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Country Highlights INDIA 2014

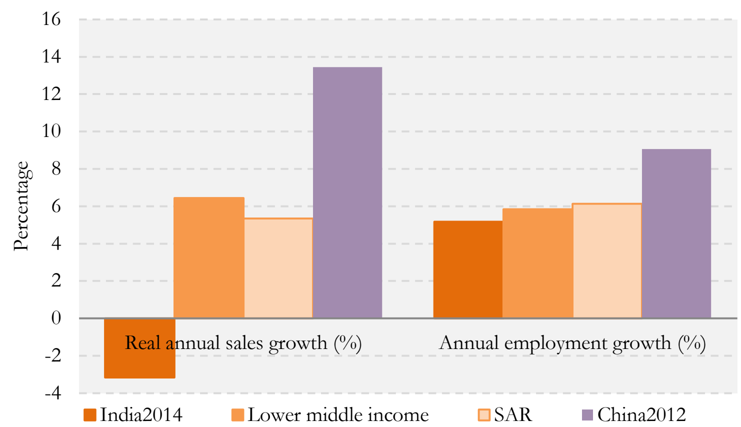
WORLD BANK GROUP

2014 INDIA ENTERPRISE SURVEY

The World Bank interviewed a representative sample of the private sector in **India**. The sample consisted of 9281 business establishments surveyed from June 2013 and December 2014. The Enterprise Survey covers several aspects of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

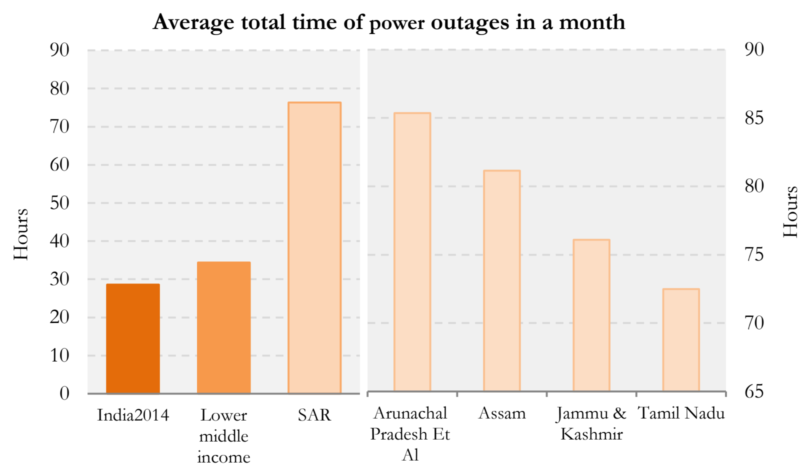
Firms are performing relatively well in terms of employment growth despite poor annual sales growth

Between 2011 and 2013, the private sector in India experienced negative **annual sales growth** (-3.2%) as opposed to the positive performance in China (13%) and in lower middle income countries (6%). However, during the same time period, Indian firms performed relatively well in terms of employment growth. The annual employment growth for Indian firms was at 5.2% which is comparable to the average for similar income-level countries but still below China (9%). The top four business sectors in terms of employment growth were IT (7.0%), retail and wholesale (6.3%), and construction (6.2%).



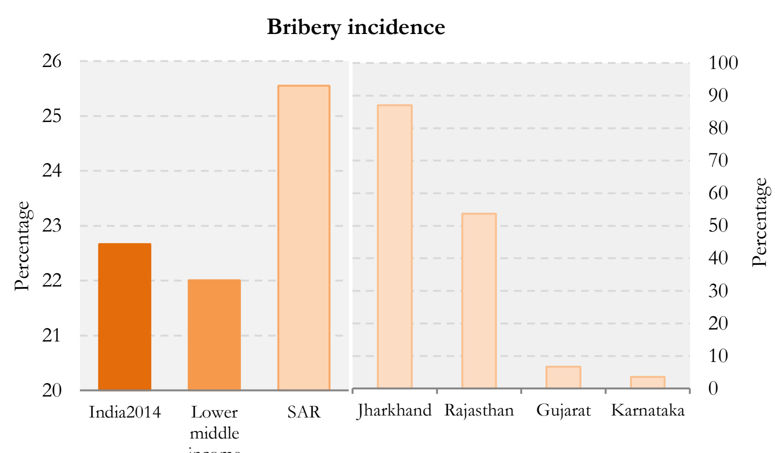
The quality of electricity provision varies widely across states and territories

The **power supply** in India is more reliable than in other lower middle income countries. Across all of India, the average total time without power in a month was 29 hours as compared to an average of 34 hours for lower middle income countries and 76 hours for South Asia. The states which are most affected, in terms of total time without power, include Arunachal Pradesh (85 hours), Assam (81 hours), and Jammu & Kashmir (76 hours) while Gujarat (0.1 hours), Maharashtra (3 hours), and Chhattisgarh and Delhi (both at 4 hours) are among the states/territories least affected.



