

**Organizational change in Indian bureaucratic system: Obtaining Licenses for setting up businesses: A case study.**

**MG499 -- Dissertation for MSc Public Management and Governance-DHANAPRIYA KP(2012)**

Despite the abolition of license raj in 1990 and economic reforms India still ranks as 133 out of 183 countries according to World Bank ranking report<sup>1</sup> for doing business. World Bank report states that India ranks 155 in dealing with licensing<sup>2</sup>. The reason for this is the slow and declining bureaucracy<sup>3</sup> and existing institutional hurdles. New form of license raj is introduced by the current state of governance and controls. India ranks 88th in Corruption perception index by transparency International. Several survey reports corruption as biggest concern for starting business in India. according to KPMG report the main cause of corruption is due to excessive regulation and bureaucracy.

The main “objective” of the licensing system is to protect safety of citizen, environment, to safeguard Indian economy and to promote social and financial growth of India. So, organizational procedures and processes should adhere to this objective. The current institutional causes for unfriendly licensing process in India are due to unclear regulation, bureaucracy and inconsistent interpretation of regulation, corruption, excessive paper work and documentation. The numerous numbers of agencies, both state and central government agencies, with which one has to interact with to obtain licenses, relying on personal relationship with bureaucrats and the role of middleman plagues the current system. There is lack of coordination between various government departments. Time delays, complex procedures, secrecy in licensing procedures and inherent conflicting regulations have produced a unpredictable environment which is not conducive for friendly investment environment<sup>4</sup>. For example Singapore airlines in 1997 fail to manage a airport in south India due to bureaucracy impediments<sup>5</sup>. Let us now analyze how institutional changes that would improve the licensing system in India. These factors show that efficiency, transparency and accountability needs to be improved and still remains as causes of concerns. The objective behind organizational changes to licensing bodies are to economize use of government resources, increase administrative efficiency, and to handle corruption and red tapeism,

The essay begins with the introduction, followed by literature review of transparency, efficiency and accountability. Thirdly we analyses how the proposed organizational reforms by Department of Administrative reform of Indian Government can improve accountability, transparency & efficiency and issues of these reform implementation. The essay finally the essay ends with recommendations and findings.

<sup>1</sup> Refer <http://www.doingbusiness.org/economyrankings>.

<sup>2</sup> Refer <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1171300070514/india.pdf>

<sup>3</sup> Refer Anand Divekar(2010).Doing Business in India.

<sup>4</sup> Refer <http://www.indianexpress.com/news/rigid-govt-still-tough-for-india-inc-survey/885445/>

<sup>5</sup> See RODNEY SEBASTIAN, ASHVIN PARAMESWARAN and FAIZAL YAHYA (2006).Doing business in India

## **Literature review:**

Accountability can be defined as a social mechanism in which an actor feels an obligation to explain and justify his or her conduct to some significant other [Bovens 2005]. It can also be defined as extend to which governmental agencies are responsible to the stakeholders regarding performance indicator.<sup>6</sup>

Efficiency concerns with achieving the organizational objectives in the least time and cost by better utilization of resources. Working efficiently is doing things with least amount of wasted efforts.(Carr, 1993; Jreisat 1992). According to Jackson (1995), efficiency is relationship between output of goods, services or other results and resources used to produce them.

Transparency can be defined as “availability and accessibility of relevant information about functioning of polity” Gerring & Thacker, 2004. Transparency suggests “holders of public office should be as open as possible about all decisions and actions they take” (Curtin & Meijer, 2006, citing Nolan, 1998). Transparency also means that “Policy-makers should give reasons for their decisions and they should restrict information only when wider public interest so demands” (Curtin & Meijer, 2006). Transparency can be measured by the depth of information provided about the processes involved and the accuracy of response to citizen’s request (Curtin & Meijer, 2006, citing Welch & Hinnant, 2003). “[T]he more transparent an organization is (via its web site or otherwise), the more willing is the organization to allow citizens to monitor its performance and to participate in its policy processes” (Curtin & Meijer, 2006).

