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Role of Information Technology in Improving India's Rank in Ease of Doing Business Index

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Abstract: Ease of doing business is a combined figure that includes different factors which define the ease of doing business in a country. From analyzing last three years' reports published by World Bank, it's not exciting news for India as it depicts that doing business in India is not at all easy in comparison to other economies of the world. According to a World Bank report, India now ranks 130 out of 189 countries in the ease of doing business, moving up 12 places from last year. A forward movement of 12 spots in the ease of doing business by an economy of the size of India is a significant achievement'. As Government of India has set a target to enter the top 50 in next few years, it has started emphasizing on simplification of the existing rules and procedures. Introduction of information technology in government policies has made governance more effective which can help in improving India's rank of 'Ease of Doing Business'. Converting from manual to online processes, preparing timeline to give clearances, preventing delays and eliminating unnecessary steps are some of areas which need urgent attention. This paper examines the existing parameters affecting the 'Ease of Doing Business Index'. Finally, it shows the use of online system to curb the unauthorized practices and speed up process of doing new business in India and initiatives taken by government with special reference to Gujarat. Government initiatives to boost India's ranking have also been studied. Suggestions have been included in the research paper based on the recommendations of authenticated reports.

Keywords: Ease of doing business, starting new business, Information Technology, single window, online processes

I. INTRODUCTION

Starting a business is not easy in India. The number of procedures to complete one task, time taken and cost incurred in starting a business in India are significantly higher than most of the major economies. Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. It is computed by aggregating the distance to frontier scores of different economies. The distance to frontier score uses the 'regulatory best practices' for doing business as the parameter and benchmark economies according to that parameter. For each of the indicators that form a part of the statistic 'Ease of doing business,' a distance to frontier score is computed and all the scores are aggregated. The aggregated score becomes the Ease of doing business index. Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism etc. Countries are ranked as per the index. The World Bank report considers three things while ranking countries - processes, cost and time.

a) Determinants of 'Ease of Doing Business'

It is important to note that while there is a slight increase in India's Doing Business Score over last 5 years; India's Ease of Doing Business Rank is 130th among 189 countries. Singapore ranks first in the Ease of Doing Business, followed by New Zealand and Hong Kong. For each of the 189 economies the Doing Business Index is calculated based on the following 11 indicators - Starting a business, Dealing with construction permits, Getting electricity, Registering property, Getting credit,

Protecting investors, Paying taxes, Trading across borders, Enforcing contracts, Resolving insolvency and Labour market regulation.

II. CURRENT SCENARIO OF ELECTRONIC TRANSACTIONS

a) *What is an e-Transaction?*

An e-Transaction is a transaction delivering public service using ICT tools to improve access, enhance transparency and reduce response time while also satisfying all of the following four conditions:

- A. Service is requested through electronic means including mobile devices
- B. Workflow/approval process is electronic
- C. Database is electronic/ digitized
- D. Service delivery is electronic

In order to improve access, enhance transparency and reduce response time is termed as an e-Transaction.

b) *Categories of E-Transaction*

Category A: Statutory and Non Statutory Services

Statutory services like

- » Certificates
- » Payment of taxes (Income Tax/VAT...)
- » Payment of subsidies/ Scholarships/ Social welfare transfers (DBT...)

Non Statutory services like

Services delivered under Agriculture/ PDS/Rural development schemes etc.

Category B: Utility Bill payments

- » Water bill, telephone bill, electricity bill, e-municipality services, piped-gas bill etc

Category C: Business to Citizen (B2C) Services

- » Transactions like banking transactions, Mobile/ DTH recharge
- » Addition/deletion of telephone numbers in Do Not Call registry.

Category D: Informational Services

- » Information access from various e-Governance Portals/Websites
- » Downloading of forms, tenders
- » Enquiry (such as Passport Status, dial.gov.in service, Railway PNR enquiry, result of an examination etc.)

Category E: Social Benefits

- » Repetitive Government disbursements to citizens like social sector pensions, MGNREGA Payment, DBT, Scholarships etc. which are periodic in nature are to be accounted in this category.

