

# Road Map Towards The Path Of Tamil Nadu Government's Trillion Dollar Economy – An Assessment Of “Ease Of Doing Business”

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## ABSTRACT:

### PURPOSE:

The main purpose of this study is to identify the influence of the Central Government's initiative on the Tamil Nādu Government's Ease of Doing Business, to understand the impact of the Tamil Nādu Government's Business Reform Action Plan on the growth of Business in the state and to suggest measures to overcome the challenges in implementing the Ease of Doing Business

### METHODOLOGY:

The study employed empirical research. The researcher's had collected data from primary and secondary sources. Secondary sources were from newspapers, internet searches, journals, books and information from relevant officials.

### TOOLS AND TECHNIQUES:

SPSS tool was used to analyse the data collected through Google forms. Demographic profile of the respondents is studied. Percentage analysis, ANOVA, Mean analysis are used for the study

### FINDINGS:

Many entrepreneurs registered their business through online process, but still few have done it through offline by getting it done through agency. Many entrepreneurs feel that the registration of business process takes more time. The major hindrance in processing a loan for business are identified as need of compulsory collateral securities, lengthy procedures and long processing time

### IMPLICATIONS:

As Ease of doing business is not present much in Tamil Nadu, the state must introduce many reforming measures in registration process, loan process and taxation process in future in order to improve the ease of doing business.

**KEYWORDS:** Business Reform Action Plan, registration process, collateral security

## INTRODUCTION:

The vision of the Chief Minister of Tamil Nādu Mr. M K Stalin is to create a Trillion Dollar Tamil Nādu with in the year 2030. Tuning to this, his visit to the United Arab Emirates has been a success in the sense that he was able to obtain commensurate investments. It is informed that his visit would bring in Rs. 2000 crores to Tamil Nādu, focussing on the Industrial growth of the state. Assuring his government's support to the

industry in overcoming new challenges, Tamil Nadu Chief Minister M K Stalin urged the captains of the industry to explore new opportunities and join the Government's efforts in making the State a One Trillion-dollar economy by 2030.

Trillion Dollar Economy is the size of the State Economy which is measured by its Annual Gross Domestic Product. The GDP is the total monetary

value of all goods and services produced in the state within a year.

The Indian Economy is the sixth largest economy in the world. Tamil Nādu is firm to contribute to the success of the Indian Economy. The Central Government had taken steps to boost investment, support real estate, credit expansion, corporate tax and bank recapitalisation, FDI flows etc. were the measures to achieve this target. In this line, the Government representative, Niti Ayog CEO Mr. Amitabh Kant, had identified certain steps to increase the GDP, which are

1. Increase the Ease of Business
2. Urbanisation
3. Globalisation
4. Women participation
5. Agricultural reforms leading to growth

This research paper focusses on the first step to improve the GDP of the state which is Ease of Doing Business. The vision of the Chief Minister will not be possible unless there is a seamless environment to improve the regulatory environment and facilities for doing business in Tamil Nādu. Ease of Doing Business is an initiative of the Central Government, initiated by the Department of Promotion of Industry and Internal Trade in coordination with the State Government to bring in a series of reforms to improve the business climate of the state.

The Tamil Nādu state has prepared a Business Reform Action Plan which aims at increasing the transparency and improving the efficiency and effectiveness of the regulatory framework. As a result, the Tamil Nādu Government has enacted the Business Facilitation Act, 2018 and has formulated Business Facilitation Rules, 2017. The State Government has also set up the TANSIM – Tamil Nādu Start-up and Innovation Mission to provide enabling and innovative ecosystem in the state.

The spectrum of areas that are of concern to start business are as follows:

1. PAN/TAN/ DIN for the purposes of paying taxes
2. MCA for the Registration of Companies
3. ESIC for registration of employees
4. EPFO for registration under Provident Fund
5. Shops and Establishments Act
6. Central Board of Indirect Taxes and Customs Act
7. Various courts for Contract Acts
8. SARFAESI [Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest] Rules and CERSAI [Central Registry of Securitisation

Asset Reconstruction and Security Interest] for getting to get credits

9. Sub registrar's offices for registration of Properties

10. Local revenue authorities- the State Public Work Department.

Hence to enable the EASE OF DOING BUSINESS, the following measures have been taken by the Government –

