4. Ease Of Doing Business- Economy

Union Budget 2026-27 reinforces Ease of Doing Business as pillar of growth and development, while focusing on digitisation, tax certainty, investor access and litigation reduction

Ease of Doing Business (EoDB)- Concept and Significance

Ease of Doing Business refers to the regulatory, administrative, and institutional environment that determines how easily businesses can start, operate, expand, and exit.

It has emerged as a cornerstone of India's economic reform agenda, directly linked to-

1. Investment attraction
2. Industrial growth
3. Employment generation
4. Integration with global value chains

EoDB reforms align with long-term national goals such as Viksit Bharat @2047, Make in India, Digital India, and Atmanirbhar Bharat. The Union Budget 2026–27 reaffirms EoDB as a key pillar of growth and development, focusing on predictability, compliance reduction, and trust-based governance.

Budget 2026–27- Strategic Orientation on EoDB

The Budget prioritises reforms aimed at-

1. Digital trade facilitation to reduce time and cost of cross-border trade.
2. Tax certainty and stability, reducing retrospective and interpretational disputes.
3. Reduction in compliance burden and litigation, especially for MSMEs and startups.
4. Trust-based customs and regulatory systems, replacing inspection-heavy approaches.
5. Investment-friendly tax regime, encouraging long-term capital formation.

These measures build upon a decade of regulatory simplification, institutional strengthening, and digitalisation.

Progress Achieved So Far

Investment and Enterprise Growth

Between 2014–25, India attracted USD 748.38 billion in FDI, reflecting a 143% increase over the previous 11-year period.

This highlights-

1. Improved investor confidence.
2. Greater policy stability.
3. Enhanced global perception of India as an investment destination.

Expansion of Formal Enterprises

Number of active registered companies increased from-

1. 1.55 lakh in 2020–21
2. To 1.98 lakh in 2025–26

This represents a growth of around 27% in five years, indicating-

1. Increased formalisation.
2. Ease in entry and compliance.
3. Improved regulatory certainty.

Strategic Outlook

Continued EoDB reforms are critical for-

1. Strengthening Global Value Chain (GVC) linkages.
2. Supporting industry-led and export-oriented growth.
3. Enhancing India's competitiveness in manufacturing and services.

Key Focus Areas of Budget 2026–27

Tax Certainty and Simplification

Rationalisation of Minimum Alternate Tax (MAT) to reduce ambiguity and compliance costs. Simplification of dispute resolution mechanisms, reducing prolonged litigation. Decriminalisation of minor procedural and technical offences, shifting from punishment to facilitation.

Customs, Trade, and Logistics Reforms

Expansion of digital integration across customs systems. Adoption of risk-based clearances, reducing physical inspections. Lower transaction costs and faster cargo movement, improving supply-chain efficiency.

Importance of Ease of Doing Business

A business-friendly ecosystem-

1. Attracts foreign and domestic investment.
2. Encourages entrepreneurship and innovation.
3. Strengthens India's ambition to become a global manufacturing hub.

Facilitates job creation, especially by enabling startups and MSMEs to scale.

Enhances global competitiveness by-

1. Improving international perception.
2. Supporting flagship initiatives like Make in India, Digital India, and Startup India.

Persistent Challenges

Structural and Institutional Bottlenecks

Gaps in-

1. Land acquisition processes.
2. Contract enforcement.
3. Judicial efficiency and timelines.

These raise uncertainty and cost of doing business.

Regulatory Complexity

Overlapping rules across-

1. States.
2. Departments.
3. Sectoral regulators.

Leads to compliance fatigue and policy unpredictability.

Infrastructure Constraints

Bottlenecks in-

1. Logistics and port connectivity.
2. Reliable power supply.
3. Urban infrastructure and industrial clusters.

Increase operational costs for businesses.

Tax and Compliance Issues- Frequent rule changes. Complex procedural requirements. High compliance costs for smaller firms, affecting investor confidence.

Government Initiatives to Improve EoDB

Trade and Customs Facilitation

Introduction of a single digital window for cargo clearance. Immediate customs clearance for low-risk consignments. Rollout of Customs Integrated System (CIS). Expanded use of AI-based non-intrusive inspection and scanning at ports.

Investment Liberalisation

Enhanced investment avenues for Persons Resident Outside India (PROIs) in listed companies. Increased sectoral and aggregate investment limits to attract global capital.

Tax Reforms and MAT Rationalisation

Exemptions and reduced MAT rates for non-residents. Final tax treatment to reduce uncertainty. Capital-gains-based taxation of buybacks. Flexible utilisation of MAT credit.

Simplification of Penalty and Prosecution Regimes

Integrated assessment mechanisms. Reduced pre-deposit requirements. Expanded immunity provisions. Graded prosecution framework. Retrospective immunity for small foreign asset holdings.

Shift from Clearance to Compliance

Large-scale decriminalisation of laws under Jan Vishwas Acts. Amendments to environmental and forest laws to streamline approvals without diluting safeguards.

Digital Governance and Regulatory Rationalisation

National Single Window System (NSWS) integrating approvals from Centre and States. Business Reforms Action Plan (BRAP) for States and UTs to improve transparency and service delivery. RBI's consolidation of over 9,000 circulars into 238 Master Directions, sharply reducing regulatory complexity.

Sector-Specific Reforms

Insurance sector reforms allowing 100% FDI, easing registration, lowering capital norms, and improving insurance penetration. Labour reforms through consolidation of 29 laws into four Labour Codes-

1. Simplified compliance.
2. Digitised registrations and returns.
3. Decriminalisation of minor offences.
4. Higher thresholds for layoffs and closures.

GST 2.0 reforms (September 2025)-

1. Simplified tax slabs.
2. Reduced rates.
3. Correction of inverted duty structures.
4. Lower compliance costs.
5. Expanded tax base to over 1.5 crore registered taxpayers, aiding formalisation.

Conclusion

India's Ease of Doing Business framework is steadily evolving through-

1. Regulatory simplification.
2. Digitalisation.
3. Trust-based and risk-based governance.

Union Budget 2026–27, along with reforms in taxation, labour, finance, and regulation, reflects a sustained commitment to reducing compliance burden and enhancing predictability.

Strong trends in-

1. Investment inflows.
2. Enterprise growth.
3. Formalisation of the economy.

Together, these reforms strengthen India's competitiveness, support long-term growth, and position India as a reliable global investment destination.

Source- https-//www.pib.gov.in/PressNoteDetails.aspx?id=157227&NoteId=157227&ModuleId=3&reg=3&lang=2