

An Exemplary Online Single Window Clearance System – Paramount to Ease of Starting Business

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ABSTRACT

Infrastructure is one of the basic requirement to do business and as it is the basic requirement it is considered as one of the eight parameters on which Ease of Doing Business in States is measured. The parameter is termed as 'obtaining infrastructure related utilities' and measures how easy it is to obtain infrastructure related utilities like electricity or water connections and clearances. Any investor who seeks to invest and initiate in any form of business has to obtain a minimum infrastructure without which business cannot be initiated. To start a business in Kerala, an investor based on the nature, type and other features of the business has to get clearances from 15 government departments and is not a simple process. Approaching each department and undergoing procedures to get the particular clearance is tedious, time consuming and costly process. This curbs ease of starting business in Kerala. From reviewing available literature regarding this aspect, a theoretical model was developed, which States that the availability of an ideal online single window clearance system can create Ease of Starting Business. The present study aims to analyse the effectiveness of an ideal online single window clearance system in creating easiness to obtain infrastructure related utilities. The study finds that there is a partial availability of features of an ideal online single window clearance system and concludes that the online system is not effective in creating easiness in obtaining infrastructure related utility clearances and hence there is no ease of starting business.

Keywords: Infrastructure related utilities, Clearances, Online single window, Ease of Doing Business, Ease of Starting Business.

INTRODUCTION:

A decade ago, globally available indicators for monitoring and analyzing microeconomic factors and their relevance were not in existence. In 1980s, preliminary efforts were initiated which was basically the collection of data, based on the perception of experts or business surveys. These data constrained of unsure reliance and incomplete coverage restricting it from being used for analysis. In this regard, the Doing Business project was initiated fifteen years ago being the first Doing Business report, published in 2003. Ease of Doing Business (EoDB) is an index published by the world bank, which is an aggregate figure that includes the different parameters which define the ease of doing business in a country i.e. based on procedural and administrative ease to do business or lack of it, different countries under the word bank are ranked. Financial Express Bureau (2018) states that India has jumped 23 positions to become the top 77th country out of the 190 countries in terms of 2019 EoDB index. Methodology adopted in this ranking considers only two economies from each country and India is analyzed based on feedback from two metros i.e. New Delhi and Mumbai, being failed to consider the federal nature of the country and the varying levels of development in each state. To overcome this and to

ensure EoDB all over India, Department of Industrial Policy and Promotion (DIPP) has been annually ranking the different States and Union Territories. Each year DIPP prepares Business Reform Action Plans that comes under eight parameters and is to be adopted and implemented by the States and Union Territories. The ranking of States is not done on same criteria as that of the ranking of countries. It does not reflect the level of business conducive nature of the States, rather reflects the willingness of States to reform and attract investments.

Infrastructure development is one of the key criterion that has a direct impact on creating EoDB. Infrastructure has a two-way linkage with EoDB, infrastructure promotes business in one way and on the other the development of business results in the growth of infrastructure. Infrastructure is one of the basic requirement to do business and being the basic requirement it is considered as one of the eight parameters on which EoDB in States is measured. The parameter is termed as 'obtaining infrastructure related utilities' and measures how easy it is to obtain infrastructure related utilities like electricity or water connections and clearances. Any investor who seeks to invest and initiate in any form of business has to obtain a minimum infrastructure without which business cannot be initiated.

LITERATURE REVIEW:

A single window clearance system has many advantages that makes it paramount to do business. Trpcevska (2014) on analysing the effects of implementing single window conclude that the introduction of single window has been viewed positively by companies as it saves time and human resources and she also confirms that the introduction of trade facilitation measures like single window is necessary for assisting companies to compete more effectively in international marketplace. Implementing a single window clearance system is a hefty process. there are many challenges that restricts its adoption. Abeywickrama and Wickramarachchi (2015) claims that the most critical challenges to the implementation of single window are lack of government support, inadequate coordination between Stakeholders that require government and high-level strategic decision makers to actively take their parts in the creation of political will and inter agency collaboration. Aman and others (2016) is of the opinion that IT infrastructure, system integration, internet infrastructure, change resistance, computer skills, and legislative and regulatory issues that restricts the implementation of electronic single window. Overcoming the challenges that restricts the implementation of single window enables to tackle all forms of associated benefits including saving time and cost.

