

IMPACT OF DIGITALISATION ON EASE OF DOING BUSINESS IN MAHARAHTRA- AN ANALYTICAL STUDY

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ABSTRACT

According to the World Bank report - 'Doing Business 2017: Equal Opportunity for All', India is ranked 130th among 190 countries. Government has taken various initiatives at national and state level to ease business activities and improve the index ratings of the country. Maharashtra has been a favorable place for the investors as well as for businesses. After 2014, there have been a number of reforms that have taken place under the banner of 'Digital India' to simplify and ease the business process in Maharashtra. MAITRI platform, Udyog Aadhar, e- governance are amongst the few steps taken. Using the non-probability sampling method, this research critically analyses these government initiatives. Survey is conducted of businessmen and industry associations in Maharashtra to understand the impact of digitalization on ease of doing business in the state. In spite of a number of hindrances faced by the industries to operate using online platforms, these digital reforms have helped the businesses in simplifying the procedures, maintaining records and reducing the time required for the same.

Keywords: Digitalisation, Ease of doing business, MAITRI, Udyog Aadhar, e-governance.

1. INTRODUCTION:

The Indian economy is considered to be amongst the fast growing economies at global level (Department of Economic Affairs, 2017). One of the major parameters in the growth of an economy is how easy it to business in the country. There is a direct co-relation between these factors which helps the country to raise its status to a high-income country. The country aims to increase its GDP by 8% (Ministry of Commerce & Industry, 2017).To improve the GDP of a country it is important to develop the business environment here so that the country can attract more investments and encourage people to start their own business.

India ranks 130th amongst 190 countries according to the Ease of doing business Index of the World Bank. Statistics show that the country has been a tough place to undertake business activities. Poor business environment has been a reason for this. (The World Bank, 2017)

Government of India has undertaken various activities to ease the process of doing business in India (H. Gupta, 2015). 'Digital India' has been one of these measures which has helped in business

development. These initiatives have proved to be of benefit in improving the Ease of Doing business index ranking from 140 in 2014 to 130 in 2016. To be at the 50th position in this ranking by the end of 2017 is what Indian government aims for (Kaur, 2016).

1.1 The Ease of Doing Business Index:

The World Bank has a number of parameters on which it ranks the countries. Different economies of the world are compared with one another. This ranking helps us to know the best performing companies, the best practices undertaken, the rules and the regulatory measures and sets a benchmark for doing business successfully in a country. The major two elements in the index are the regulatory environment and the frontier score. The index data also tells us how a country's economy has changed over the years. (The World Bank, 2017)

The World Bank has 10 parameters on which it gives an Ease of Doing Business ranking to a country. These parameters are:

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Minority Investors
7. Paying Taxes
8. Trading Across Borders
9. Enforcing Contracts
10. Resolving Insolvency (The World Bank, 2017)

The major parameters that investors and businessmen look for while doing business in India are getting electricity, getting credit, registering property, paying taxes, protecting minority investors, trading across borders, enforcing contracts and resolving insolvency. Indian government needs to work on these components to develop business here. To overcome the barriers related to these parameters and to improve the business environment here, Modi government has passed the GST bill. GST bill has been an important step for ease of doing business in India. Another major step by the government has been the 'Make in India' campaign (Geetha, 2016). This campaign aims to build the country as a hub of innovation and design and manufacturing. Innovation and manufacturing in India is considered to be the utmost important element in promoting entrepreneurship and business development.

To make the process of starting and continuing business in India easier, a few more steps were taken by the government. The most important and the basic provision made is that the procedure of getting electricity was made simple and quicker. Long documentation procedure is a barrier for

doing business in India. The levels of documentation have been now reduced from nine to three and these could now be submitted through electronic mediums through. Government has given preference to online transactions and e- business activities under the banner 'Digital India'. Starting business in India has become easier due to this initiative as it helps in getting clearance and licenses in an easier manner. Companies from global markets have been showing more interest in investing in India due to the changes in the Foreign Direct Investment (FDI) policy. (Gulati, 2016)

This research paper will deal with the initiatives undertaken by the government for ease of doing business. The paper will be considering the SME's in Maharashtra. Under the banner of digitalizing India, the government has come up with difference schemes and initiatives for doing business with ease. These initiatives include MAIRTI platform, Udyog Aadhar, and e- governance to name a few. The research study will analyse these initiatives and how have they been useful for conducting business in Maharashtra. The study will provide a critical analysis for these initiatives.

