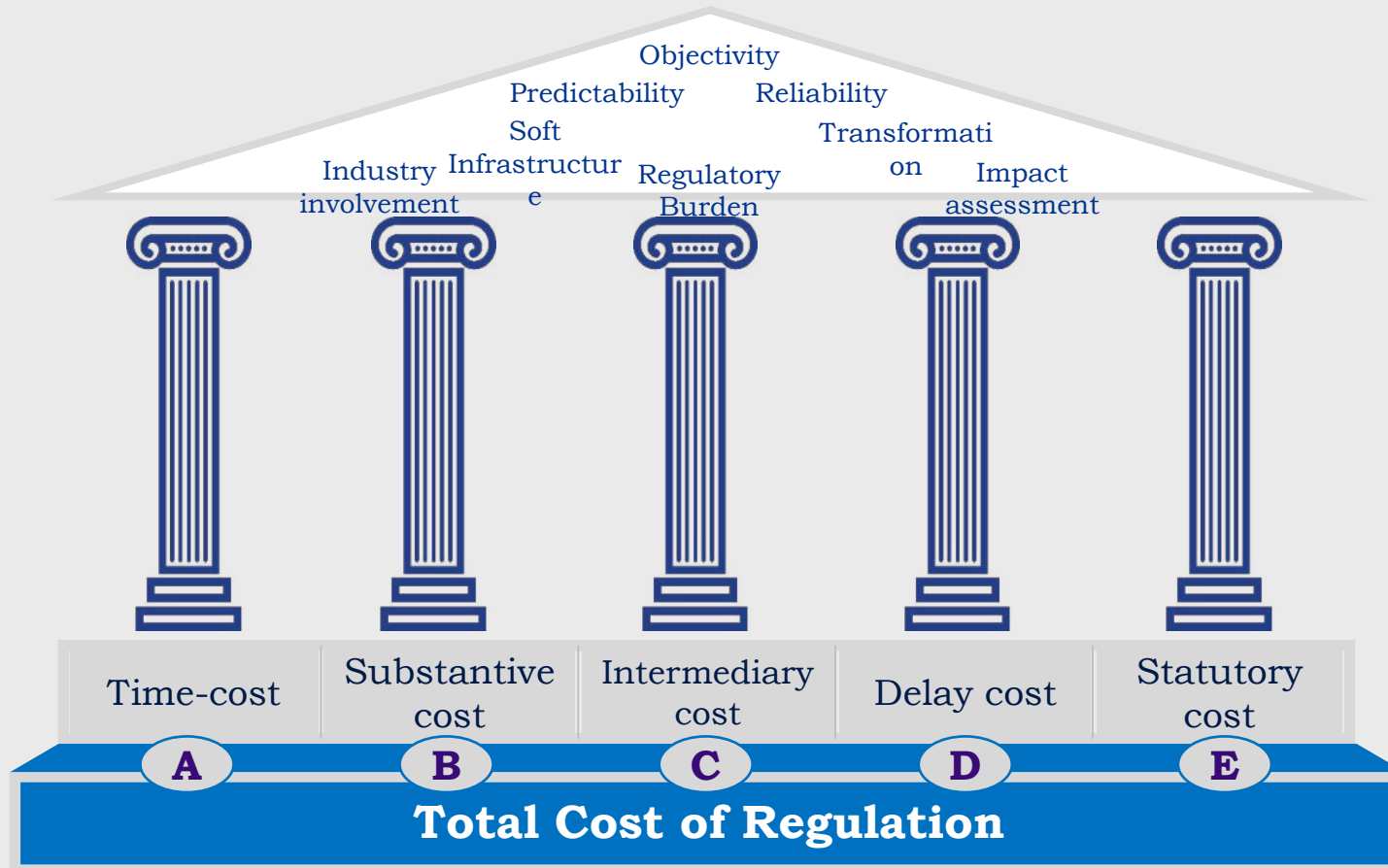
EoDB 2.0



List of services to be covered in Year 1

Services			
1	Land Allotment	8	Consent to Establish
2	Fire NOC	9	Consent to Operate
3	Renewal of Fire NOC	10	Renewal of Consent to Operate
4	Building Plan Approval	11	Environment Clearance (SEIAA)
5	Factory Building Plan Approval	12	Water Connection
6	Factory License	13	Electricity Connection
7	Renewal of Factory License		

CoR Framework – Key elements



- Objectively examine **viable alternatives to regulation**
- **Periodic consultations** with affected businesses and citizens, in a genuine way
- Avoid **overlapping regulatory requirements**
- **Timely review** of regulations

A. Time-cost

Cost of once-only compliance with an information obligation times the number of cases

1. $\text{Time-cost}^* = W \times H \times F$

2. $\text{Total Time-cost for the State} = 1. \times E$

Where –

W = gross hourly rate for dealing with the matter

H = duration of the activity

F = how often the activity is carried out in a year

E = how many enterprises carried out this activity

**measured for shortlisted services*

Probable areas impacting Time-cost

1. Long and complex application forms
2. Onus of coordination with multiple departments lie on business
3. Unclear information / compliance requirements
4. Inefficient query management system

B. Substantive cost

Costs of each obligation essential for meeting the requisite compliance

1. Substantive cost* = $[C1 + C2 + C3 + \dots + Cn]$

2. Total Substantive Cost for the State = **1. x E**

Wherein -

C = Cost of each activity obligated/conducted due to regulation

E = how many enterprises carried out this activity

**measured for shortlisted services*

Probable areas impacting Substantive cost

1. Equipment purchases
2. Notifying the Government of certain activities
3. Making, keeping, and providing records
4. Conducting tests
5. Providing training to employees

C. Intermediary Cost

Costs paid to professionals required to remain compliant with regulations

1. Intermediary Cost* = **I x F**

2. Total Intermediary Cost for the State = **1. x E**

Wherein -

I = Cost of hiring an intermediary each time

F = how often the activity is carried out in a year

E = how many enterprises carried out this activity

**measured for shortlisted services*

Probable areas impacting Intermediary cost

1. Complex and unclear regulations
2. Uneven frequency of compliance requirements by different departments
3. Maintaining multiple registers
4. Independent certification or audit requirements

D. Delay Cost

A. Delay (in days):

Actual average days taken to provide approval **Minus** prescribed timelines by the department

B. Delay Cost (INR)*:

1. **Interest cost + net rental paid + local taxes + depreciation + idle labor cost**

2. Total Delay Cost = **$(A/365) \times B1. \times E$**

Wherein –

E – how many enterprises carried out this activity

**measured for shortlisted services*

**primarily applicable on new investments*

Probable areas impacting Delay cost

1. Lack of coordination among departments
2. Queries at last moment
3. Unclear stated requirements
4. Capacity building of officials
5. Ineffective single window systems

E. Statutory Cost

Charges prescribed in regulation that are payable to the Government such as administrative charges, license, permit, registration, accreditation and Fees, levies, and mandatory insurance premiums.

Note: To be included in the CoR report as-is stated on the Department's website. No state comparison may be drawn under this cost category

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Thank You