There are two types of reform. one is Anglo-American and another is developmental state model. Developmental state model have high trust in government and bureaucrats. Anglo-American model is based on relying on market forces and mistrust of government activities. In this model government should not interfere with the market forces. Market forces are believed to improve performance and efficiency. Advocacy of Transparency and competition is based on this model. There has been number of de-licensing for certain number of industries during 1980’s. These de-licensed industries brought about brought about market competition and hence there was incentive to improve performance. The liberalization policies and the proposed organizational structure for government agencies based on the administrative reform department<sup>7</sup> satisfies Anglo-American model. Thus Indian government is moving in direction of reducing the number of layers of bureaucracy and moving towards the principle of market forces. Central planning would not to able to cope with complex problem especially due to scarcity of

<sup>6</sup> see Carmine Bianchi, Enzo Bivona, Antonio Cognata, Pietro Ferrara, Tiziana Landi and Paolo Ricci.(2010).

<sup>7</sup> See Indian Government(2009). Organizational structure of Government of India. Second administrative reforms commission. Thir teenTH report. [http://darpn.nic.in/darpnwebsite/cms/Document/file/org\\_structure\\_gov13.pdf](http://darpn.nic.in/darpnwebsite/cms/Document/file/org_structure_gov13.pdf)

inputs and information and with advanced technology. Many countries with central planning are seeing negative growth rate. So more flat system with collaborated network of departments would produce positive results. This has been witnessed by western countries which have implemented administrative reforms based on new public management principles. New public management system are depended on privatization, competition and outsourcing. So this essay analysis administrative reform based on new public management principles.

Organizational changes involve people, process and culture. Some of the components are as follows

People- workforce structure, motivation, performance and personality

Culture –values, leadership and workplace rituals

Processes- documentation, work routines and responsibility.

So for measuring organizational reforms, analysis should be based on the impact of reforms on above mentioned parameters or components of organizational changes.

#### **Methodology and data:**

Empirical methods of analysis of organizational reform rarely exist because of lack of sufficient availability of good information. Administrative reforms proposed by 13th organizational reform are yet to be implemented by ministry of commerce, Ministry of economic affairs (two most important responsible central ministries besides number of executive agencies and other ministries) and relevant ministries corresponding to the business that needs to be started. These are the governmental agencies for issuing business licenses for foreign investment. So, data and reports for empirical analysis are yet to be generated. This essay evaluates the current organizational status of government agencies and how the proposed reform could make an impact. Therefore conceptual analysis of the reform is being proposed in this essay. So this paper analysis method is based on research related documentation, organizational records, department annual reports, newspapers, magazines and existing literature.

#### **Conceptual analysis:**

Let us now evaluate the existing institutional structures which are according to the new public management principles. We will analyze the status of implementation of recommendation from previous Administrative reforms committee and how these organizational changes would bring about improvement along the three variables discussed in this essay. This also analysis problems in the existing scenario.

### **Single- window clearance system:**

In practice, the amount of "transaction cost" of the time spend by business for obtaining licenses is considerable. The amount of time is 16% when considered to china's 9%.<sup>8</sup> In order to improve this situation various states in India have set up single window clearance system<sup>9</sup>. This system is intent to reduces the confusion and time to interact with various departments to get licenses, especially when the different agencies are located at different location and there is lack of coordination between different departments. Thus the single window system acts as an incentive for foreign investor in ease of getting licenses. In this single window system file can be processed by different department or agencies at the same time i.e. parallel processing. By establishing single point of contact there is reduction in number of interaction with elaborate number of bureaucratic officials. As there is automatic passing of files between different officials in single window system and there is fixed processing time, the corruption involved getting the physical file moved from one official to another is reduced. There has been establishment of separate single window for each sector thus making the process more streamlined. For analyzing its working status let us take for example the state of Andhra Pradesh where this system is up and running. The number of licenses processed by this system fell from 30 percent in 1996-1997 to 4 percent in 1999- 2000. This number further dipped in 2000-2001. This is because investor feels that single window acts as a buffer between government and investors. There exist time delays and there is sizable number of proposals still being processed<sup>10</sup>. The businesses not having the knowledge about the status of their license application while being processed is one of the reservation proposed by the businesses. Thus government has implemented legislation to make single window system mandatory. Thus the need for involving stakeholders in the design of the system needs empathized. This shows that for successful implementation there is need for support of reform from those the reform is set to benefit i.e users of the system. Thus the "benefits" of implementation still needs to be communicated to users and stakeholders. The government hasn't persuaded the users about the need for "change". The users needs to educated to see the how the advantages of the system overshadows some of its minor shortcomings. Thus the reform still needs to address the root cause problem of "customer engagement". This also shows that "customer orientation" of the projects has not been given due importance. In many states the single window system

