

EASE OF DOING BUSINESS IN HARYANA: A DIAGNOSTIC ANALYSIS

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ABSTRACTS

The rules, regulations and procedures related to setting up of new business, operating and closing the existing one have critical bearing on economic activity of an economy. As per the recent World Bank report 2015 for ease of doing in India, Haryana ranked 14th out of 32 states in the country. This shows that the procedures for starting business in Haryana are cumbersome. Therefore we decided to investigate the entrepreneurs' perspective in Haryana. For the purpose, information was collected thorough a structured questionnaire from 130 entrepreneurs from various part of the state on likert five point scale. Collected information was processed with the help of Principal component Analysis. The results indicates that overall satisfaction level with regard to rules, regulation and procedures in Haryana is just above average and more problem areas are land and building and registration.

Keywords:- MSME, BRICS, GSDP, doing business, Udyog Aadhaar

1.0 Introduction

The generation of new businesses is the prime mover for accelerating the sustainable growth of any economy. When entrepreneurs draw up a business plan and initiate the process, the first hurdles they face are the procedures required to be followed to incorporate and register the new firm, before they can legally start the operation.

Economies differ greatly in how they regulate the entry of new businesses. In some of the cases, the process is very simple while in other cases, it is so burdensome that entrepreneurs are either discouraged or compelled to bribe officials to speed up the process or may decide to run their business outside the ambit of formal system. But running business informally, involves different set of costs and complexities. Analysis (Doing Business India report, 2010) shows that stronger regulation does not result in superior quality of products, nor make work safer. Instead, they constrain private investment; push more people into the informal economy, increase consumer prices and fuel corruption. Against the backdrop of the global financial and economic crisis, policy makers around the world took steps in the past few years to make it easier for local firms to start-up and operate. In fact, how easy or difficult it is to start and run a business, and how efficient courts and insolvency proceedings are, influence greatly the ability of the firms to cope with crises and also seize new opportunities. According to *Doing*

Business Report 2011, between June 2009 and May 2010, governments in 117 economies implemented 216 business regulation reforms making it easier to start and operate a business, strengthening transparency and property rights and improving the efficiency of commercial dispute resolution and bankruptcy procedures. More than half of those policy changes eased start-up, trade and the payment of taxes. Doing Business Report by the World Bank sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in the regulations applying to domestic, primarily smaller companies through their life cycle, from start-up to closing. The results have stimulated policy debates in most of the 80 economies around

the world and encouraged a growing body of research on how firm-level regulation relates to economic outcomes across economies. A fundamental premise of doing business is that economic activity requires good rules that are transparent and accessible to all.

1.1 Status of Doing Business Condition in India

As per Doing Business Report 2015 by the World Bank, India ranks 142 among 189 countries in the index of ease of doing business. This shows poor state of business procedures in the country. In fact, even a number of our neighbours including Sri Lanka, Pakistan, and Nepal are better placed than India as shown in the table 1.

Table 1: Ease of Doing Business ranking 2015 some of South Asian Countries

S.No	Country	Rank
1	Sri Lanka	99
2	Nepal	108
3	Pakistan	128
4	Malaysia	18
5	India	142
6	Bangladesh	173
7	Bhutan	125
8	Maldives	116

Similarly, all the BRICS countries are much better than India in doing business status as presented in table 2 below.

Table 2: Ease of doing business of BRICS countries

S.No	Country	Ease of doing business ranking
1	Russia	62
2	South Africa	43
3	Brazil	120
4	China	90
5	India	142

The poor ranking of India is simply a reflection of infamous and obstructionist Indian bureaucracy causing tremendous harm to the economic well being of the country. Moreover, cumbersome business procedures are more harmful to relatively small businesses as large ones can always hire experts to comply with the provisions while compliance cost for smaller ones becomes disproportionately higher. Therefore, before we proceed further it would be in fitness of things to discuss the status of MSME sector in India.

1.2 MSME position in India

MSMEs are globally considered to be the engine of economic growth, because of its role as nursery of entrepreneurship and potential to higher employability. In India too, MSMEs play a vital function in the overall industrial economy. Interestingly, the MSME sector has persistently registered higher growth rate compared with the overall industrial sector in the country. With its flexibility and energy,

the sector has shown commendable innovation and flexibility to survive the recent economic crises. The MSME sector in India is vastly diverse in terms of the size of the enterprises, variety of products and services, and levels of technology. With an offering of versatile product diversity and providing employment to a sizable section of people, it simultaneously acted as a considerable driving force, toward stabilizing the rural and urban wage gap, a shock absorber during the time of economic crises. From the days of 'policy of Import substitution' and 'economy of License Raj', to the present scenario of open market operation and deregulated economy, this sector too has evolved.