The Department of Industrial Policy and Promotion (2017), Government of India insists that Business Reform Action Plans to be adopted and implemented by the States and Union Territories to create ease of doing business in India. These action plans demand the States to ensure necessary facilities for procedures associated with getting clearances from the different government departments to be performed online. The Kerala State Industrial Development corporation (2017), on undertaking a study to reform the existing rules and acts related to clearance procedures for starting an enterprise under the 'ease of doing business' initiatives reveals that as per the reforms suggested by DIPP a detailed procedure and comprehensive check list covering all the steps and requirements necessary to start business has been published online, clear time limits to get clearance are notified online, facilities has been made to submit applications online along with submission of document, online payment of fees and online status tracking. As it is evident that initiatives have been implemented to simplify procedures and reduce time and cost involved in getting clearances through a single window clearance system, this study aims to analyse the effectiveness of an ideal online single window clearance system in creating easiness to obtain infrastructure related utility clearances to start a business

STATEMENT OF THE PROBLEM:

To attain the government objective of business service delivery easier and more efficient, businesses units must truly benefit from lower time and costs burdens of compliance. Hence there arises a need to analyse the effectiveness of an ideal online single window clearance system in creating Ease of Starting Business.

OBJECTIVES OF THE STUDY:

1. To analyse the effectiveness of an ideal online single window clearance system in creating easiness to obtain infrastructure related utility clearances to start a business.
2. To examine the challenges that restricts entrepreneurs from obtaining infrastructure related utility clearances to start a business.

METHODOLOGY:

The study undertaken is analytical in nature and concentrates in analysing the effectiveness of an ideal online single window clearance system in creating easiness to obtain infrastructure related utility clearances to start a business. Both primary and secondary data from various sources are used to undertake the study. Primary data for the study is collected through a structured interview schedule. The population consists of entrepreneurs of all newly registered business units during the period of 2017-2018 in Thiruvananthapuram district, which constitutes a total of 2635 business units out of which 1225 units belong to manufacturing sector and the remaining 1410 business units belongs to service sector. From the records maintained by the Directorate of Industry and Commerce, Government of Kerala, of the registered business units in Thiruvananthapuram, 336 business units registered in the year 2017-2018 are considered as respondents for the study. Sample for the study is selected on the basis of simple random sampling technique. To derive the exact number of sample that can represent the total population under study, Cochran's formula was equated resulting to a sample of 336 that constitutes business units in manufacturing and service sector which is proportionate to the number of manufacturing and service sector business units in the total population i.e. 155 business units from manufacturing and 181 from service sector constitutes the sample for the study.

Infrastructure for Ease of Starting Business:

Ease of doing business of State depend on a multitude of factors, including availability of raw materials, skilled human resources, sufficient infrastructure and law and order. Infrastructure acts as a solid foundation, replicable platform, model or formula that makes doing business easier. Infrastructure has a two-way linkage with Ease of doing business i.e. infrastructure promotes business and the development of business results in the growth of infrastructure. Infrastructure is very much linked with doing business easily as the outcomes of infrastructure sectors like electricity, water, transport etc. act as input for business resulting in sub optimal utilisation of assets and efficient operation of business units.