<sup>8</sup> World bank "The Firm level Analysis Competitiveness Survey (FACS) " in 2002.

<sup>99</sup> See [http://business.gov.in/investment\\_incentives/opportunitites\\_policies.php](http://business.gov.in/investment_incentives/opportunitites_policies.php)

Example for single window clearance <http://pbindustries.gov.in/swicp/CAF/frmEstablishInd.aspx>

<sup>10</sup> See RP Beschel (2003) state level reforms in india:towards more effective in india

is only in paper and has not yet been fully implemented in functioning<sup>11</sup>. There has been no proposed plan or deadline for their implementation raising questions about the effective reform process. "single-window clearance' system, which had been ineffective what with a plethora of age-old legal procedures coming in its way"<sup>12</sup> this has been stated as the one of the reasons for ineffective functioning by accountable Indian minister. The Korea Customs service(KCS)'s implementation of single window system with great efficiency and Increased number of users shows that these above issues can be overcome and can be implemented with success.

### **E-governance projects:**

The current official E-Governance projects which are in use are.

1. Government of <http://business.gov.in>
- India Business <http://www.investindia.gov.in/>  
Portal
2. DIPP-FICCI  
Investment  
Promotion Portal
3. MCA 21 Initiative <http://www.mca.gov.in/MCA21/>  
(under the NeGP) (Website under
4. eBiz Project (under development)  
the NeGP) <http://www.egovreach.in/>
5. eGov Reach  
Initiative of NASS

These different websites are in descriptive format. They contain descriptive procedural information on form filling. These online systems are not interactive. Portal for licensing for foreign investment business are yet to be developed. Some developed countries like Belgium<sup>13</sup> has online repositories for granted licenses called E-registry. Thus there are successful cases of computerization of business licensing process.

Following information should be found in E-registry makes the licensing processes more transparent:

Laws that make the licenses valid

<sup>11</sup> See <http://www.financialexpress.com/news/singlewindow-clearance-norms-for-sezs-soon/215589/1>

<sup>12</sup> See <http://www.thehindubusinessline.in/2002/05/15/stories/2002051502051700.htm>

<sup>13</sup> See World Bank(2006). Business licensing reform. Toolkit for development practitioners.

Different technical, political and regulatory screening passed for licensing

Documentation (different forms) satisfying different procedural clauses for licensing.

Maximum number of days for processing of licenses

Cost associated with different licensing procedures.

Issuing authority along with contact details.

Resolution criteria of different laws (how the officials would evaluate a license in order to reject or accept it).