Presently MSMEs account for about 40% of India's manufacturing output and about 40% of India's total exports. The sector employs about 73 million people in more than 31 million units spread across the country. The MSMEs manufacture more than 6,000 products ranging from traditional to high tech items. The state wise status of MSMEs

in the country is presented in Table 3.

The Table 3 reveals that the MSME is thriving in all over the country despite so many procedural obstacles created by the government in the name of regulation and protection. Therefore, it becomes imperative for us to dig deeper and investigate the likely influence of complex rules, regulations

and procedures in setting up, running and winding up the businesses in the country. For the purpose we decided to confine our study to Haryana which otherwise is a vibrant economy. Accordingly, brief performance of Haryana economy is detailed as under.

Table 3: State/UT wise Distribution of Estimated Number of Enterprises and Development

S.No	State/UT	Number of Enterprise (Lakh)				Employment (Lakh)			
		Registered Sector	Unregistered Sector		Total	Registered Sector	Unregistered Sector		Total
			Sample	EC 2005			Sample	EC 2005	
1	Jammu & Kashmir	0.15	1.18	1.68	3.01	0.9	2.17	2.68	5.75
2	Himachal Pradesh	0.12	1.6	1.16	2.87	0.65	2.27	1.76	4.68
3	Punjab	0.48	9.66	4.32	14.46	4.16	14.16	8.48	26.8
4	Chandigarh	0.01	0.28	0.2	0.49	0.12	0.58	0.53	1.23
5	Uttarakhand	0.24	2	1.51	3.74	0.8	3.62	2.54	6.96
6	Haryana	0.33	4.87	3.46	8.66	3.82	8.41	6.61	18.84
7	Delhi	0.04	1.75	3.74	5.52	0.58	5.94	13.29	19.81
8	Rajasthan	0.55	9.14	6.96	16.65	3.42	15	12.37	30.79
9	Uttar Pradesh	1.88	22.34	19.82	44.03	7.55	51.76	33.06	92.37
10	Bihar	0.5	7.48	6.72	14.7	1.48	15.97	10.81	28.26
11	Sikkim	0	0.06	0.1	0.16	0.01	0.56	0.22	0.79
12	Arunachal Pradesh	0	0.25	0.15	0.4	0.05	0.82	0.31	1.18
13	Nagaland	0.01	0.16	0.21	0.38	0.16	1	0.54	1.7
14	Manipur	0.04	0.44	0.43	0.91	0.2	1.38	0.78	2.36
15	Mizoram	0.04	0.1	0.16	0.3	0.26	0.3	0.25	0.81
16	Tripura	0.01	0.26	0.7	0.97	0.23	0.53	0.99	1.75
17	Meghalaya	0.03	0.47	0.38	0.88	0.13	1.04	0.75	1.92
18	Assam	0.2	0.14	4.28	4.62	2.11	4.48	7.66	14.25
19	West Bengal	0.43	20.8	13.41	34.64	3.6	54.93	27.24	85.77
20	Jharkhand	0.18	4.25	2.32	6.75	0.75	8.24	3.92	12.91
21	Odisha	0.2	9.77	5.76	15.73	1.73	21.94	9.57	33.24
22	Chhattisgarh	0.23	2.78	2.19	5.2	0.75	4.68	4.09	9.52
23	Madhya Pradesh	1.07	11.5	6.76	19.33	2.98	17.32	13.36	33.66
24	Gujarat	2.3	13.03	6.46	21.79	12.45	21.97	13.31	47.73
25	Daman & Diu	0.01	0.01	0.04	0.06	0.26	0.03	0.09	0.38
26	Dadra & Nagar Haveli	0.02	0.04	0.03	0.09	0.26	0.07	0.07	0.4
27	Maharashtra	0.87	14.45	15.31	30.63	10.89	24.72	34.43	70.04
28	Andhra Pradesh	0.46	14.9	10.6	25.96	3.83	35.15	31.71	70.69
29	Karnataka	1.36	11.12	7.7	20.18	7.89	22.58	16.24	46.71
30	Goa	0.03	0.56	0.27	0.86	0.33	0.87	0.68	1.88
31	Lakshadweep	0	0.01	0.01	0.02	0	0.05	0.02	0.07
32	Kerala	1.5	12.94	7.69	22.13	6.21	26.98	16.42	49.61
33	Tamil Nadu	2.34	18.21	12.58	33.13	14.26	38.89	27.82	80.97
34	Puducherry	0.01	0.13	0.21	0.35	0.21	0.25	0.55	1.01
35	Andaman & Nicobar Iis	0.01	0.07	0.07	359.6	0.06	0.18	0.15	0.39
	All India	15.64	198.74	147.38	361.76	93.09	408.84	303.31	805.24

1.3 Economic Growth of Haryana

Haryana is one of the few states whose growth rates have generally been higher than that of the national average of India as shown in the table 4.