A business can be referred to as an economic system that provides goods and services with the aim of generating revenue. The notion of a possibility of being able to earn profit itself offers incentive for starting one's own businesses. Business is extremely important to a country's economy as it provides goods and services and jobs. The business activities in a country is related to its economic development which directly affect the standard of living of people in that particular country as it implies an increase in per capita income of every citizen. Economic development creates opportunities in many sectors such as education, healthcare, employment and the conservation of the environment. Business hence has a very important role in creating a spark to economic development through starting new businesses, creating jobs, and contributing to improvement in various key goals such as GDP, exports, standard of living, skills development and community development. Business infrastructure is the basic physical and organizational structures and facilities like buildings, roads, transportation, communication, sewage, water, electric systems etc. required to operate an enterprise. Having infrastructure in place is essential for enabling productivity in the economy.

Infrastructure related utilities refers to the basic infrastructure requirements necessary for a business to operate which includes electricity, water or sewage connection and other related clearance certificates. For a business to be incorporated, availability of basic infrastructure utilities is an unavoidable criterion. Business activities in any country is regulated by the legal framework within which that economy functions. A legal frame work that restricts easy and timely access to infrastructure related utilities can curb business activities. Entrepreneurship creates economic development by increasing businesses activities, reducing unemployment and contributing to improvement in GDP and standard of living of people. To achieve growth and development in any economy, the government must strive to ensure that the environment is conducive which induces easiness in obtaining infrastructure related utilities.

One of the basic steps to start a business is to obtain infrastructure related utility connection and clearance from the government governing the law and order of that economy. A business friendly economy will be the one in which there is liberalised rules and regulations, where obtaining infrastructure related utility connection and clearance is an easy and effortless process. An economy with a well organised political and legal system executes its governance through the formation and decentralisation of authority to government departments. Obtaining infrastructure related utility connection and clearance to start a business implies that entrepreneur has to approach the different departments that deal with the required clearance facility.

An investor who seeks to set up an industry or business in Kerala has to approach the following departments for clearances as applicable to the nature and type of the industry they propose to establish. Figure 1, represents the different departments and the corresponding clearance facilitated.

Figure 1: Clearances issued by government department in Kerala

No	Department	Clearance
1	Factories and boilers	Layout Approval
		Issue of factory license
2	Fire and Rescue Services	Initial NOC – Consent to Establish
		Final NOC – Consent to Operate
3	Electrical Inspectorate	Electrical Scheme Approval
		Issue of Safety Certificate
4	KSEB	Energising of Electricity Connection
5	Commercial Taxes	Registration under Kerala money lenders act
		Registration under luxuries act
6	Pollution Control Board	Initial NOC – Consent to Establish
		Final NOC – Consent to Operate
7	Town and Country Planning	Layout Approval
8	Local Self Government	Issue of Building and Development Permit
		Issue of Occupancy Certificate
		Issue of Dangerous and Offensive Trades and Factories Licence
		Registration or Licensing of private hospitals, paramedical institutions, slaughterhouses, private markets, private tutorials
9	Kerala Water Authority	Clearance for Water Connection
10	Kerala Ground Water Authority	Issue of No Objection Certificate
11	FSSAI	FSSAI Registration
		FSSAI Licencing
12	Mining and Geology	Issue of Quarrying Permit for removal of ordinary earth for building construction
13	Labour Department	Issue of Licencing and Registration under labour acts
14	Registration	Property Registration
15	Environment and Forests	SEIAA clearance
		CRZ clearance
		Permission for cutting trees

Source: Financial report KSIDC

The model of an ideal online single window clearance system:

Based on literature reviewed, a theoretical model has been developed that explains the concept of an ideal online single window clearance system that can simplify the procedures involved and can reduce cost and time incurred to obtain infrastructure related utility clearances. Features of an ideal online single window clearance system are as follows:

Transparency and access to information:

An ideal online single window clearance system with a publicly available comprehensive checklist on all requirements necessary to get NOCs, licenses, registrations and other mandatory approvals for setting up of a business, a draft on business regulation enabling the public to access and be aware of all business regulations, facility to receive comments or feedback on the draft business regulation and how they were addressed in the final regulation or of any other concern and third party verification of licences, registrations and clearances issued to an enterprise brings transparency and easy access to information for both the business and the public.