The licenses should be legally enforceable only for the licenses that have been made entry in E-Registry. Only the licenses in the E-Registry<sup>14</sup> are legal. These E-Registry entries should be grouped according to different industry types. The number of procedures and bureaucratic hurdles faced by industries varies across different industrial fields. By naming the issuing authority in the website there is an establishment of accountability. These details increase transparency of the licensing procedures and reduce corruption. These documentation details cut the red-tape of demanding unnecessary documentation. By publishing the necessary cost the arbitrary demand of money for getting licenses is also removed. Resolution criteria used by the officials give a transparent detail about how the rules for licenses are interpreted by the officials. This helps in removing the interpretation errors of licensing rules by different investors. The inventory of feedbacks on these reviews of these licensing procedures improves transparency of interpretation of procedural system. Inventory containing what remedial actions were taken against the issuing authority for grievances and complaints with respect to their wrong decision making would improve the accountability. These portals should be made available to different stakeholders especially to different business units. Thus this portal would improve the transparency of the licensing system though accountability needs to be addressed through other mechanisms. This would encourage business and stakeholder confidence. One of the hurdles for efficient functioning of licensing is lack of generation of quality information for businesses to know why the licenses get rejected. This information cannot be available in publication of government reports. To get details through other mechanisms like Right To Information Act the businesses should have a knowledge of what businesses got licenses rejected under similar scenarios. Thus the consolidation of all the licenses would be a helpful tool in gathering knowledge of the interpretation of procedures. Thus we can see that these online portals would improve efficiency, transparency and accountability to a great extent. This E-Registry idea has yet to be conceived in the

<sup>14</sup> World Bank report guidelines on establishing E-registry can be found at <https://www.wbginvestmentclimate.org/toolkits/business-licensing-toolkit/introducing-an-e-registry.cfm>

reform plan. E-Registry is the idea in most countries and is propagated by international organization like World bank. This shows that Indian government is lacking in its "foresight" & "vision" and is not vigilant about what is happening in other countries in business reform domain. One of the key aspect of organizational change is benchmarking against targets and continuous learning. Indian reform implementation lacks the above things as the onset of E-registry and online processing has been of considerable time yet Indian government hasn't given consideration of relevant systems in its reform agenda.

Belgium is one of the few countries which have online licensing system<sup>15</sup>. Thus giving us a proof that E- governance would be successfully implemented to bring about organizational efficiency. Online tracking would contain details on with which department the licensing files lies, number of days spend on clearing the file and who is responsible for issuing licenses. Online tracking of this system would help to monitor the performance of each level of decision making and would improve monitoring of attached accountable personnel. But implementation plan for Indian online licensing system is yet to be conceived. This is because of the rudimentary state of implementation of E-Governance tools and "infrastructure availability". One can see only the existence of pilot projects here and there. There has been proposed plans for softwares for online processing of licensing information for example software "Udyog Setu" in the state of Maharastra<sup>16</sup>. Recent website for business and licensing is E-biz. This portal is begun by Department of Industrial Policy and Promotion (DPIP). This will act as one stop shop providing services to investors, businesses and industries<sup>17</sup>. As per the government ministry the main objective behind this portal is to bring transparency to licensing process. As like most E-Governance this project has been outsourced to one of biggest private software company in India. Like most of E-Governance in India this website's maintenance and development is with private sector thus incorporating private sector values in E-project's working environment. Thus these are signs of pivotal moves in E-governance. But the "E- Governance Readiness" of India is not developed. With number of problems in E-Governance implementation such as lack of sufficient infrastructure, technical illiteracy E-Governance project efficiency raises big doubts. This shows the reform needs more organizational changes in "technological" aspect of reforms. The E-Governance project implementation is also constrained by the lack of cooperation from the public servants in transferring business knowledge of the system. The lack of

<sup>15</sup> See World Bank(2006). Business licensing reform. Toolkit for development practitioners

<sup>16</sup> See [http://www.smeindia.net/export\\_schemes/IP-High/Row%2017/171.pdf](http://www.smeindia.net/export_schemes/IP-High/Row%2017/171.pdf)

<sup>17</sup> See <http://www.business-standard.com/india/news/infy-bags-ebiz-projectgovt/358293/>. E-biz site will facilitate in registration, filing of forms, returns, payments, request for permissions' approvals, licences, seeking information and records and tracking of services provided by the projects.

incentives for information producers as well as the cost of producing licensing procedure information has affected the quality of transparency, efficiency and accountability of organizational changes.