Table 4: Decadal growth rate of India and Haryana

Decades	India	Haryana
1960-69	3.0	5.5
1970-79	3.6	4.8
1980-89	5.6	6.6
1990-99	6.0	6.7
2000-09	6.0	6.8
2010-14	7.2	7.5

Source- Estimated

Study shows that during the 11th plan (2007-12) Haryana grew at 8.8 percent per annum. Sector-wise, average growth in agriculture & Allied, industry and services was 3.8 percent, 6.4 percent and 12.2 percent respectively (table 5).

Table 5: Growth in GDP during 11th & 12th Five Year Plans in Haryana

Industry	11th Plan (2007-12)	12th Plan (2012-17)		
		2012-13 P	2013-14 Q	2014-15 (A)
Agriculture & Allied Activities	3.8	-0.7	3.2	-0.1
Mining and Quarrying	(-)19.7	(-) 19.0	14.9	3.3
Manufacturing	6.5	4.5	2.2	3.7
Electricity, Gas & Water Supply	10.8	1.5	7.9	6.3
Industry	11th Plan (2007-12)	12th Plan (2012-17)		
		2012-13 P	2013-14 Q	2014-15 (A)
Industry Sector	6.4	4.4	4.4	4.6
Transport Communication & Trade	12.9	6.5	5.2	9.0
Finance & Real State	11.4	9.6	16.8	15.6
Public Administration	9.5	5.8	9.6	8.3
Other Services	12.7	11.8	11.7	13.1
Community & Personal Services	11.7	10.2	11.1	11.9
Service Sector	12.2	7.9	9.4	11.4
Gross State Domestic Product	8.8	5.5	7.0	7.8

P: Provisional Estimates, Q: Quick Estimates, A: Advance Estimates

Source: Department of Economic and Statistical Analysis, Haryana.zz

Table 5 clearly highlights the growing importance of non-agricultural sector of the State. The slowdown in growth of industry and services sector from 6.4 percent to 4.4 percent and 12.2 percent to 11.4 percent respectively, is primarily due to impact of general slowdown in the economy in the country as well as globally. In fact, relatively modest impact on growth in Haryana indicates the robustness and vibrancy of the non-agricultural economy. However, let us also explore the performance of MSME sector of Haryana for setting the

context for the study.

1.4 MSME Haryana status and Growth

Before discussing the performance of MSMEs in Haryana, there is need to define the term MSME in order to avoid any confusion. As per the Micro Small and Medium Enterprises Act, 2006, MSMEs are defined on the following lines.

Table 6: Definition of MSME

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs. 25 lakh	Upto Rs. 10 lakh
Small	Above Rs. 25 lakh & upto Rs. 5 Crore	Above Rs. 10 lakh & upto Rs. 2 Crore
Medium	Above Rs. 5 Crore & upto Rs. 10 Crore	Above Rs. 2 Crore & upto Rs. 5 Crore

Table 7 captures the status and growth of MSMEs in Haryana over the last five years. The figures noticeably point out that the numbers of registered units are declining sharply. The number of persons employed in MSME in the state showed an improving trend while annual production has an

irregular behaviour. Overall, during the last five years the subdued performance of MSME sector despite the fact that other sectors are doing relatively well is an unusual phenomenon to say the least.

Table 7: Statement showing SSI/MSMEs growth in Haryana during last 6 years

Sr. No	Year	Units Registered	Units De-registered	Investment (Rs. in lacs)	Employment (No. of persons)	Annual Production
1	2010-11	2707	236	95620	37141	537517
2	2011-12	2594	32	141721	35639	428854
3	2012-13	2200	48	146901	42244	863132
4	2013-14	2458	26	199161	47674	1112298
5	2014-15	2584	-95	180861	52746	737064

Source: *Industries & Commerce Department: Haryana*

Table 8, records the detailed district wise establishment of enterprises in the quarter starting from September 2015. It is evident that the entrepreneurs in Haryana do not find it an attractive place to invest particularly in small and medium category. Though there may be a number of reasons, but it can

reasonably be presumed that micro enterprises find it difficult to go to more friendly business states for want of requisite resources, while small and medium businesses have relatively more flexibility.

Table 8: Haryana Enterprises with Udyog Aadhaar Number from Sept 2015 to Dec 2015

Sr. No	District Name	Total Udyog Aadhaar	Manufacturing	Service	Micro	Small	Midium
1	Ambala	127	91	36	89	36	2
2	Bhiwani	25	12	13	15	10	0
3	Faridabad	518	441	77	287	214	17
4	Fatehabad	12	10	2	6	6	0
5	Gurgaon	227	157	70	122	99	6
6	Hisar	48	31	17	29	18	1
7	Jhajjar	61	56	5	41	20	0
8	Jind	48	35	13	34	14	0
9	Kaithal	14	14	0	7	7	0
10	Karnal	113	88	25	64	45	4
11	Kurukshetra	43	28	15	27	15	1
12	Mahendragarh	3	1	2	2	1	0
13	Mewat	4	4	0	3	1	0
14	Palwal	24	21	3	9	14	1
15	Panchkula	55	42	13	40	14	1
16	Panipat	173	132	41	125	46	2
17	Rewari	21	15	6	11	8	2
18	Rohtak	34	26	8	21	11	2
19	Sirsa	13	9	4	9	4	0
20	Sonipat	152	120	32	69	76	7
21	Yamunanagar	123	76	47	81	41	1
	Total :	1,838	1409	429	1,091	700	047