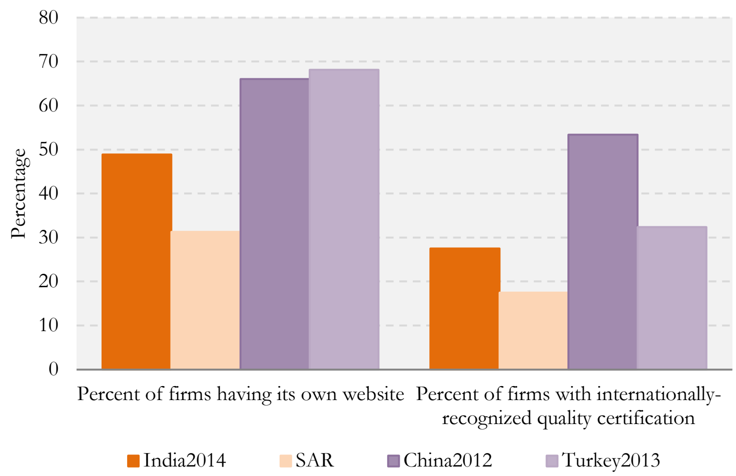
Corruption levels vary significantly across locations in India

Across India, 23% of firms experience at least one bribe request across six regulatory and utility transactions (i.e."**Bribery incidence**"). This is similar to the average for lower middle income countries (22%). Within India, there is wide variation across states with some of the lower income states having much higher incidence: Jharkhand (87%), Rajasthan (54%) vs. Gujarat (7%) Karnataka (4%). Corruption seems to be particularly pervasive in some type of transactions. Half of all firms report being solicited for a bribe when obtaining an electricity connection; across all countries with ES data, India is in the top 10% for severity of this type of corruption.



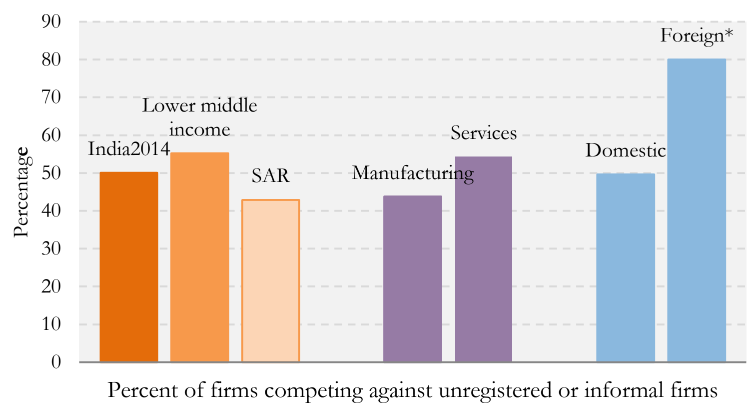
Indian firms outperform comparator countries in the use of technology but lag behind China and Turkey

More Indian firms **have their own website and use e-mails** to communicate with their clients and suppliers compared to firms in South Asia and in lower middle income countries. Despite this outperformance, Indian firms lag behind peers such as China and Turkey. On average, around two-thirds of Chinese and Turkish firms have websites compared to India's 49%. More than one-fourth of Indian firms have an internationally recognized quality certification, the highest in the region. However, 32% of Turkish firms and 53% of Chinese firms have an ISO-type certification. Increased production standards as revealed by certifications may be needed for India to increase competitiveness in international markets.



Half of Indian firms report competing against unregistered or informal firms

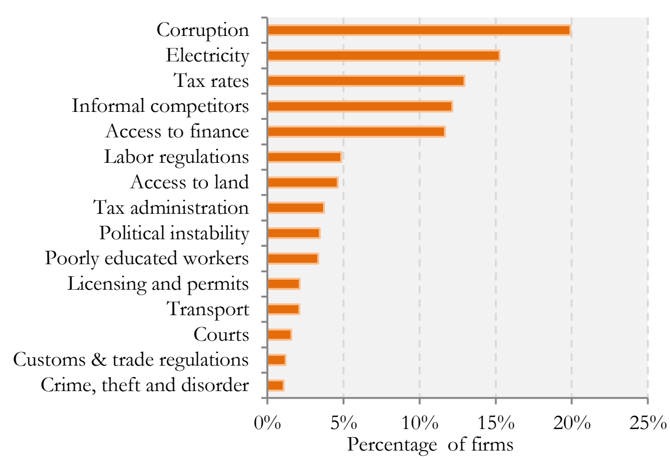
The development of private formal (registered) firms may be unduly and unfairly affected by competition from **informal** (unregistered) firms as the informal firms do not have to observe various rules and regulations nor do they pay taxes. Half of firms in India report competing with unregistered businesses, which is similar to the average for lower middle income countries (55%). Services firms (vs. manufacturing) are more likely to experience such competition (54% vs. 44%). More striking is the difference between domestically owned firms and firms with 10% or more foreign ownership (50% vs. 80%).



*10% or more foreign ownership

The Indian private sector considers corruption and electricity as their biggest obstacles

The difficulties due to dealing with corruption and with inadequate provision of electricity are consistent with firms' perceptions of the business environment. Among the list of 15 potential **business environment obstacles**, where respondents are asked to choose the biggest obstacle to their day-to-day operations, 20% of firms choose corruption. Electricity comes in 2nd place (15%) and tax rates is 3rd (13%). Wide variation across regions within India, in the severity of corruption and inadequate electricity, provides an opportunity for underperforming states to learn from the experiences of the better performing regions.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists and survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org

Generated using Enterprise Survey data as of June.26.2015