### **Public sector Downsizing and private sector hiring:**

India has the second largest number of civil servants. So the idea of downsizing is not a surprise, especially considering the size of the country. The ideas of downsizing public servants came under consideration since 1990's. In 1995 200,000 public sector employees lost their job in their efforts to downsize public sector. This is because Indian civil service was overstaffed in 1990's. In scenario of overstaffed civil servants, one person's work is shared by four civil servants thus it leads to dilution of accountability. The civil servants lack the creativity to give simple solutions for problems. There are number of lower ranked civil servants who do not know the objectives of the department. This is because of concentration of power and information only at higher levels. Only these highly ranked personnel are involved in decision making. Though there are number of layers in hierarchy information is available only at the top three layers. Thus there is concentration of power with limited small number of officials leading to "red tape". Thus lower ranked civil servants become redundant. Thus files pass through unnecessary personnel thus delaying time and decreasing efficiency. Those personnel who work down the line are ignorant of organizational motives and objectives due to lack of transparency. Thus accountability attachment is easily made by broad definition of roles and responsibilities. Still there is lot of scope of improvement. Decentralization of decision making would free time for Secretary and minister in framing policy issues. Decentralization of decision making would improve accountability and efficiency. This De-bureaucracy would also reduce time on taking decisions. Main official interpretation for downsizing public servant is to improve efficiency. Decentralization would promote flatter hierarchy and would improve accountability. Large number of file consultation leads to diffused accountability. Thus fat bureaucracy leads to decrease in efficiency and corruption. According to Expenditure reforms commission (2001)<sup>18</sup> recommended drastic scale of civil service downsizing. Since then there has been number of committee reports which recommended downsizing but these reports are not taken seriously by government legislative assembly and are rarely discussed in Indian parliament. The organizational reform agenda has not appeared in any of the election campaign. Thus public sector downsizing is not a new phenomenon. Though there has been number of committee commendation for downsizing bureaucracy the actual implementation is very slow and does not provide an encouraging state of affair<sup>19</sup>. Thus there should be downsizing of the entire business licensing department. Downsizing reduces red tape to great

<sup>18</sup> See Government of India, Ministry of Finance(2001).Expenditure reform commission. Fifth report

<sup>19</sup> See <http://www.rediff.com/news/1999/mar/15down.htm>. We can see confidence in Indian cabinet minister on implementation of downsizing is very low.

extend as these downsizing strategy gives raise to contracting out service to private sector personnel for fixed tenure and contract based recruitment. Since in the hierarchical bureaucratic model accountability lies towards political masters. Thus leading to satisfy political masters' satisfaction. Large number of government decision making post are created with political connection. But private sector hiring would improve accountability towards the end user of public service, which is citizen. Thus reducing number of civil servants would result in entrepreneurial spirit. According to the administrative reform proposed by Indian government there would only be maximum of three levels of decision making. The file is initiated through deputy secretary then it moves through joint secretary and then secretary who approve the file. Though decision making happens at the above three levels there are number of additional officials in the rank of deputy secretary<sup>20</sup>, under secretary and clerical personals. In current scenario a typical file passes through nine levels in hierarchy. Four of these level is clerical. Rest of the five levels are officers level where decision making happens. So one way to reduce these layers to reduce both the number of clerical and officer level. There is sizable Number of posts which are vacant in civil service. Abolition of these post would reduce the size of civil service to a great extent. The number of committee which were created for temporary basic like judicial commission needs abolition. Number of ministries. Agencies, committees and government post were added as and when there is ad-hoc requirement for it. Example for these are ministries of civil aviation, tourism, steel, coal, shipping etc. These industries replicate the work done by ministry of heavy industries and public enterprises. Once the requirement or task is establishment these redundant bureaucracy is not dismantled. There is no periodic review conducted to assess the necessity for these newly added civil servants and posts. This abolition of redundant governmental post would reduce the size of bureaucrats by sizable amounts. One of the prominent ways in practice to downsize is to opt for voluntary retirement scheme. This involves huge payment from government. This can be replaced by the practice of downsizing in private sector. This involves "let go" civil servants who has not performed well on comparative basis. The performance can be measured by number of disciplinary actions, rewards, improvement in public value addition and meeting the set targets and objectives. This practice would create a competitive environment and would create incentives to perform better. These practices would change the "culture" and morale of the public servants there by importing private sector values. Though there exist the practice of private sector hiring the scale and ranks to which private sector personnel are hired are limited in scope. Replacing seniority based promotion which currently exist in public sector by private sector practices would improve efficiency. In private sector there exist a practice of relative ranking of personnel based on performance and ethics. Good performance is rewarded by promotion and economic incentives. And bottom 5% are axed for their poor performance for every review . This practice gives a incentive and fear for better performance. Though