Source: http://udyogaadhaar.gov.in/UA/Reports/DistrictBasedReport_R3.aspx

Similarly, regarding employment during last quarter starting from September 2015, only 35 units which have more than 100 employees whereas 48 units have employees between 51 and 100 (Table 9). Almost similar interpretation is

possible with regard to investment level and number of enterprises, be it manufacturing or services sector as presented in tables 10 and 11.

Table 9: Total Employment in Manufacturing & Service Industries (Sept to Dec. 2015)

Sr. No	Employee Range	No. of Units (Service)	No. of Units (Manufacturing)
1	1-2	120	49
2	3-5	129	249
3	6-10	89	532
4	11-20	64	348
5	21-50	16	160
6	51-100	5	43
7	100 & Above	8	27
	Total :	431	1,48

Table 10: Investment in Manufacturing in Haryana (Sept to Dec. 2015)

Sr. No	Investment Range (Rs. In Lakhs)	No. of Units (Manufacturing)
1	Upto 1 Lakh	44
2	More than 1 lakh & less than equal to 5 lakh	188
3	More than 5 lakh & less than equal to 10 lakh	193
4	More than 10 lakh & less than equal to 25 lakh	360
5	More than 25 lakh & less than equal to 1 Crore	397
6	More than 1 Crore & less than equal to 5 Crore	201
7	More than 5 Crore & less than equal to 10 Crore	47
	Total :	1,430

Table 11: Investment in Services Enterprises in Haryana (Sept to Dec. 2015)

Sr. No	Investment Range (Rs. In Lakhs)	No. of Units (Manufacturing)
1	Upto 1 Lakh	87
2	More than 1 lakh & less than equal to 5 lakh	159
3	More than 5 lakh & less than equal to 10 lakh	60
4	More than 10 lakh & less than equal to 25 lakh	71
5	More than 25 lakh & less than equal to 1 Crore	37
6	More than 1 Crore & less than equal to 5 Crore	17
	Total :	431

In fact, Haryana occupied 14th place in Ease of Doing Business in India in the year 2015. Other states have started reforming the complex rules, regulations and procedures to set up, operate and close down businesses; but Haryana lagged behind somewhat. However, of late the government of Haryana also realized the gravity of the situation and started addressing the issue. Accordingly, new Industrial Policy was declared in August 2015. A few salient features of the new policy are discussed here.

1.5 Haryana Industrial policy: (Thrust on MSME)

The new industrial policy christened as “Enterprises

Promotion Policy 2015”, accepts explicitly the need for ease of doing business for MSMEs. Accordingly, the government announced that Industrial Policy-2015 shall ensure a “hassle-free business” through a “new industrial regime by automatic approvals and decentralization in the State”.

A system of online clearances is put in place by creating an e-biz Haryana portal. At least 85 services, under 'Right to Service(s) Act' have been notified under the revised Industrial Promotion Act for making a provision of deemed clearances and 36 additional services are proposed to be notified. The government has identified 68 most critical services for

industries which will go online on e-Biz portal. The incentives include Rs.1000 crore funds for collateral free loans for MSMEs. The new policy also laid special focus on the MSME Sector to leverage the "Make in India" drive of Government of India. Developed sheds/flatted factories in Industrial Estates for MSMEs on Panchayat lands, on lease basis are proposed to be made available. Similarly policy provide for creation of a Rs. 1000 crore fund under CGTMSE Scheme of Government of India for collateral free loans, Tool rooms/Technology Development Centres, revamped Quality Marking Centers, as quality Certification and Skill development centers, etc. with focus on Traditional Clusters, Rural Functional Clusters and Thrust/Focus Clusters.

1.6 Change of Land Use projects

The opaque and centralized system for permission to 'change in land use' in the state has been a major source of inconvenience and corruption. The new industrial policy has simplified the process with projects of more than Rs 10 crore and involving CLU cases of more than one acre land will be cleared by the empowered executive committee at Chandigarh, while CLU in all other cases is permitted either at district level and certain cases automatic CLU is also allowed. This is a substantial improvement in ease of doing business process in Haryana.