2. LITERATURE REVIEW

Chandrajit Banerjee mentions that government has been very positive in carrying out a number of reforms to bring changes in the business environment in India. (Kaur, 2016)

A report by Niti Ayog mentions that states have undertaken a number of activities at their level to ease business activities. Some of these reforms include getting electricity connections easily, reducing the procedure for documentation and inspections. But the process of licensing needs to be still rationalized for easy entry and exit operations for a business. The study concludes that government has to go a long way to make India a manufacturing hub. (Niti Ayog, 2017)

(Bhatt, 2015) analyses the business activities of India and compares it with other Asian countries like Nepal, Bhutan, Maldives, Afghanistan etc. He uses payment of taxes as a parameter for comparison for his study. Bhatt concludes that the economies that are smaller than India perform better. A study mentioned in the book: Ease of Doing Business: Contemporary Issues, Challenges & Future Scope analyses the relationship of 6 factors namely starting a business, dealing with construction permits, getting electricity cost, registering property cost, paying taxes and enforcing contract cost with the foreign direct investment in a country (Singh, 2015). He further mentioned that FDI and these 6 parameters have a direct relation on each other. He further analysed the different categories of companies and their procedures and found that the private sector companies are more efficient in their working and implementation of the regulations as compared to the center and state owned companies.

A study on the political environment and mechanism (Democracy and Autocracy) of ease of doing business analyses the World Bank reports on Ease of Doing Business of past 3 years and concludes that there is a need for single window mechanism which will help in developing the existing system. (H. Gupta, 2015) This mechanism can also create a common thread for the government to carry out its activities in a smooth manner (Raval, 2015). Among all the factors that impact the business environment in the country, Raval argues that the political environment has a maximum influence. The study examines the political environment and studies its effect on the Ease of Business Indicators and policy implications.

A study on the winding process of business in India which included the payment of liability and stay of winding process was analysed. The research paper mentioned the different barriers and the suggested steps in overcoming those barriers through the study. (Tridevi, 2015)

(Kaur, 2016) compares the process of different countries and mentions that a number of countries are reducing their documentation procedures, making the trading process cost effective and reducing the time required for import and export to score better in the World Bank ranking. (Sheth, 2015) explained the importance of Environment Impact Assessment (EIA) for getting environment clearance. This process has been evolved all over the world but India still needs to improve on this parameter for easing the process of starting a new business in the country.

To improve India's position in the World Bank Index, a 98-point Action plan was prepared by the Department of Industrial Policy and Promotion (DIPP). This plan was prepared in 2014 for bringing our reforms in business activities at state level and was implemented in June 2015 (FICCI-CMSME, 2016). The assessment of implementation was then undertaken by DIPP in September 2015 and then in 2016 too. Later a 340-point action plan was made. This plan for reforms was prepared after consultation with different stakeholders. Implementation of these reforms had to be done by March 2016. Updates regarding the implementation of the reforms was through an online dashboard portal so that the performance of states/ union territories could be compared. (Sharma, 2016)

Some of the major reforms undertaken for ease of doing business in India could be classified into the following categories:

1. Technological reforms
2. Procedural reforms
3. Legislative reforms (PWC, 2016). This research paper focuses on the technological reforms.

The following are the few technological reforms that have been done for easing the business activities in India.

- 1) Portals have been made available for the Permanent Account Number (PAN), Tax Deduction Account Number (TAN) registration. This helps in reducing the time taken to start a business.