1. The PAN / TAN / DIN have now been merged into a single form – SPICE [Simplified Process to Incorporate Companies Electronically] – which is used for Incorporation of Companies, making this laborious process very simple
2. Elimination of Incorporation fee for Companies with an authorised capital of less than Rs. 15 lakhs.
3. Making Registrations under the ESIC and EPFO under the Shram Suvidha portal where there is no physical touch point.
4. No requirement of any inspection before registration under the Shops and Establishments Act [ only in Mumbai and Delhi].
5. No common seal is required for companies.
6. Importers and exporters who trade across borders can now electronically lodge their customs clearances documents
7. CBIT [ Central Board of Indirect Taxes] has now a facility for advance bill of Entry
8. To facilitate enforcement of contracts, e-filing has been introduced in District courts of Delhi and Mumbai.
9. For obtaining credit, a geographically unified electronic registry that provides details for registration by asset type has been created by the Central Registry of Securitisation Asset Reconstruction and Security Interest [CERSAI]
10. The Corporate taxes has been reduced to 25%
11. The infrastructure facilities for online payment of taxes have been developed
12. The ESIC has developed a fully online module for electronic return filing.
13. The process of resolving insolvencies has been made simple through the process of CIRP.
14. Digitisation of land records and maps will bring transparency on encumbrances and ease the process of registering properties.

## OBJECTIVE OF THE STUDY

1. To identify the influence of the Central Government's initiative on the Tamil Nādu Government's Ease of Doing Business
2. To understand the impact of the Tamil Nādu Government's Business Reform Action Plan on the growth of Business in the state
3. To list out the challenges that could be faced in the process of implementing Ease of Doing Business
4. To suggest measures to overcome the challenges in implementing the Ease of Doing Business.

## RESEARCH METHODOLOGY

The study employed empirical research. The researcher's had collected data from primary and secondary sources. Secondary sources were from newspapers, internet searches, journals, books and information from relevant officials. In this research snowball sampling technique was used. In order to get reply from heterogeneous group the survey was done on the basis of snowball sampling. The questionnaire was prepared as Google form and circulated among entrepreneurs through online and data was collected through mail. The survey aimed to study the ease of doing business among entrepreneurs the responses were collected from respondents on first come first serve basis and the response was closed with 100 respondents. Out of that 20 found to be incomplete so out of hence, 80 complete responses were taken for the study.

Primary data was collected from young Entrepreneurs to get information about Ease of doing Business. SPSS tool was used to analyse the data collected through Google forms. Demographic profile of the respondents is studied. Percentage analysis, ANOVA, Mean analysis are used for the study.

## REVIEW OF LITERATURE

Corcoran and Gillandors, R. (2015), examined how the country's business regulatory environment has affected the amount of foreign direct investment it attracts. They found that there is no evidence that the ease of doing business of nearby countries has an effect on the FDI that a country sets in general.

Alemu (2015), in this paper the researcher conducted a sample study of 41 African countries from 2005-2012 on how each element of "good governance infrastructure" and ease of doing business in Africa.

The results of the study revealed that government effectiveness, political stability, rule of law, regulatory quality and absence of corruption are the robust determinant for creating conducive business atmosphere.

Natarajan,P. & Raza, M.T. (2017), the paper reviewed the current scenario of ease of doing business in India and BRIC nations on ease of doing business parameters using secondary data. The researcher suggest that more reforms are needed to be undertaken by the government focusing on more flexible labour laws, enhancing the access to low-cost of capital, uninterrupted power supply, easy entry and exit to business.

Khee Giap Tan et.al (2018), proposed a novel framework to measure ease of doing business by taking into consideration three distinct environments, attractiveness to investors, business friendliness and competitive policies (ABC). In this study the EDB Index ABC was applied to 33 Indonesian provinces to make a bottom-up approach in understanding the EDB.

Sasidaran Gopalan et.al (2018), provided a comprehensive assessment of business conditions in 21 sub-national economies of India. The authors found that indicators capturing attractiveness to investors and business friendliness which are representative of Defacto implementation issues at the sub- national matter more than dejuire competitive policies.

Mohammad Shahnawaz Abdin & Rahul Kumar (2020), analysed the role of rural economy of India in making it a trillion-dollar economy. In this paper the sectorial composition of rural economy was studied and the challenges in rural economy identified. The findings of the study were that the rural economy of India is important to make a 5 trillion USD economy.