The discussion denotes that the status of ease of doing business is not very encouraging for the potential entrepreneurs in Haryana. In fact, a few years back, the business conditions were more or less similar in all the states of the country and therefore, there was no pressure on state governments to lure the MSMEs into their territory. Accordingly, the state governments invariably offered incentives only to large businesses. However, over the last one decade or so for attracting investment, the state government need to make business environment friendly. According to the World Bank report (2015), businesses in India rank corruption as the number one constraint to growth, ahead of factors like electricity, access to finance and access to land. Corruption arises due to lack of a transparent and effective regulatory framework. The recent assessment by the World Bank revealed that Haryana is classified amongst the states where Acceleration required with 40.66 percent score at 14th place. In comparison on different levels of implementation of the 98-point action plan, the Gujarat ranks first with score 71.14 percent, Andhra Pradesh is placed at second rank with score 70.12. This shows that there is an urgent need to improve the business processes and regulations in the state. Interestingly, the more competitive business environment is, more likely it is to impact setting up of new businesses in a small state like Haryana, because already established businesses do not have much choice and are constrained to continue irrespective of the level of inconvenience to them.

Therefore, the research is decided to investigate the perception of businesses in Haryana regarding setting up of a new enterprise in the state with regard to rules and regulations. The issue of ease of doing business and its influence on firms is not very old and therefore very limited literature is available. We have scanned the available literature to develop a comprehensive view as reported in the next section.

2. Review of Literature

Faruqui D. & Sud R. (2001), in their study on Rules and procedures to regulate the plying of Rickshaw in Delhi, highlighted the facts that extremely cumbersome and counterproductive rules and regulations have created much more problems for rickshaw puller rather than helping the poor persons earn their life with dignity.

World Bank Report (2006), studied 'Doing Business in India' on different perspectives of investing in India, explanations for such perspectives, and subsequent responses by outsider investors and MNCs. World Bank reported that states have different labour laws and property laws making the task very difficult for a potential business person.

The paper on 'Demystifying India' by PWC (2009) focuses on opportunities from a growth perspective as well as a cost-savings perspective. Practical aspects such as tax incentives offered by the Indian government and regulatory aspects are also addressed.

Doing Business report (2010) discussed the status of regulations faced by in operational businesses taking construction sector as the focus area. It was found that maze of complex rules and regulations compel the construction companies to pay bribes regularly. This results in sub standard construction at exorbitant price to the end users and makes a strong case to ease the business process immediately.

The study by Saripalle M. (2012) examines the role of policy regime on firm behavior and found that policy does influence the actions of the firm significantly.

The study of 'Rural Entrepreneurship in India: Challenge and Problems (2013)' reported that the majority of rural entrepreneurs are facing many problems due to not availability of primary amenities in rural areas of developing country like India. The problem is further compounded by the complex web of business procedure which the rural entrepreneurs find really costly to comply.

The survey conducted across respondents in various business segments by KPMG and reported in Doing Business Report (2014), has highlighted a number of areas to improve the business climate in India – particularly around land acquisition, starting a business, taxation and contract enforcement. Many respondents have noted new initiatives started in some states that have led to positive change - many of these could perhaps be leveraged at the national level.

As per the report 'E-Commerce in India (2015), the rapid pace of growth of the e-commerce industry is not only indicative of the increasing receptiveness of the public but has also brought to the fore the issues that the legal system of the country has been faced with. The legal system has constantly tried to catch up especially with the enactment of the various rules under the IT Act to deal with a host of issues emerging from the use of internet and proactive steps by the government are required otherwise the nascent sector may face unnecessary legal complications.

As per report 'Doing Business NDA (2015), in India historically, the system of securing licenses and permits to produce goods placed restrictions on internal production. The

bureaucracy is rampant and the polity highly corrupt and the private sector is largely subject to their whims and vagaries causing huge inefficiencies in business operations. The labour laws of early 20th century are unchanged. It is very difficult to terminate the services of blue-collared employees in India discouraging the entrepreneurs to hire workers in sufficient number. Similarly India's import policies, despite the recent relaxations, continue to remain unfriendly with very high import duties charged on many imported goods. India's tax and corporate laws is complex and outdated, though both are proposed to be amended in the near future. This led us to conclude that a lot is required to be done to make India a business friendly destination.

According to the World Bank (2015), businesses in India rank corruption as the number one constraint to growth. Corruption arises due to lack of a transparent and effective regulatory framework. In comparison on different levels of implementation of the 98-point action plan, the Gujarat ranks first with score 71.14 percent, Andhra Pradesh is placed at second rank with score 70.12 and Haryana is classified amongst the states where *Acceleration Required* with 40.66 percent score at 14th place.

The literature review reveals that in India business regulations are highly complex and cumbersome compelling entrepreneurs to pay bribe and supply below standard goods at high prices to cover the money. Further, other states have already taken the lead in reforming their business processes while Haryana is lagging behind it its response. Therefore, we have decided to investigate the matter in detail in Haryana.