<sup>20</sup> See <http://www.indianexpress.com/Storyold/160561/>

private and public sector differs in its principle of delivery system. This performance practice should be reconsidered and evaluated for its adherence to public sector values. Civil servants fall behind the situation which they have to handle. Thus decreasing the efficiency of the decision made. Peru successfully implemented government downsizing program in the office of tax administration showing us evidence that downsizing can be a successful procedure. This is sample of good implementation of good targeting<sup>21</sup>. This was later implemented by follow-up action of hiring officials from private sector thus bringing in talked about efficient performance into organization. Thus we can see that Indian reform implementation lacks the "strategic vision" for example "targeting" in the above case. The Indian government downsizing reform lacks the political leadership will and confidence in bringing about change proposed by various committees.

### **“Agencification” and strategic units<sup>22</sup>:**

There has been number of initiatives for bringing in market based mechanism by setting up strategic organizational units. In order to facilitate private investment there has been establishment of new agencies like Disinvestment Commission, the Investment Centre, and the Foreign Investment Promotion Council(FIPC). This is because India's State enterprise investment has dropped from 42.5 to 39.0%. These agencies are set up to handle foreign investment and licensing. The main objective of these agencies is to increase market forces and to move away from old public sector bureaucratic paradigms. These organizations are engaged in approval of foreign direct investment, establish guidelines for investment, marketing and promoting foreign investment activities through conferences, seminars etc. These agencies have improved efficiency of foreign investment, though licensing process still needs large improvement. This is because there is managerial control is moved to private sector which is known for its efficiency. We can see publication of government plans, which are available to the public, with revised targets in public sector at regular intervals of time. Recent announcement of the government is to bring down stakes in public company to 75%.<sup>23</sup> showing us there is progress in improving efficiency of the system. But implementation of these plans are in phased manner which very slow. Though it takes a long time to see its implementation, it is happening at sporadic intervals. Though the reform can be stated as

<sup>21</sup> See *Juan Jose Diaz* World Bank. Improving the Investment Climate in India .  
[http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120845825946/3622-04\\_Ch04.pdf](http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120845825946/3622-04_Ch04.pdf)

<sup>22</sup> See M. Shamsul Haq (2003). Reinventing Governance for Performance in South Asia: Impacts on Citizenship Rights

<sup>24</sup> See Anto Antony (2009). Economic times of India. Indian Government to Unveil Privatization Plan.  
[http://www.businessweek.com/globalbiz/content/sep2009/gb20090930\\_258014.htm](http://www.businessweek.com/globalbiz/content/sep2009/gb20090930_258014.htm)

incremental model we can see the lack of sufficient "planning" of roadmaps " The disinvestment process will only be done in a phased manner. But the roadmap will not be giving any specific timeframes"<sup>24</sup> as stated by government official. The stated reasons for these delay has been because of the complexity in collaboration between different departments. Thus we can see that though the process of identifying the hurdles is satisfactory the reform plans lacks detailed planning model. Thus there is a need for regular iteration of revised plan with the availability of new fresh implementation status information. This needs a monitoring unit and risk management unit for monitoring implementation status at regular interval of time. There is no units for immediate quick contingency plans for repairing delays and inefficiency in reform working. Presence of there units would even have plans to accommodate and overcome uncertainty in implementation plans to bring about resilience. This also shows that there is no seriousness in setting benchmarks or targets to be achieved at smaller periodic intervals, which would characterize reforms as much more planned and strategic reform.