Sudesh Zingde & Neha Shroff (2020), investigated the influence of business climate in enhancing the Indian economy and the impact of EODB scores on the foreign direct investment inflow and Gross Domestic Product, per capita income was identified. The study concluded that the export value and availability of land and labour resources have high association of FDI inflow, EODB score and FDI inflow has significant influence on the GDP per capita income and FDI flow, input and export value on nation's total GDP value.

## ANALYSIS AND INTERPRETATION:

**Table No. 1 Demographic Analysis**

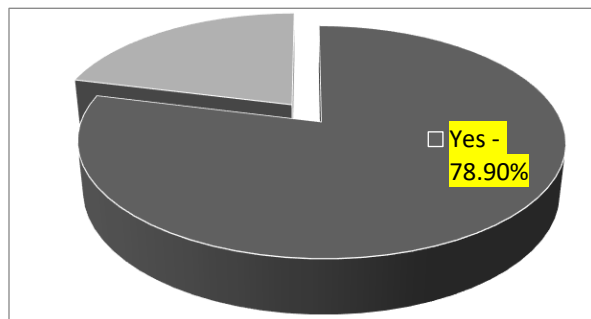
Factors		Frequency	Percentage
Age	21- 25	4	5
	26 - 30	10	12.5
	31 - 35	42	52.5
	36 - 40	24	30
Educational qualification	School level	3	3.8
	Under Graduate	49	61.25
	Post Graduate	25	31.25
	Professionals	3	3.8

Sources: Primary data

**Inference**

The above table depicts the demographic factors and their distribution towards the study. Out of 80 respondents, 82.5% of respondents found to be from the middle-aged group. As per the demographic study,

only 3 respondents have restricted their education to school level. All other respondents are under graduates, post graduates.

**Registration of Licensing of Business process****Figure No. 1 Registration of Licensing Process****Inference:**

The above figure depicts that registration/license process online is 78.90%, Although, still there are around 21.10% of the registration done offline.

**Table No:2 Processing time required to complete the process of registration of business**

Days	No. of Respondents	%
0-10	5	6.25
10-20	11	13.75
20-30	25	31.25
More than 30 days	39	48.75
Total	80	100

Sources: Primary data

From the above table it is very much evident that majority of the entrepreneurs (48.75%) took more than 30 days and another huge number of entrepreneurs (31.25%) took between 20-30 days to complete the registration of business process.

**Problems faced during online registration of business**

**Table No: 3 Mean scores for problems faced during online registration process**

Problems	N	Mean	SD
Site Problem	80	3.88	0.805
Delay of application Process	80	3.58	0.857
Difficulty in making payment	80	4.07	0.855
Not user friendly	80	3.36	0.961
Level of problems faced	80	14.89	3.478

Sources: Primary data

**Inference:**

From the above table it is found that the entrepreneurs face more problems in making payment through online (Mean 4.07) and Site related problems (Mean 3.88) while comparing with other problems. It is also inferred that the problems faced are above the average level since all the mean value are above 3, out of 5. Based on the overall mean measure we can say that the level of problems faced by the entrepreneurs in registration of business process is above 74% ( $14.89/20 \times 100$ ).

**Table No: 4 Time took to complete the Financing Process**

Days	No. of Respondents	%
10-20	3	3.75
20-30	9	11.25
30-40	27	33.75
More than 40 days	41	51.25
Total	80	100

From the above table it is inferred that more than half of the entrepreneurs (51.25%) feel they took more than 40days and another huge set of entrepreneurs (33.75%) took between 30-40 days to complete the finance process.

**Table No: 5 Problems faced during processing of Finance**

Dimension	Very High	High	Moderate	Low	Very Low
Lengthy procedures	37.8%	26.7%	22.2%	4.4%	8.9%
Collateral Requirements	57.8%	20%	15.6%	0%	6.7%
Emphasis on credit history	35.6%	11.1%	37.8%	11.1%	4.4%
More Regulations	24.4%	24.4%	42.2%	8.9%	0%
Lack of transparency	26.7%	26.7%	13.3%	24.4%	48.9%

**Inference:**

From the above table, it is observed that majority of the entrepreneurs feel the processing time and procedure is very lengthy and the need of compulsory collateral as major problem. The rest of the others feel the emphasis on credit history, more banking regulations and lack of transparency in process as problems in availing the finance.

**Table No. 6 Presence of “Ease of doing business” in Tamilnadu**

Dimension	No. of Respondents	%
Very High	4	5
High	7	8.75
Medium	21	26.25
Low	24	30
Very Low	24	30
Total	80	100

Sources: Primary data

#### Inference:

From the above table no. 2, it is observed that 60% of entrepreneurs feel ease of doing business concerned to Tamil Nādu is very low.