- 2) There is a single eBiz portal made available for incorporation of a company, EPFO (Employees' Provident Fund Organization) and ESIC (Employee's State Insurance Corporation). There registrations can be done in real time or online too. This further reduces the time, stages and eases the process.
- 3) The documents required got import and export can be submitted online. Digital signatures can be used. Companies now do not have to submit the documents physically. This reform makes the process convenient and also helps to limit the human resource requirement for collection and storage of documents. The documents can now be stored digitally.
- 4) A few portals like ICGATE, Food Safety and Standards Authority of India (FSSAI), Animal and Plant Quarantine, Drug Controller and Wildlife Control Bureau have been integrated and linked for undertaking import activities. This has eased the process by two ways. Firstly, the time taken for a company to move from one office to another for getting sanctions is now reduced and Secondly it has also become easy for the department of maintain records. It saves their time and resources too.
- 5) A portal – Shram Suvidha has been launched as a last of the technological reforms for easing business activities. This portal helps in easing the process of carrying out risk based Inspections, submission of common electronic returns under 8 Labour Acts and issue of Labour Identification Number. Also there are portals that are created for the investors to know about companies where they can invest. This helps them to give a one stop access for getting information on the licensing and registration procedures.
- 6) Reforms also include services like internet banking, issue or credit and debit cards, messaging alerts have also been user friendly and helpful advancements for carrying out business activities (Geetha, 2016) (FICCI-CMSME, 2016).

Apart from these developments, multiple approvals can now be obtained from the Ministries and different departments such as the Ministry of Corporate Affairs, Central Board of Direct Taxes, Ministry of Labour and Employment including Employees' State Insurance Corporation & Employees Provident Fund Organization through a composite application form and a one-time payment option has been created for the same.

2.1 Ease of Business in Maharashtra

According to the report published by Government of Maharashtra, the state contributed 50% to the Foreign Direct Investment (FDI) of the country. Maharashtra has been a favorable place for conducting business activities. The recent reforms undertaken by the government, the upcoming IT hubs, growth in sectors like automobiles, construction, manufacturing, better connectivity has attracted investors at national as well as global level. These reforms include the changes in procedures for getting licenses and permissions for the business activities.

The Government of Maharashtra has created a platform called MAITRI (Maharashtra Industries Trade Related Investment Center) under the campaign for digitalization to help businessmen and investors to conduct business activities in the state with ease. The platform is created for big industries and approvals from many offices like forest, pollution control etc. could be done under one banner. (Maharashtra Emerges as preferred choice of business, 2017)

2.3 Literature Gap:

Secondary data on ease of doing business in India and Maharashtra is well explained through the research papers and government reports. These sources also mention about the reforms that have taken place at national and state level after digitalization in India. Major changes have been found in the Indian business sector post liberation and now post 2014. Government has taken various steps to encourage investors as well as businesses to invest their resources in Maharashtra. There is a literature gap seen in the study of impact of these reforms on conducting business activities in Maharashtra with ease.

The major objectives of this research study are:

1. To study the digital reforms undertaken by Government of Maharashtra for easing business activities in Maharashtra.
2. To examine the utility of these initiatives for industry associations and businessmen.
3. To analyze the impact of these digital reforms for carrying out businesses with ease.

Hypothesis:

H0: The digital reforms undertaken by Government of Maharashtra does not have any impact on the ease of doing business.