Common application form:

All departments that are involved in issuing clearances individually has application forms that differ for each clearance service provided to start a business. These forms are to be filled by the applicants and submitted to associated departments along with the required supporting documents. A lot of information captured in these forms are common and hence leads to duplication of effort as the same details are being filled in multiple forms. This process can be simplified by introducing a common application form that can be administered online. Features like single and integrated online submission of application, online submission of necessary documents and online payment of all requisite fees on all clearances required to start a business through a common application form integrates the different application form of different services and eliminates the time consumed to physically visit each department to make payment for clearance service.

Other features:

include online status tracking of each stage of progress in processing applications submitted, online approval of application and online issue of inspection report and final certificate, Geographic Information System mapping enabling entrepreneurs to get details about land earmarked for industrial use and availability of infrastructure in an area, clearly defined timeline to process the application and to provide the final certificate of clearance published online and integration between departments online system simplifying mutation process between related departments and eliminating physical touchpoints involved in the same.

All together these features in its complete efficiency can be termed as an ideal online single window clearance system that reduces the time and cost incurred, simplifies the procedures, eliminates time consuming procedures, removes physical touchpoints, brings uniformity in processing applications, improves transparency, improves efficiency and creates convenience to applicants in obtaining clearances. It creates easiness in obtaining infrastructure related utility clearance, which ultimately creates Ease of Starting Business.

ANALYSIS AND FINDINGS:

Based on theoretical understanding, data concerning to variables identified has been collected from the sample respondents and are illustrated here.

Procedures to get clearance: Getting clearance to start a business demands hefty procedures. Simplifying the procedures involved in obtaining clearances ensures easy access to clearances and there by burgeons ease of starting business.

Table 1: Opinion score on procedures to get clearances

Proedure	Sector	N	Mean	SD	SEM
Prior to making an application it is possible to know all procedures and steps that has to be undertaken	Manufacturing	155	4.47	.501	0.040
	Service	181	4.60	.491	0.036
All documents to be submitted can be easily known in advance	Manufacturing	155	4.52	.501	0.040
	Service	181	4.59	.493	0.037
Physical and frequent visit to departments is completely avoidable	Manufacturing	155	1.60	.680	0.055
	Service	181	1.70	.625	0.046
Physical submission of documents is not required to be done	Manufacturing	155	1.41	.700	0.056
	Service	181	1.73	.620	0.046
Online payment of fess for connection and clearance	Manufacturing	155	1.58	.568	0.046
	Service	181	1.56	.541	0.040
Progress in each stage of processing the application can be tracked	Manufacturing	155	1.97	1.078	0.087
	Service	181	2.18	1.096	0.081
Clearance from one department must be physically submitted to another	Manufacturing	155	4.41	.544	0.044
	Service	181	4.38	.561	0.042

Source: Primary data

Table 1 reveals that majority of the respondents agree with the statements that prior to making an application it is possible to know all procedures and steps that has to be undertaken, all documents to be submitted can easily be known in advance. They disagree to statements like physical and frequent visit to departments is completely avoidable, physical submission of documents is not required to be done, online payment of fess for connection and clearance, and progress in each stage of processing the application can be tracked. The respondents also agree to the statement that clearance from one department must be physically submitted to another. It is found that the different procedures associated with getting clearance has not been simplified.

Time lag in getting clearance: Reducing time taken to complete each stage of getting clearance increases the speed with which a business can be commenced. An ideal online single window clearance system target to process application swiftly and thereby reduce the overall time required to obtain clearances.

Table 2: Opinion score on time lag in getting clearances

Steps	Sector	N	Mean	SD	SEM
Submission of application	Manufacturing	155	2.08	.729	.059
	Service	181	2.17	.975	.072

Steps	Sector	N	Mean	SD	SEM
Receive inspection report	Manufacturing	155	1.97	.702	.056
	Service	181	1.91	.794	.059
Receive final certificate or connection	Manufacturing	155	2.27	.767	.062
	Service	181	2.24	.758	.056

Source: Primary data

Table 2 denotes that the different steps involved obtaining clearance like submission of application, receiving inspection report and receiving final report takes more time to be completed than expected by the respondents.