#### Areas to be improved to increase the “Ease of Doing Business”

**Table No: 7 Mean scores for Areas to be improved to increase “Ease of doing business”**

Areas of Improvement	N	Mean	SD
Processing time	80	4.10	0.863
Single window system	80	3.67	0.951
Simplified procedures	80	3.71	0.821
Online judiciary	80	3.52	0.866
Less cost financial assistance	80	4.09	0.855
<b>Total level of improvement</b>		<b>19.09</b>	<b>4.356</b>

Sources: Primary data

#### Inference:

From the above table it is inferred that the entrepreneurs feel more improvement is needed in the areas like Processing time (Mean = 4.10) and less cost financial assistance (Mean=4.09) when compared to other areas. It is also inferred that areas of improvement needed are above the average level as all means values of the different areas are more than 3.5 out of 5. With the overall mean score, we can conclude

that the improvement required to increase the “Ease of doing business” is above 76% ( $19.09/25 \times 100$ )

#### HYPOTHESIS I

H0: There is no significant difference between the age group of respondents and Ease of doing business

H1: There is a significant difference between the age group of respondents and Ease of doing business

**Table No. 8 ANOVA Analysis for age group and EASE OF DOING BUSINESS**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.689	1	5.982	2.865	.025
Within Groups	98.343	88	2.563		
Total	104.281	89			

#### Inference

The above ANOVA table shows that the significant value is 0.025 and it is lower than 0.05 so reject the null hypothesis. Hence there is a significance difference between the age group and Presence of Ease of doing business.

#### FINDINGS

1. Most of the entrepreneurs are middle aged group people.
2. Entrepreneurs in different age group have different opinion above presence of Ease of doing business.

3. Many entrepreneurs registered their business through online process, but still few have done it through offline by getting it done through agency.
4. Many entrepreneurs feel that the registration of business process takes more time.
5. The entrepreneurs have encountered various problems while doing registration process online like site hanging problem. Payment related issues etc.
6. The Financial institutions are taking lot of time to complete the financing process for starting up a business.
7. The major hindrance in processing a loan for business are identified as need of compulsory collateral securities, lengthy procedures and long processing time.
8. Majority of the entrepreneurs feel that Ease of Doing Business in Tamil Nadu is very low.
9. In order to improve the Ease of Doing Business in Tamil Nadu the avenues like less processing time, less cost financial assistance, single window system and simplified procedures must be implemented.

#### **SUGGESTIONS & CONCLUSIONS:**

1. Though India has ranked sixth among the major countries in Ease of Doing Business, there is a long way to go to achieve greater heights.
2. The process of starting a business in India is simplified by integrating multiple application forms to a general incorporation form, but the regulatory practices could be further user friendly.
3. In India the average time to start a business is around a month as compared to the other major countries where it takes only 12 days. So, government should take steps to reduce the time taken for registration process, loan process etc.
4. The market forces and human resources also need to be considered along with the policies planned by the Government.
5. Though on the aspect of enforcing contracts, most of the areas are digitised, but still there is a lack of effective means for enforcing contracts which prevents growth and becomes a disincentive for the private sectors.
6. The procedures related to starting a new business, still need to be simplified and made user friendly.
7. Tamilnadu needs to adopt to a complete transparent mode of processing applications and granting licences and providing loans.

Based on the Business Reform Action Plan (BRAP) the Government of Tamil Nadu has enacted Business

Facilitation Act, 2018 and has formulated Business Facilitation Rules, 2017. They aim to fulfil the State's aspiration of being one of the most preferred investment destinations in the country.

As an IT initiative, a portal (tnswp.com) has been set up to deliver requisite services to the investors in a time-bound and transparent manner. Enterprises can obtain 160 services related to clearances/approvals/licenses/renewals from various authorities such as Directorate of Town and Country Planning, Tamil Nadu Pollution Control Board, Fire and Rescue services, Directorate of Industrial Safety and Health, Department of Public Health and Preventive Medicine etc.,

The state envisages to improve the ease of doing business in the State and to create an investor friendly climate for both domestic and global business communities which was visible in the Chief Minister's visit to the UAE. As Ease of doing business is not present much in Tamil Nadu, the state must introduce many reforming measures in registration process, loan process and taxation process in future in order to improve the ease of doing business.

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