Category F: Mobile Governance

- » End-to-end services delivered through mobile device are to be accounted in this category.

c) **Highest E-transactions in Gujarat**

Gujarat has become the first state in the country to record more than 150 crore e-transactions in the last two years. Gujarat crossed Rs 100 crore mark in e-transactions on November 26 last year. Andhra Pradesh is close second with 131 crore, followed by Madhya Pradesh with 93 crore e-transactions.

According to 'eTaal', a central government web portal that disseminates e-transaction statistics, Gujarat accounted for around 20.2% of all e-transactions (747 crore) recorded in all state governments' services in the country during last 32 months. Gujarat's share fell from 27% to 20.22% as other states have been aggressively adapting to e-governance. Gujaratis have shown a preference for paperless transactions and take to internet for all registrations like land records and birth. Gujarat has recorded 151.09 crore e-transactions from Jan 1, 2013 to September 2, 2015 in the standard services provided under state government projects. This year alone, over 39.84 crore e-transactions have been recorded in the state.

According to eTaal, public distribution system, land revenue and utility and bill payments are the top three services which record the maximum use, comprising of 70% or around 105 crore of electronic transactions in state. Gujarat government is next to only central government in terms of use of e-services for governance as central government projects recorded over 250 crore e-transactions since January 2013. The state government currently offers more than 500 services through e-governance and is also implementing 'mobile governance' across the state.

TABLE I
Standard Services

S.No.	Service Name	Description
1	Certificates	All type of statutory certificates issued by Government i.e. Caste Certificate, Income Certificate, Birth Certificate etc. come under this category.
2	Licenses and Permits	Services related to licenses & permits like arm licenses, inner line permits, etc. come under this category.
3	Land Revenue	Services related to land holdings come under this category.
4	Integrated Finance Management Services	Integrated Finance Management Services includes services related to finance management like treasuries.
5	Commercial Tax	It includes services like Dealers Registration, VAT Returns, payments etc.
6	Utility Services and Bill Payment	Utility services like electricity, gas, water, telephone etc. and their bill payment come under this category.
7	Social Welfare and Pension	It includes services like Sr. citizen, old age/widow pension, freedom fighter pension etc.
8	Transport	It includes services like Driving License Issue, Registration of Vehicle, Transfer of Ownership etc.
9	Education	Services like backward class scholarship, post metric scholarship etc. are covered.
10	Public Distribution System	It include services like Issue of Ration Card, Modification of details in Ration Card, etc.
11	Agriculture & Allied	The services under this category are: Agriculture Market Information, Agricultural Advisory Service, Animal Disease Alert, etc.
12	Court and Judiciary	It includes services like cause list, case proceedings, certified copy of judgment/daily order, etc.
13	Election	This service includes Electoral Roll Creation etc.
14	Police	This includes services like FIR Lodged, Missing/ Lost persons, etc.
15	Personnel and Admin	This includes services like Employee Training, posting/transfer, ACR status monitoring, etc.
16	Grievance	This includes services like Grievances Received & Redressed.

17	RTI	This group includes any e-transaction related to RTI Act.
18	Information Service	It provides data/knowledge/information on various services offered through dial.gov service, forms download, Govt. Programs and schemes etc.
19	Property Registration & House Tax	Services related to registration of property acquired or transferred come under this category.
20	Health	Services like Child Registration, Pregnant Women Registration, Patient Registration, etc. come under this category.
21	Rural Development	Services like Job Card Issued, Job Demanded and Job Provided under MGNREGA are included here.
22	Employment	This includes services related to registration of potential candidates/unemployed youth etc.
23	e-Procurement	It includes services like No. of Bidders Enrolled, No. of Tenders Created, No. of Bids Received, etc.
24	Industry and Commerce	It includes services like Registration of Companies, Registration of LLPs etc.
25	Urban Development including Municipality Services	It includes services like Flat allotment and municipality taxes by State Development authority.
26	Passport & Visa Services	It includes services related to passport and visa.
27	Financial Inclusion	It includes services related to financial Inclusion.
28	Skill Development	It includes services related to skill development.
29	State Specific Services	There are certain services that are specific to a particular state. Those services are not found in other state. Such services come under this group.
30	Other Services	Services which are not included in any of the above mentioned standard services are covered under this group.