Cost of Clearance: An ideal online single window clearance system aims to extirpate all unnecessary cost involved in getting clearances. Dwindling the cost involved in the process transforms the system into an effective mode corroborating ease of starting business.

Table 3: Opinion score on cost incurred to get clearances

Cost	Sector	n	Mean	SD	SEM
Requisite fee paid	Manufacturing	155	2.93	.704	.057
	Service	181	2.99	.782	.058
Cost incurred to visit different departments physically	Manufacturing	155	3.85	.854	.069
	Service	181	3.92	1.021	.076
Working days lost	Manufacturing	155	3.26	.547	.044
	Service	181	3.26	.591	.044
Negligence from the part of the workers	Manufacturing	155	4.39	.618	.050
	Service	181	4.25	.657	.049
Lack of integration between departments	Manufacturing	155	4.64	.591	.047
	Service	181	4.54	.628	.047
Unavailability of online system	Manufacturing	155	4.75	.435	.035
	Service	181	4.78	.416	.031
Fee charged for assistance to make application	Manufacturing	155	3.37	.791	.064
	Service	181	3.49	.834	.062

Source: Primary data

Table 3 reveals that majority of the respondents is of the opinion that high cost is incurred to get clearance as the process subsumes cost incurred to visit different departments, negligence from the part of the workers, working days lost, lack of integration between departments, unavailability of online system and fee charged for assistance to make application.

Challenges faced to get clearances: Getting clearance from government to start a business is not an easy process. Entrepreneurs confront with perplexities and are obscure of intricate procedures. Any investor who seeks to invest in any form of business has to procure at least the basic form of clearances and hence has to encounter various challenges that restricts easy access to obtain clearances.

Table 4: Opinion score on Challenges faced to get clearances

Challenges	Total score in ranking			Mean of score	
	Manufacturing	Service		Manufacturing	Service
Multi window clearance	568	664		3.66	3.66
Unavailability of online system	589	721		3.80	3.98
Security issues	479	537		3.09	2.96
Lack of proficiency in computer technology	373	423		2.40	2.33
Unavailability of network	316	370		2.03	2.04
Rank	1	2	3	4	5
Weight	5	4	3	2	1

Source: Primary data

Table 4 reveals that Unavailability of online system is the most severe challenge faced by the respondents, followed by multi window clearance, security issues and lack of proficiency in computer technology. Unavailability of network is the least out of all other challenges.

CONCLUSION AND SUGGESTION:

The study focus on analysing the effectiveness of an ideal online single window clearance system. The analysed data and its interpretation state that there is a partial availability of online single window clearance system. Even though there is partial availability of features of the system, majority of the features are unavailable and hence there is an absence of the concept of an ideal online single window clearance system. The system in its full efficiency would have been effective in simplifying the procedures involved and the time and cost incurred in the process of getting clearance and thereby making the process easy and convenient. As the process of getting clearance gets easier, the concept of starting a business gets convenient and easy to investors. It can be concluded that the absence of an ideal online single window clearance system prevents easiness in obtaining infrastructure related utility clearances and there by trammels ease of starting business. To further strengthen the single window system, a common application form facilitating online submission of application and documents and online payment of all requisite fees for all forms of clearance has to be established. There should be an online system for each departments and it has to be integrated with the single window online system. A publicly available comprehensive checklist on all forms of clearance, draft on business regulation pertaining to all forms of clearance from all departments and online invitation for public comments or feedback on regulations enacted must be availed on both the online system of the corresponding department and in the single window online system. Public verification of licenses, registrations and clearances issued to entrepreneurs, online status tracking of all applications, issue of final approved certificates and clearly defined timeline to process the application and to provide the final certificate must be ensured and made available through the single window online system.

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