In Indian scenario creation of executive agency is already in practice for example Directorate General of Foreign Trade. This is one of the executive agencies which administer business licensing for foreign companies. This agency works under the secretaries of department of commerce, department of economics affairs, department of industrial policy & promotion, department of ministry of overseas Indian affairs and department of external affairs (economic relation). These restructuring of agencies gives raise to collaboration of different agencies. But non-existence of autonomous new exclusive chief executive may give raise to conflicts of interest between secretaries of different department. This absence of independent new secretary also dilutes accountability. This is because this agency is currently being chaired by secretary of finance<sup>25</sup>. Hiring chief executives from private sector to chair the executive agencies will promote instilling private sector values in the agency. These executive agencies have specific target which are made transparent by business plan documents and service agreement document. This increases efficiency and accountability. As in executive agencies since both the "principle" and "agent" are the executive agencies itself, it gives greater incentive for performance and accountability. Thus the administrative agencies would improve efficiency as they limit the amount of political interference. Agencies get the reward for effective functioning by getting the revenues generated by the department. The revenue generated by the department would be awarded to the executive agency. By building these agencies there is removal of duplication of processes as there is more collaboration

<sup>24</sup> See Anto Antony (2009). Economic times of India. Indian Government to Unveil Privatization Plan. [http://www.businessweek.com/globalbiz/content/sep2009/gb20090930\\_258014.htm](http://www.businessweek.com/globalbiz/content/sep2009/gb20090930_258014.htm)

<sup>25</sup> See [http://www.fipbindia.com/aboutUs\\_new.php](http://www.fipbindia.com/aboutUs_new.php).

between systems. These autonomous units would be run like business enterprises and would have great autonomy in administering personnel and financial matters. There has established of Information and Facilitation Counters for providing information for licenses. Strengthening of vigilance procedures has been reported in many states of India. In the state of Karnataka, one of the sates with leading industrial development in India, there has been consolidation of 16 forms into one new common form for obtaining licenses<sup>26</sup>. Many states has set up special agencies staffed from private sector like APFIRST in Andhra Pradesh<sup>27</sup> to improve operational efficiency. Thus we can see there are reform progresses but these reforms are slow and insufficient. These reforms are sporadic and at very meager extend "here and there". Thus these reforms hasn't been streamlined and best practices from one state is not recognised and replicated to other Indian states. Thus Indian states are wasting money and efforts in creating solutions for implementation which are already present. From global experiences we can see that these executive agencies would improve the organizational effectiveness and accountability to a great extend. For example "Next step" agencies in United Kingdom and "crown" agencies in New Zealand has brought about tremendous impact.

#### **Evaluation and Monitoring (E &M) of organizational reform<sup>28</sup>:**

let us summarize the performance indicators for the organizational reform. The performance indicators for measuring total business regulatory reforms are as follows

- Number of days for obtaining licenses for complying with the whole process
- Number of licenses required for starting business in each sector.
- Total amount of money spend on obtaining licenses
- Number of laws or clauses that need to be satisfied for obtaining licenses
- Number of forms or paper work that need to be filled/Number of departments to interact with.
- Number of re-appeals for which licenses were granted.

<sup>27</sup> See RP Beschel (2003) state level reforms in india:towards more effective in india

<sup>28</sup> See Paramita Dasgupta (SASPR) and Lili Liu (PRMEP)(2004). THE World Bank

<sup>29</sup> See [http://www.nao.org.uk/publications/1012/reorganising\\_central\\_govt.aspx](http://www.nao.org.uk/publications/1012/reorganising_central_govt.aspx).