3. Methodology and Data analysis

Researches decided to map and document the perception of the entrepreneurs with regard to the conditions of business regulation in setting up of a new business in Haryana. For the purpose, study shows primary data survey for data collection through a structured questionnaire having 27 points. The response was solicited from the entrepreneurs on five Likers scale ranging from strongly disagree to strongly agree. Information was collected from 130 entrepreneurs from all over the Haryana. Study employed Principal Component Analysis to club the information collected through the questionnaire under five heads namely Land and Buildings, permissions, registration, connections, and start ups.

3.1 Principle Component Analysis

The Principal component Analysis is one of the methods of Factor Analysis technique. The Principal Component Analysis was developed by Hotelling (1933). The Principal Component Method has a special advantage over all other methods of aggregation in the sense that it redefines the larger set of variables in terms of a fewer set of orthogonal variables called principal components and succeeds in reducing the dimensionality problem. The aim of the method of Principal Component Analysis is the construction of a set of variables P_i , called Principal Component ($i = 1, 2, \dots, k$) out of a set of variables, $(1, 2, 3, \dots, k)$. Each Principal component is a linear combination of the X 's;

$$P_1 = a_{11}x_1 + a_{12}x_2 + \dots + a_{1k}x_k$$

$$P_2 = a_{21}x_1 + a_{22}x_2 + \dots + a_{2k}x_k$$

$$P_k = a_{k1}x_1 + a_{k2}x_2 + \dots + a_{kk}x_k$$

The method of principal component can be applied by using the original values of the X_j 's or the standardized variables Z_j defined by

$$Z_j = (X_j - X) / \sigma_{x_j}$$

The coefficients a_{ij} 's are called loading of the principal component which are so chosen that the newly created variables, called principal components, satisfy the following two conditions – (i) Principal components are orthogonal (uncorrelated), (ii) the first principal component has a larger variance as possible. The second principal component is then chosen in such a way that absorbs the maximum of the remaining variations in X 's after allowing for the variation accounted by the first principal component and so on. In this procedure the data matrix is transformed into a new set of uncorrelated principal components which account as much of the variation as possible in descending order. The first few (say three or four principal component generally accounts for substantial variation normally ranging between 60 to 90 percent. Since the contribution of remaining variables is relatively insignificant, they are ignored for further analytical purpose.

The factor scores were standardized on a common scale of 10 using the formula:

$$X_a - X_{min} = \frac{X_a - X_{min}}{X_{max} - X_{min}} \times 10$$

Higher score means more satisfaction and score 10 means maximum possible satisfaction.

4. Results and Discussion

The aggregate results are presented in table 12 below which shows that the perception about the issues related to land and buildings (F-1) and Registration (F-3) are very poor, particularly in cases of manufacturing where score is well below 4. Haryana is small and agriculturally developed state and therefore the land owners are in much strong bargaining position. Further, opacity and cases of political corruption related to Change of Land Use (CLUs) are already in public domain for quite some time. Therefore, the results have confirmed the general perception prevailing in this context. The findings also explain the fact that in Haryana, a very large number of entrepreneurs operate their businesses in residential areas or other unauthorised places while government developed industrial estates are unoccupied at many places. The entrepreneurs find the government plot/sheds highly costly and beyond their reach. An interesting phenomenon observed during personal interaction with the respondent revealed that the entrepreneurs are more annoyed with the highhandedness of the government officials rather than the demand for money for getting the things done. The situation is relatively satisfactory in cases of permissions and connections to manufacturing sector with score above 7.00.

4.1 Industry type

Research language classified the business into industry and service sector following the government of India definition in this context. Similarly results are further categorised on the basis of Age, Education, Year of

Establishment (Age of Business), Turnover of business units. The results are discussed in detail are as under:

Table 12: Average score in the category Land/ building; permission; registration; connection and basic start up based on responses of respondents.

Industry type	F1 Land & Building	F2 Permission	F3 Registration	F4 Connection	F5 Basic Start up
Manufacturing	3.74	7.18	3.56	7.26	5.87
Service	4.11	5.56	3.49	5.71	5.38
Total	3.98	6.15	3.52	6.28	5.56

4.2 Category/Size

Study shows the results to see the response of entrepreneurs across various categories as detailed in table 13. The findings are revealing to say the least. In case of land and buildings (F-1) medium size businesses in both services and manufacturing is highly unsatisfied with the prevailing rules and regulations. It does not mean that small and micro enterprises are happy. It only implies that almost all are unsatisfied but the things are really serious for medium enterprises. The reasons are difficult to seek. In fact, most of small and micro businesses are operating outside government developed and managed industrial estates and therefore faces problems when they arrange land and buildings for their businesses. In contrast, most of the medium enterprises are either in industrial estates or require relatively larger parcel of land and building where one has to confront maximum inconvenience. In contrast, the medium enterprises particularly related to manufacturing sector are relatively most satisfied in matters pertaining to registration while small and micro enterprises are found to be most unsatisfied in matters of getting connections. The results are understandable