d) About Etaal

Etaal is a web portal for dissemination of e-Transactions statistics of National and State level e-Governance Projects including Mission Mode Projects. It receives transaction statistics from web based applications periodically on near real time basis. Etaal presents quick analysis of transaction counts in tabular and graphical form to give quick view of transactions done by various e-Governance projects.

Total No. of e-transactions: 1,52,20,13,807

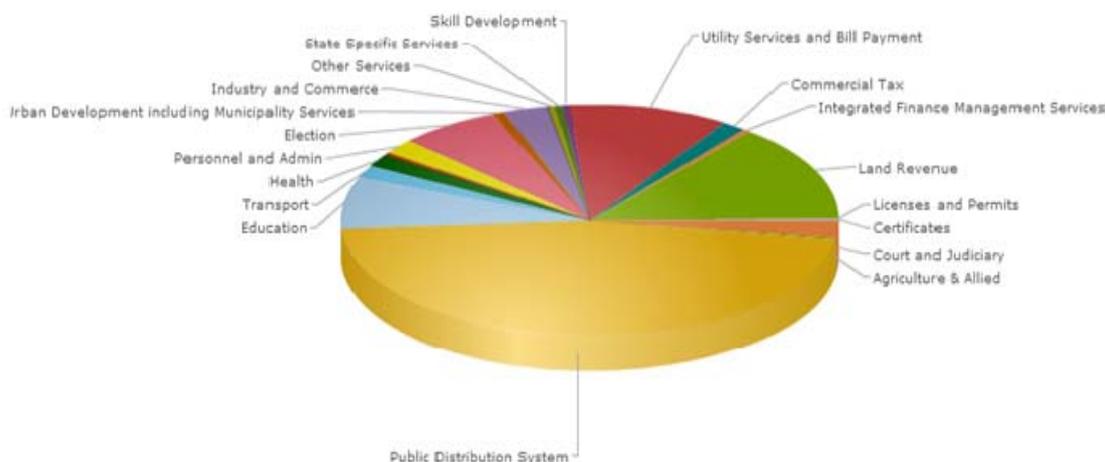


Fig1: Standard Services of Gujarat (From 01/01/2013 to 10/09/2015)

Source: <http://etaal.gov.in/etaal/ChartShow.aspx?ID=MQ%3d%3d&ProjCode=R0o%3d&dt=MTAtMDktMjAxNQ%3d%3d&fromdt=MDEtMDEtMjAxNQ%3d%3d&crt=dGFt&tabCnt=>

III. RESEARCH OBJECTIVES

1. To understand the determinants of the Ease of Doing Business (EoDB) Index
2. To be acquainted with the current scenario of E- transactions in Gujarat
3. To study the major government initiatives to improve ranking in EoDB index
4. To analyse the role of IT solutions in reducing number of procedures, time and cost to start business

IV. MAJOR INITIATIVES TAKEN BY GOVERNMENT

a) Major Initiatives on Improving 'Ease of Doing Business' in India by Government of India, Ministry of Commerce and Industries - Department of Industrial Policy and Promotion

The Government of India has taken up a series of measures to improve Ease of Doing Business. The emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective. The measures taken are:

- » Process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made online and this service is now available to entrepreneurs on 24x7 bases at the eBiz website. This had led to ease of filing applications and online payment of service charges. Following 14 services are integrated with eBiz portal which will function as a single window portal for obtaining clearances from various governments and government agencies:

TABLE III

Services integrated with eBiz portal

a. Industrial Licence (DIPP)	b. Industrial Entrepreneurs Memorandum (DIPP)
c. Employer Registration with ESIC	d. Employer Registration with EPFO
e. Company name availability (MCA)	f. Allotment of Directors' Identification Number (DIN)
g. Certificate of company's incorporation	h. Declaration of commencement of business (MCA)
i. RBI's Foreign Collaboration – General Permission Route	j. Advance Foreign Remittance (RBI)
k. Permanent Account Number (PAN)	l. Tax deduction Account Number (TAN)
m. Issue of Explosive Licence (PESO)	n. Importer Exporter Code (IEC – DGFT)

- » Notification has been issued on 12-03-2015 by DGFT to limit number of documents required for export and import to three.
- » Ministry of Corporate Affairs has introduced an integrated process for incorporation of a company, wherein applicants can apply for Director's Identification Number (DIN) and company name availability simultaneous to incorporation application [Form INC-29].
- » The Companies Amendment Act, 2015 has been passed to remove requirements of minimum paid-up capital and common seal for companies. It also simplifies a number of other regulatory requirements.
- » A comparative study of practices followed by the States for grant of clearance and ensuring compliances was conducted through M/s Accenture Services (P) Ltd. and six best practices were identified. These were circulated among all the states for peer evaluation and adoption. The study has also identified important bottlenecks faced by industries and important steps required to improve the business environment in States.
- » Application forms for Industrial Licence (IL) and Industrial Entrepreneur Memorandum (IEL) have been simplified.
- » Defence products' list for industrial licensing has been issued, wherein large number of parts/components, castings/forgings etc. have been excluded from the purview of industrial licensing. Similarly dual use items, having

military as well as civilian applications (unless classified as defence item) will also not require Industrial License from defence angle. For these items only an Industrial Entrepreneur Memorandum (IEM) has to be filed.

- » Initial validity period of Industrial License has been increased to three years from two years. This will give enough time to licensees to procure land and obtain the necessary clearances/approvals from authorities.
- » MHA has stipulated that it will grant security clearance on Industrial Licence Applications within 12 weeks. In matters other than Explosives and FIPB cases, security clearances are valid for three years unless there is a change in composition of management or shareholding.
- » Partial commencement of production is being treated as commencement of production of all the items included in the license. This has obviated the hardship of licensees to get their Industrial License extended even though they have started production.
- » To facilitate investors and to reply to their queries, Frequently Asked Questions (FAQs) by applicants for grant of industrial license have been developed and uploaded on DIPP website.
- » The NIC Code NIC 2008 has been adopted, which is the advanced version of industrial classification. This code will allow Indian businesses to be part of globally recognized and accepted classification that facilitate smooth approvals/registration.
- » The 'Security Manual for Licensed Defence Industry' has been issued. This has obviated the requirement of affidavit from applicants. Earlier, an affidavit signed before Judicial Magistrate was required from the applicant to confirm that they will comply with the safety & security guidelines/procedures laid down by the Ministry of Defence and Ministry of Home Affairs in Government of India. The applicants were facing difficulties in obtaining such affidavit and this was severely delaying the issue of License even after approval of Licensing Committee.
- » A checklist with specific time-lines has been developed for processing all applications filed by foreign investors in cases relating to Retail/NRI/EoU foreign investments. This has been placed on the DIPP website.
- » An Investor Facilitation Cell has been created in 'Invest India' to guide, assist and handhold investors during the entire life-cycle of the business.
- » SEZ Units allowed removing goods for repair, replacement, testing, calibration, quality testing and research and development on self-attestation.
- » Process of applying for Environment and Forests clearances has been made online through Ministry of Environment and Forests' portals <http://environmentclearance.nic.in/> and <http://forestsclearance.nic.in/>.
- » Requirement for Environment Assessment Report is required for industrial shed, school, college, hostel for education institution above 20,000 square meters of build-up area up to 150,000 square meters of build-up area.
- » The issue of time taken in registration with Employees Provident Fund Organization (EPFO) and Employees State Insurance Corporation (ESIC) was taken up with the Ministry of Labour and Employment, Director General, ESIC and Central Provident Fund Commissioner. Both the processes have been automated and ESIC registration number is being provided on a real-time basis.
- » An order facilitating revival and rehabilitation of MSMEs through banker's committee has been issued by Ministry of MSME.
- » A unified portal for registration of Units for LIN, reporting of inspection, submission of returns and grievance redressal has been launched by Ministry of Labour and Employment.