[http://www.nao.org.uk/publications/0607/administrative\\_burdens\\_reducti.aspx](http://www.nao.org.uk/publications/0607/administrative_burdens_reducti.aspx)

The performance indicators for measuring organizational effective of licensing process/ administrative burden are as follows:

- Are there advisory agencies to guide on what one has to do to comply with regulatory procedure
- Is there an availability of database where all the licenses complete documentation
- Was same information was provided to Government more than once
- Number of levels of decision making
- It is straight forward to understand what one has to do to comply with regulation
- It is clear to understand what is the objective of the regulation
- Is it easy to comply with regulation?
- Are there Recorded sanctionary steps against personnels for incorrect decision
- Are the Regulations are fair.
- Government has good knowledge of business in-order to regulate it
- Is there periodic Government consulting with business and stakeholders for making changes in regulatory procedures.
- Is there a assessment report on administrative cost of complying with regulation
- Has different agencies and Government department taken a joint-up approach towards regulation.
- Is the overall licensing procedures and regulatory law an obstacle for business entry in India

### **Conclusion:**

The analysis shows that the institutional capability for organizational reform changes is not fully developed. The reform measures are in developmental state. Though there has been launch of pilot studies for reforms initiated by department of administrative reforms and the scale of which is in very small scale. Transparency have seen a modest improvement. Different legislative moves by Indian government like RTI (Right To Information) and Lokpal has comparatively improved transparency of administrative works and responsiveness of government. But efficiency and accountability in administrative processing has to go a long way. That is, impact of organizational reform in improving efficiency and accountability is not significant. Let us now analyze what are the concerns which are encountered in the implementation of organizational reform and see various solutions and recommendation for the same.

Any successful reforms need a strong accountable leadership to provide more force to reform activities. This would change the "inertia" for change. According to Barzelay (2001<sup>29</sup>) the new public management reform failed in Canada because of lack of support from cabinet minister. The need for strong leadership can be empathized from the fact that new public management reforms in organizational reforms in United Kingdom was successful under the strong leadership from Margaret Thatcher and under the leadership of Ronald Reagan in United States. The organizational reform should be made as an important election agenda to be achieved within a term of political party governance. There should be continuous commitment for reform activities. A strong leadership needs to create grass root awareness by stimulating public and media pressure for organizational changes. Reform activities should be more discussed. There is need for gathering public awareness of the vision of the projects and the benefits & mechanism of organizational . This would create checks and balances if any of the reform activities falls behind its schedule. The leadership should select and appoint accountable leaders at all levels of the reforms process.

Second important solution is cooperation of the bureaucrats in implementing recommendation of different committees. Self serving behavior of politicians and bureaucrats have hindered the development of organizational reforms. There was enormous amount of corruption in granting licenses. This is because bureaucrats use number of redundant licenses to extract "rents" besides the confusing business procedures which is open to interpretation. The irregular payment to the public servants is one of the causes leading to this behaviour and leading to corruption<sup>30</sup> . This behaviour is further aggravated because of "patronage" and "predatory" politics form of environment. Since the reforms will go against, public servants. Bureaucrats, the incentive to change has been negative. The cooperation of officials can be solicited by psychological support, threats and compulsion, recognition & inducements for appropriateness and by persuasion and bargaining. One of the method would be to increase the pay scale for public servants when compared to the present level. Another measure would be To increase number of the replacement of fixed term tenure appointments with short term contracts appointment based on performance target agreement. More media attention on performance of the official would create more incentives for performance. The number of political appointment should be replaced by open recruitment based on performance.

Third recommendation would be setting up evaluation and monitoring unit. Though there has been number of committees and recommendations there has been no separate strategic unit for measuring the

<sup>29</sup> See Barzelay , Michael . 2001 . The New Public Management: Improving Research and Policy Dialogue . Berkeley : University of California Press .

<sup>30</sup> See Paramita Dasgupta (SASPR) and Lili Liu (PRMEP)(2004). THE World Bank

impact of these reforms. These strategic unit would increase the speed of the reform efforts by identifying lags and hindrances in the reform activities. These measurement should be published to the stakeholders of reform. This would increase momentum of reform through pressure groups of the stakeholders. This monitoring unit would also help in achieving benchmarks within target time.

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