in the sense that micro and small enterprises find it very difficult to comply with the cumbersome requirements to get various registration as generally they are not are of the requirements as well as the requisite formalities. Further being small in size, their capacity to engage CA/ advocate are very limited and that is the reason to small and micro enterprises registration has become a big issue of dissatisfaction as highlighted by the study. More interestingly the micro enterprises are highly happy with matters related to connections as they invariably start and run their businesses at already occupied space having the basic availability of water, electricity and other connections. Therefore for micro and small businesses connection as such is not an issue and their responses are reflected in the table accordingly. Almost similar explanation is possible in case of permissions for micro and small businesses. Interestingly, the responses related to manufacture sector are relatively more positive than services sector as far as connections are concerned. This necessitate that there is a need to identify the specific requirements of services sector business units so that remedial policy and procedures can be put in place.

Table 13: Average score of five variables (F1- F5) depending on the size of industry

Category/Size	F1 Land & Building	F2 Permission	F3 Registration	F4 Connection	F5 Basic Start up
1 (Micro Manufacture)	4.57	6.88	0.50	9.70	5.64
2 (Micro Service)	4.95	7.00	1.26	9.10	5.87
3 (Small, Manufacture)	4.79	6.84	0.99	9.14	5.78
4 (Small, Service)	5.28	5.31	3.16	6.14	5.72
5 (Medium, Manufacture)	2.49	7.59	6.83	4.84	6.00
6 (Medium, Service)	2.23	5.55	4.54	4.24	4.78
Total	3.98	6.15	3.52	6.28	5.56

4.3 Year of Establishment

Indian economy was regulated heavily before 1991 and almost all the facets of the business confronted government control and permissions. Therefore, it is reasonable to expect that the entrepreneurs having experience of dealing with the government before 1991 have more tolerance and adaptability than the ones started later on. Accordingly, table 14 depicts the responses of entrepreneurs on the basis year of establishment of business. Interestingly, in matters related to land and buildings, maximum dissatisfaction is shown by the businesses set up during 1980-90 and thereafter there is a

gradual increase in satisfaction level. The results are contrary to our presumption. The discussion with the entrepreneurs indicated that since land and buildings were relatively easily available in earlier times and therefore older businesses displeasure is reflected in lower score in pre 1991 businesses while score creep up over the period of time as entrepreneurs have been coming to terms with relative difficulty in arranging land and buildings in recent times.

Table 14: Average score of five variables (F1- F5) depending on the year of establishment of the industry in Haryana

Year Establishment	F1 Land & Building	F2 Permission	F3 Registration	F4 Connection	F5 Basic Start up
1(<1980)	3.38	6.10	5.41	4.00	6.22
2 (1980to 1990)	2.99	5.98	5.00	5.12	4.77
3 (1991 to 2000)	3.87	6.41	3.02	6.48	5.77
4 (2001 to 2010)	4.66	5.97	2.62	7.30	5.64
5 (>2010)	5.46	6.48	4.20	6.38	5.60
Total	3.98	6.15	3.52	6.28	5.56

In the same way, in the perception of entrepreneurs having business during 1991-2000 and 2001-2010, registration related issues are maximum irritant to them as shown by unusually low score. After 2010, there is some improvement in satisfaction level with registration that shows that government has taken steps to address the problems in this connection in this period. The level of satisfaction with regard to F-2 (permissions), F-4 (connections) and F-5 (Basic start ups) is almost same for the businesses set up in all the time periods. This implies that things have remained more or less same over the last 35 years and no steps are initiated by the government to improve the satisfaction level of the entrepreneurs. This cannot be regarded as happy situation and calls for immediate efforts to simplify the procedures and relevant rules.

4.4. Age of entrepreneurs

As per survey results above table clearly shows the entrepreneurs of different age groups are thinking differently as depicted in the table 15. The table shows that the entrepreneurs below 25 years of age are least satisfied with the procedures related Registration. This is understandable in the sense that registration invariably involves corruption and uncertainty as the procedures and requisite documents are not

properly mentioned and this allows concerned officials to exercise a lot of discretion that is mainly the source of dissatisfaction. In fact, across all the age groups relative satisfaction is minimum in case of registration in comparison to all other factors taken up in the study. Interestingly, entrepreneurs above 70 years of age are also not satisfied with procedures related to Registration. The entrepreneurs with 70+ ages are pretty satisfied with the procedures applying for water and sewerage connection and NOC from Environment department. There satisfaction may be influenced as they are old enough and fully adopted the procedures since their inception of their businesses. Businessmen of age between 25 to 41 years, thinks that application and allotment procedures for Land & Buildings are cumbersome and their views are similar for Registration related procedures. There is an urgent need to reform the procedures related to registration required for MSME with DIC, EPF and payment process in plot/shed. Although they are little satisfied with the procedures for basic start up like PAN & Current account also level of their satisfactions increases with the procedures required for Permission and Connection. Age group between 56 to 70 yr have a moderate feeling although but feel little insecure in Registration procedures.