- » DIPP has requested all Secretaries of Government of India and Chief Secretaries of the States/UT to simplify and rationalize the regulatory environment.
- » Registration process of VAT and Professional tax has been merged into a single process with single ID on 1st January, 2015 by the Government of Maharashtra.
- » Registration for VAT in Delhi has been made online. TIN allotment is done real-time and business can start immediately on receipt of TIN number.
- » The time required for giving a new electric connection in Mumbai has been reduced to 21 days from 67 days. The number of procedures involved has been cut down to 3 from existing 7.
- » Simplified procedure for new electric connection in Delhi with reduced procedures and time.
- » Municipal Corporation of Delhi has launched online application process for grant of construction permits for residential and industrial buildings on 16th March, 2015 and commercial buildings in May, 2015.

b) In line with the objectives to facilitate trade and improve ease of doing business, the following measures have been taken by Central Board of Excise and Customs (CBEC)-

- » Single Window Project -Online message exchange: Single Window provides a common platform to EXIM trade to meet requirements of all regulatory agencies (such as Animal Quarantine, Plant Quarantine, Drug Controller, Textile Committee etc) through message exchange. Benefits of Single Window Scheme include ease of doing business, reduced costs, enhanced transparency, reduced duplicity and cost of compliance and optimal utilisation of resources.
- » Adoption of Digital Signature: To dispense with requirement of physical submission of documents and encourage paper less working, with effect from 01.04.2015 on an optional basis the facility of 'Digital Signature' has been introduced for importers, exporters, airlines, shipping lines etc. However, for importers registered under the 'Accredited Client Programme' (ACP), digital signatures are mandatory with effect from 01.05.2015. Introduction of digital signature will maintain data integrity and reduce cost of compliance.

V. BENEFITS OF INFORMATION TECHNOLOGY

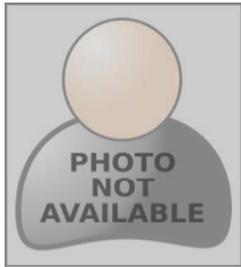
- » We can understand the role of information technology through greater efficiency. Computerization helps in reducing duplication in the storage of information and makes it possible to consolidate a large amount of information in one database.
- » It also optimizes processes by streamlining workflows and helps compile information in ways not possible with manual systems. Faster processes reduce the time involved to complete one procedure and speed up applications processing time while saving applicants' time.
- » Computerization also allows in setting up tracking mechanisms to assess performance and improve services to customers.
- » Data accuracy is another advantage because each transaction entered in a computerized system can be automatically registered and information is up to date. A computerized system also provides built-in mechanisms to perform consistency checks and verify data instantly.
- » Computerization can increase security by allowing backup copies to be made. The latest data can be saved in different locations and protected from natural disasters such as floods /earthquake.
- » Computerization also strengthens transparency by making records available to all stakeholders. A computerized system makes it easier for different people to access data in different locations at the same time.

VI. CONCLUSION

Government has taken many initiatives in the direction of improving ease of doing business rank in coming years in terms of reduced number of procedures to start a business, introducing the concept of E – transactions in order to avoid delays and reduced cost of visiting various offices by providing online platform for investors. “More Governance and less government” is the vision of our Prime Minister Mr. Narendra Modi and we can see a significant jump in the World Bank’s Ease of Doing Business ranking by implementing the concept of transparent government procedures. Proper use of information technology can certainly be a major tool in developing expertise in doing business globally with efficiency. Information technology is a part of good business regulation. Choosing appropriate technology is a key step in designing a new digital environment. Offering online services, providing real time information, creating transparent environment for businesses and generating new business opportunities through digital means shall boost confidence of investors.

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