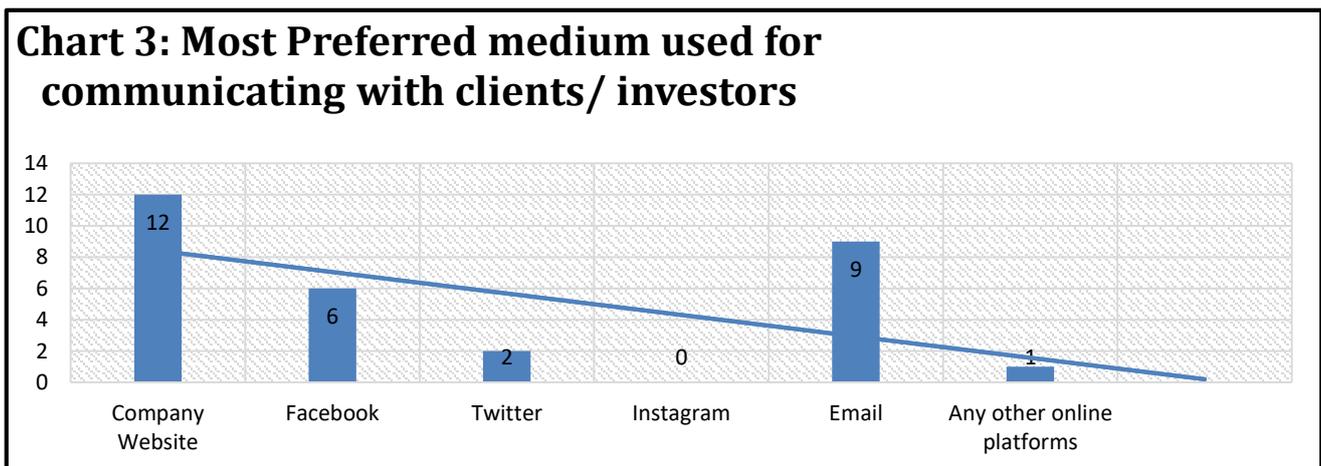
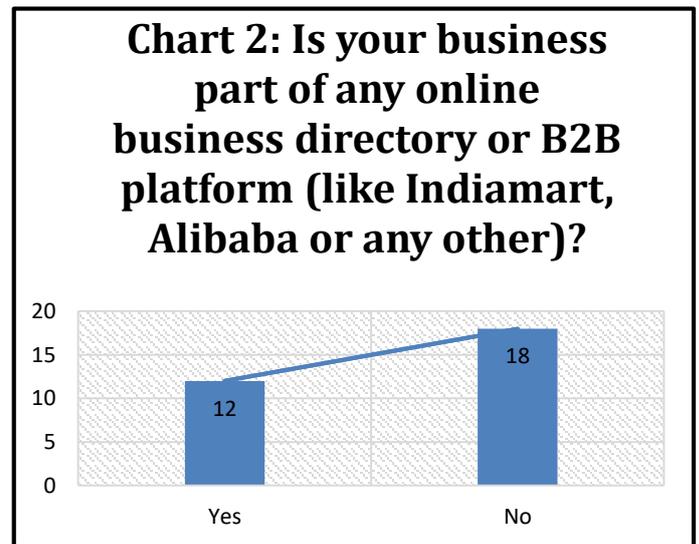
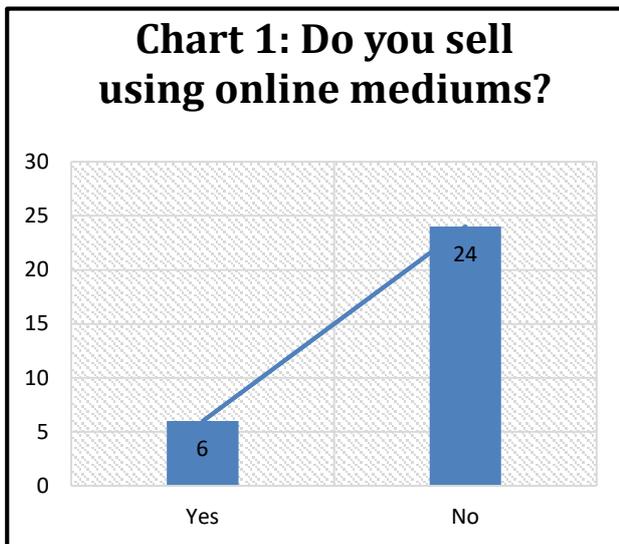
H1: The digital reforms undertaken by Government of Maharashtra has eased the businesses by simplifying the process, maintaining records and reducing the time required.