Table 15: Average score of five variables (F1- F5) depending on the Age of entrepreneurs in Haryana.

Age	F1 Land & Building	F2 Permission	F3 Registration	F4 Connection	F5 Basic Start up
1 (< 25 yr)	4.57	5.98	2.45	6.52	6.29
2 (25 to 40 yr)	3.54	6.28	3.76	6.38	5.55
3 (41 to 55 yr)	4.15	5.91	3.41	5.60	5.06
4 (56 to 70 yr)	4.86	6.03	4.39	5.42	5.30
5 (70 +)	6.14	6.55	3.19	8.03	5.04
Total	3.98	6.15	3.52	6.27	5.56

4.5 Education of Entrepreneurs

The table 16 has documented the perception of entrepreneurs on the basis of their qualification regarding procedures setting up of a business in Haryana. The educational level is classified into 5 levels starting from below 10th standard to Professional Qualification. As expected the level of satisfaction decrease with the increase in level of education that shows the complex nature and opacity of the procedures. In fact, research hypothesised that more qualified persons should be able to address the procedural issues more effectively if they is less scope of discretion in the hands of authorities. However, the results unambiguously establishes that more educated find the relevant rules more cumbersome

and frustrating resulting in their low satisfaction level as reported in table 16. In case of F -1, Post graduate entrepreneurs are least satisfied and entrepreneurs having education below standard 10 are relatively more satisfied. Only exception of this general trend is the perception of professionally qualified entrepreneurs. The probable reason for this phenomenon seems to be that the professionals are primarily trained for tackling complex procedural matters and therefore they do not really find rules and procedures as much cumbersome as by the graduates and post gradates. Interestingly, the result related to registration is in conformity with our previous findings. In case of registration, the minimum satisfaction was reported by the entrepreneurs

having education from 10th to 12th standard who think that serious attention is required to be paid by the government to reduce the unnecessary procedures taking clearance from Fire,

NOC for MSME registration. Otherwise the response is almost similar though all educational groups have expressed their dissatisfaction as reflected in low scores.

Table 16 Average score of five variables (F1- F5) depending on the Education of Entrepreneurs.

Education	F1 Land & Building	F2 Permission	F3 Registration	F4 Connection	F5 Basic Start up
1 (<10 th)	4.88	6.34	3.86	6.27	5.35
2 (upto 12th)	4.77	6.52	2.93	7.83	5.75
3 (Graduation)	3.65	6.20	3.58	6.17	5.50
4 (Post Graduation)	2.28	5.98	3.89	4.93	4.42
5 (Professional)	3.94	5.12	3.99	4.25	6.12
Total	3.98	6.15	3.52	6.28	5.56

The entrepreneurs of Haryana require simplification in the procedure related to applying for PAN & also opening of current accounts for starting their business (F-5 basic start up) as revealed by the relatively low score. This seems a bit surprising as getting a PAN card is highly standardized and well defined process. In fact personal discussion suggests that requirement of ID proof and address proof creates problems for potential entrepreneurs. The issue is strange and need creative solution. Similarly the businesspersons having education below 10th standard feel that improvement is required in procedures for Registration under MSME, DIC, EPF and payment process in plot/shed.

5. Conclusion:

The economic reforms initiated in the early 1990s primarily aimed to remove licensee/permit raj. However, with the passage of time it was realized that reforms to simplify procedural hindrance for setting up, running and winding up of businesses are equally critical. Further, the rules, regulations and procedures having a bearing on micro, small and medium enterprises need immediate attention as complexity and opacity in them disproportionately harm relatively small businesses. Similarly, the service sector has grown in importance while most of rules and procedures have been framed for only manufacturing sector. Therefore the present study has been undertaken to map and document the perception of the entrepreneurs regarding related rules and procedures. The results are more or less on expected line. The entrepreneurs of Haryana are particularly unhappy with rules and procedures pertaining to land and building that include arrangement of plot, shed, etc. and issues related to registration. Further, entrepreneurs are also not happy with the procedures related to registrations of MSME with DIC, EPF and payment process in plot/shed. Similarly it can be said that less educated and older entrepreneurs are relatively more satisfied than the educated and newer ones. In fact even overall results are not really very impressive. Moreover, the general feeling of the entrepreneurs is that the government is not very sensitive to the need of the entrepreneurs.

However, it is also a fact that the survey for the study was conducted before the announcement of new industrial policy 2015 where MSME sector seems to have got due attention. In this sense our findings and government diagnosis are broadly in agreement and let us wait to see as to what extent the intent of the government expressed in the new policy succeed in addressing the concerns of the MSME sector in the state.

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