

भारत सरकार  
GOVERNMENT OF INDIA

वाणिज्य एवं उद्योग मंत्रालय  
MINISTRY OF COMMERCE AND INDUSTRY



सत्यमेव जयते

उद्योग संवर्धन और आंतरिक व्यापार विभाग  
DEPARTMENT FOR  
PROMOTION OF INDUSTRY AND  
INTERNAL TRADE

# Measuring Cost of Regulation (CoR) in India

April 2023

# Background

## Ease of Doing Business

ranks jump in World Bank's Doing Business Rankings

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implementation rate in Business Reforms Action Plan (BRAP)

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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)

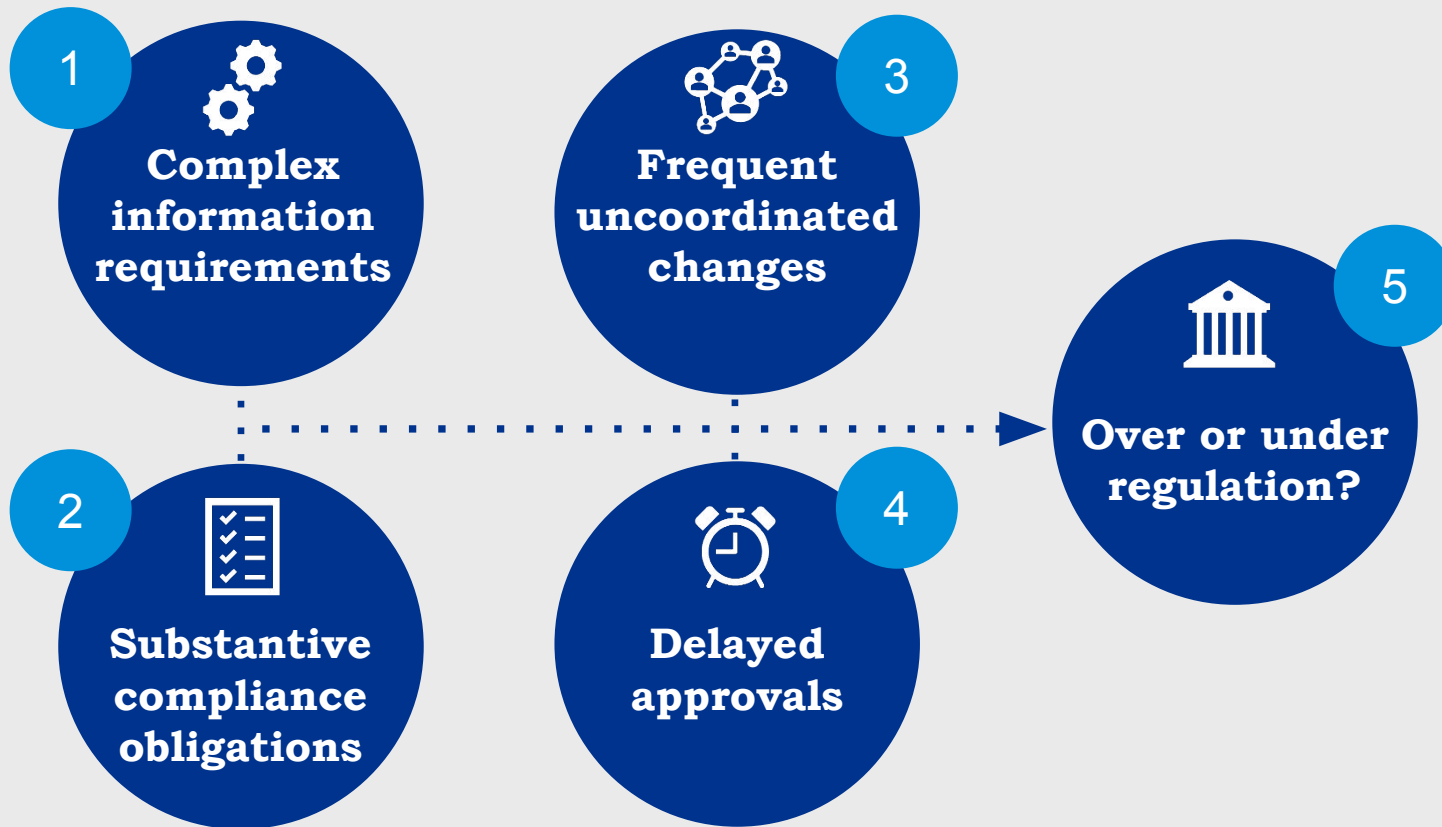
### **Trading across Borders**

- 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 ←

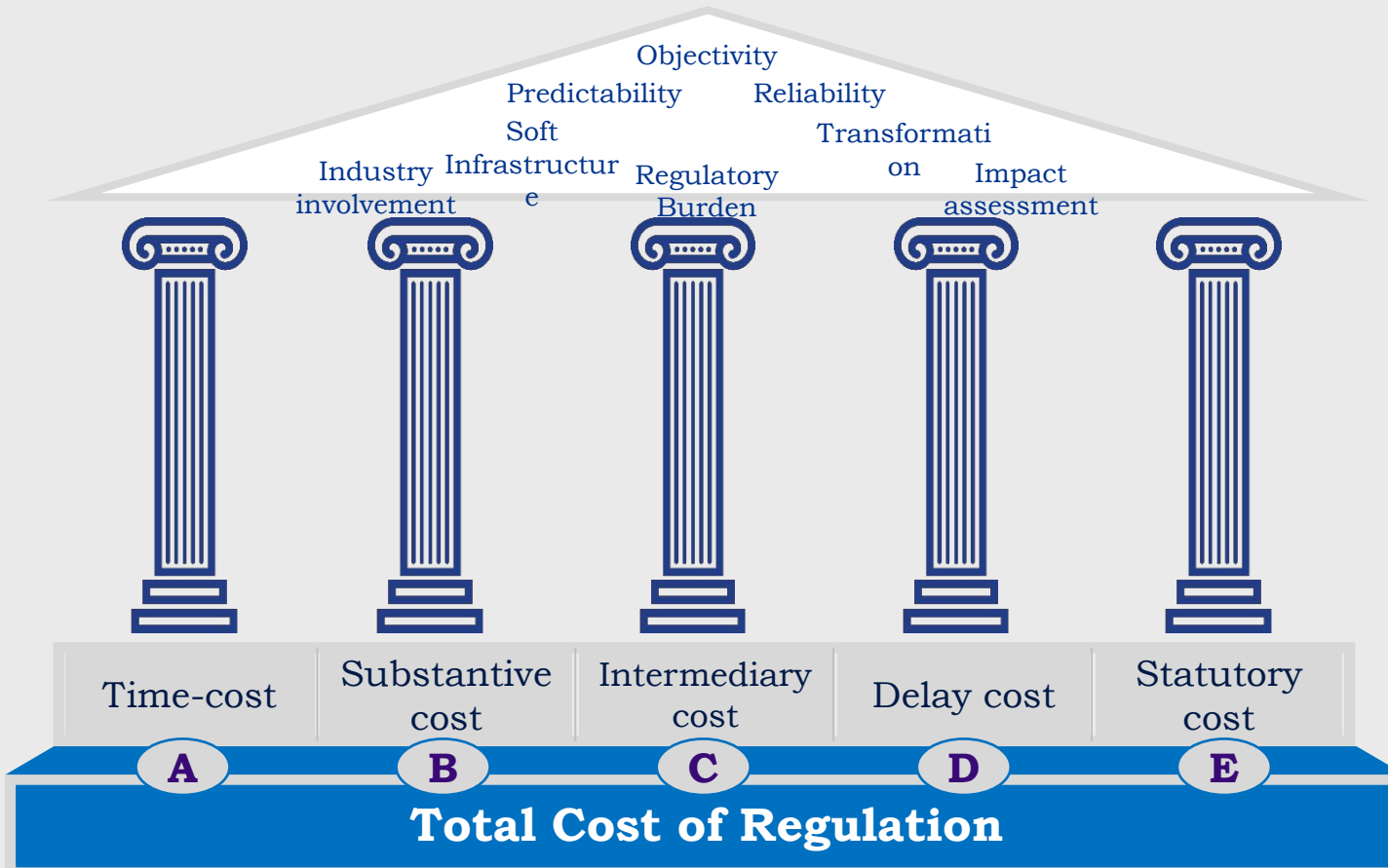


1. Measuring **Cost of Regulation** (CoR)
2. **Regulatory Impact Assessment** (i.e., Cost-benefit analysis of regulations)

# List of services to be covered in Year 1

<b>Services</b>			
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. Time-cost\* = **W x H x F**

2. Total Time-cost for the State = **1. x 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+ ..... 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**