3.METHODOLOGY

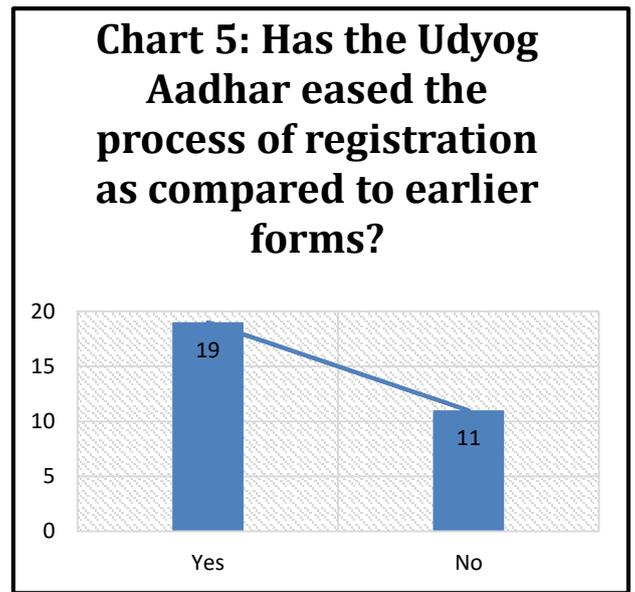
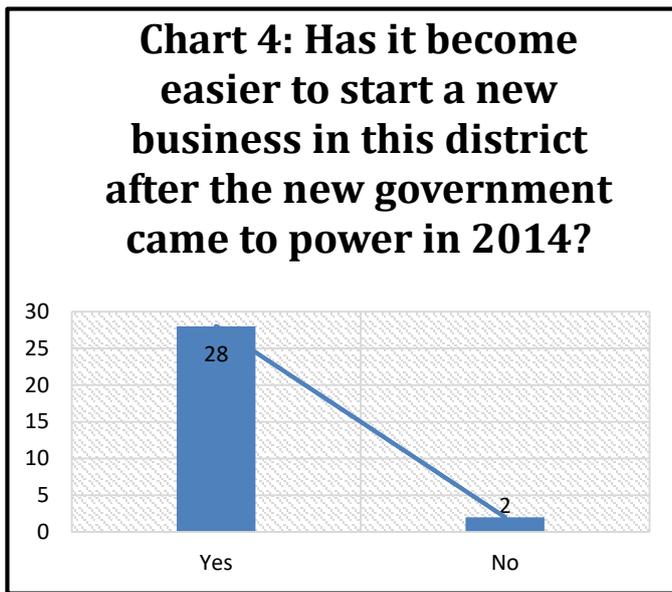
Quantitative methodology is used for this study. Survey has been conducted of businessmen to understand the utility and impact of the developmental reforms undertaken by Government of Maharashtra for easing business activities. Members of 'The Confederation of All India Traders, Nagpur', 'The Wholesale Cloth and Yarn Merchant Association', 'Nashik Dhanya Kirana Wholesales Merchants Association', 'The Poona Merchant Chamber' and 'Yeotmal Chamber of Commerce and Agriculture' were interviewed. Interviews are conducted to understand the perception of industry associations at district level. 30 surveys and 5 interviews were conducted of businessmen and members of the industry associations. Questionnaire is used as a tool for data collection (Annexure 1: Questionnaire for business owners Annexure II: Questionnaire for Industry associations) The sampling process applied is convenience sampling. MAITRI Platform, Udyog Aadhar and E governance and the major reforms that are studied through this research work.

4. FINDINGS AND INTERPRETATION:

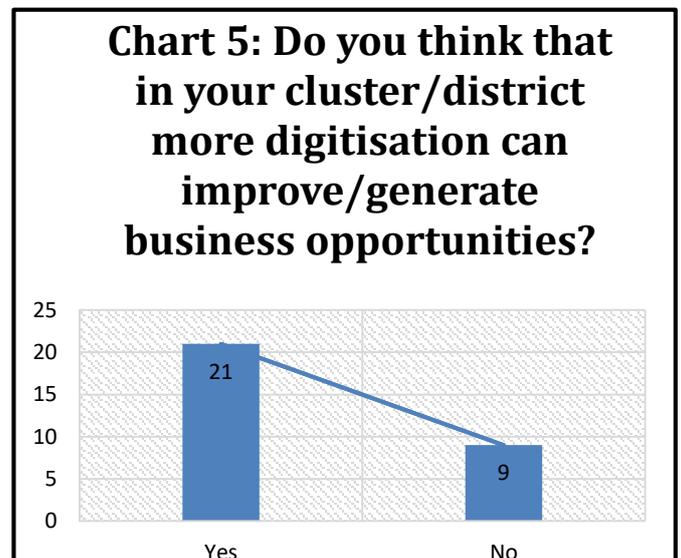
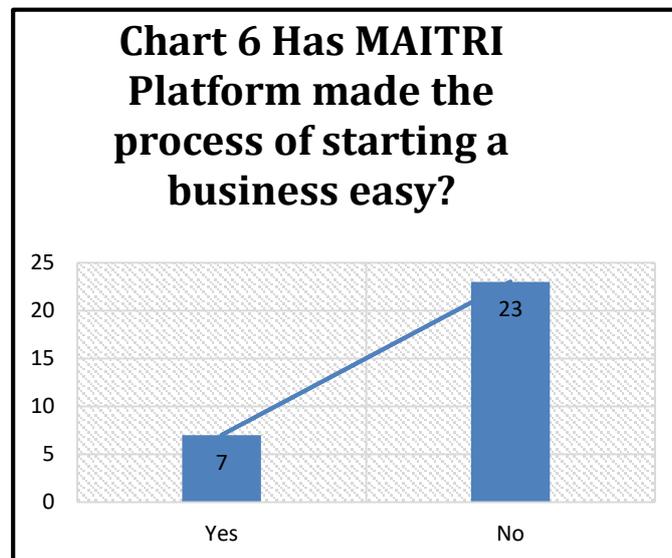
Data is analysed statistically using SPSS Software.



Most of the businessmen responded that it is easier to start a business today as compared to the procedures followed a few years earlier. Due to digitalization a lot of expenses which was done on middlemen in this process is saved. Now they just have to pay the consultancy charges. 24 amongst 30 respondents mentioned that they do not use online mediums to sell their products. A few businesses had separate skilled manpower for handling their online activities. There is no formal training given to these personnel who handle the digital activities of a business. 94% of the businessmen use online portals for payment of taxes and dues, electricity bills, renewal of their licenses and payment of water charges. This has reduced the time and simplified the procedures. Also the human resource required for these activities could be utilized for more productive ones.



The industry associations responded that it has now become easier to start a business as the approvals and licensing procedure can be done easily. Udyog Aadhar has been helpful to some extent but there has to be some changes made in the policy and implementation of MAITRI platform.



5. CONCLUSION

Government of Maharashtra has been continuously taking efforts to encourage business activities and create a conducive business environment in the state. For this, the state government has also come up with different reforms. Most of the businessmen find the implementation of these reforms as a major barrier.

For the growth of the industries and to develop business opportunities in Maharashtra, government has established MIDC (Maharashtra Industrial Development Corporation). This is

definitely a good move from the government end but unfortunately these industrial areas are still struggling with basic infrastructure. The regions of Vidarbha and Marathwada have ample number of industries but there is a lack of basic infrastructure in these regions. The industry associations and businessmen feel that it is due to this hindrance that the regions are not able to achieve the projected growth figures.

The process of digitization has been of some help to the industries in Maharashtra but it still needs to improvise at planning, implementation and evaluation phases. Businessmen use online portals just for online payments, renewal of licenses, paying taxes etc. These activities have brought ease to the businesses as the process and the time required has reduced. For the manufacturing units, land allotments, infrastructural support and lengthy administrative processes are still pending issues but the situation has comparatively improved over the years.

State government is giving more emphasis on digital eco-system but internet connectivity is still an issue with various parts of the state. Businessmen are demanding better internet connectivity. The issue of power supply has improved in Marathwada, Vidarbha but load shedding is still major factor that slows down the industrial growth. Industries are thus demanding for a 24/7 power supply for units. This will help in improving the productivity too.

The portals and other online platform initiatives that are designed by the government are not implemented appropriately. Maharashtra Industry Trade & Investment Facilitation Cell (MAITRI) is good initiative by the state government but there are only few industries that have actually benefited through it. There is a requirement of spreading awareness about these platforms to the industries in the state. Most of the government policies which could be really beneficial for the industries are hardly penetrated in the lower strata of the industry. Therefore, a better medium of communication about the policies is required.

Thus the working hypothesis that 'The digital reforms undertaken by Government of Maharashtra has eased the businesses by simplifying the process, maintaining records and reducing the time required' proves correct. Although there are a number of problems faced by investors, businesses as well as industry associations, the reforms still have proved to be helpful for those companies that have adequate knowledge and resources to operate through these portals and online platforms.

Lack of skill development is a major issue. For the manufacturing units skilled, laborers are required. State government has established ITI and other skill development units across the state, but the traditional teaching methods still used in these institutions and lack of innovation are basic problem faced. With the growing pace of industrial development, skilled labor is extremely

essential. Government needs to concentrate on this need and make policies for the same.

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