

Ease of doing business in Kerala

The Quilon Management Association (QMA) held its monthly meeting on 04/11/2024 at the Quilon Beach Hotel. The event was honored by the presence of **Sri T Nandakumar, IAS (Rtd)** former chairman National diary development board. Sri N Jayachandran QMA president chaired the meeting.

The Ease of Doing Business (EoDB) index is a ranking system established by the World Bank group. In the EODB index, 'higher rankings' (a lower numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights. This is Introduced in India in 2014 :India was 142 /190 globally in 2014, became 63 in 2020



According to Team Lease Compliance, a leading human resource company in India, firms have to deal with *677 Acts, 25,537 compliances and 2,282 regulatory filings at the central level alone*. If you include all the states, it becomes 1536 Acts and 69,233 compliances of which 26,134 have provisions for imprisonment. Depending upon the nature of the business, 40% relate to labour laws.

In the state of Punjab they have removed imprisonment terms from 308 low risk provisions in labour related laws and rules; this will end the risk of prosecution and imprisonment for entrepreneurs and reduce pressure on our own law & order system; these new labour rules will be published for public consultation before finalisation. They have reduced the number of labour registers an entrepreneur must maintain from 50 to 14 and aim to reduce them further to fewer than 10 along with a single digital



form for entrepreneurs who prefer a digital interface; this will reduce the time, mental bandwidth, and money spent on maintaining several registers, often requiring duplicate information.

Would realise Punjab's Right to Business approach *Right to Business Act, 2020*

A digitised platform for regulatory updates that can reduce the cost of compliance for MSMEs and cost of enforcement for Government of Punjab. There is a Rationalised and Simplified regulatory framework for MSMEs in Punjab: The imprisonment terms are reserved for offences posing grave risk to life, limb or property. (58% Can go)



Why decriminalisation is important ? . There are 26,000 compliances with imprisonment provisions: 80% are in State laws, 68% relate to Labour Laws:

In Kerala EODB a report submitted in FEB 2022. The Kerala Laws (Simplification of Returns and Registers for Specified Enterprises) Bill, 2022 & “ the Kerala Facilitation and Development of Enterprises Act, 2022” is recommended

The Committee identified 38 legislations and many rules and regulations relevant to business and citizens containing penal provisions. The above Acts have been broadly classified under three categories. (i) *Industrial Laws numbering 16*; (ii) *Industrial Relations and Labour Laws numbering 6*; and (iii) *Labour Welfare Fund Legislations numbering 16*.

Kerala has moved up to a ‘TOP’ position on the latest rankings. Kerala has moved up significantly from its 2020/22 positions. The K swift framework, supported by legislation has made a difference.

The two categories of business-centric reforms that Kerala topped are: Obtaining utility permits-business, and paying taxes. The seven citizen-centric reform areas where Kerala came first are: 1) online single window system 2) certificates (urban local bodies) 3) certificates —department of revenue 4) obtaining utility permits 5) public distribution system —department of food and civil supplies, 6) transport and 7) employment exchange. And More needs to be done.

India's business ecosystem is governed by 1,536 acts and rules, 69,233 compliances, and 6,618 filings. Of the 1,536 acts and rules, 843 statutes account for 26,134 compliances. Typical MSMEs deal with anywhere between 500 to 1000 unique compliance obligations depending on the nature of their business. 40% of these obligations come from labour laws. Furthermore, the business regulatory ecosystem must deal with regulatory updates published on over 2,000 government websites on a daily basis.



Laws need to change For Examples: Section 5A Registration of establishments Registration certificate granted under this Act *shall not be valid beyond the year in which it is granted* but may be renewed from year to year. Kerala Municipal act 447 : No place within a municipal area shall be used generally for industries, factories, trades, workplaces or other services which directly or indirectly affect public interests such as environment, public safety, public health or cause nuisance (except with a licence and its conditions). The licence is issued for 5 years!

Kerala Farmers' Welfare Fund Act 2019: Section 9... a KABCO and a world bank project Kerala. Climate resilient agri value chain \$ 200 Mln.

Over-burden of PSUs- PSUs , Authorities ,welfare funds KSEB, KSRTC,----- KWA

Out of 150 PSUs ,19 non working. Investment 11000 crores equity 44,000 cr loan increasing losses every year add a new KABCO.

16 welfare Boards : registered members- beneficiaries Latest being MGNREGA

workers' welfare Fund- Do we need them?

The traditional method of managing funds and maintaining member details is clearly not optimising the welfare provided to them. Typically, funds are parked in scheduled banks without utilising financial derivatives or engaging professional fund managers, resulting in suboptimal benefits. Additionally, issues such as dual memberships in multiple boards have been identified.

The welfare acts carry imprisonment terms for not complying with the provisions in the act, which can create a negative perception among employers. For instance, under the Kerala Tailoring Workers' Welfare Fund Act, 1994 failure to pay ₹5 per worker by the employer can attract a jail term of upto two

months. A regulatory reform along with the policy changes like decriminalisation in many of the state acts including welfare fund acts is necessary in the state..

What to do - Education and Incubation to ensure a strong pipeline of future entrepreneurs with the right capabilities. Sector specific initiatives across below levers – with examples for food processing and automotive components –(i). Physical and digital infrastructure ii. Supply and demand linkages iii. Access to credit and skilled labor.



Enabling a culture of entrepreneurship with initiatives on creating the right values systems and enablers around strengthening contract enforcement, improving land, power and labour availability etc

Decriminalise, Digitise, De-duplicate. Skill up :revamp education....ITIs, Polytechnics, Professional Colleges

Apply a framework and review all laws: all licenses, all permissions..

Get a Right to Business Act passed. Change the narrative BE PRO ACTIVE!

The Kerala Shops and Commercial Establishments Worker's Welfare Fund Act, 2006 (Act 24 of 2006.

Any person who contravenes or makes default in complying with any of the provisions of this Act or of the Punishment may be replaced with penalty of double the amount payable. Punishment may be replaced with penalty of 140 scheme; shall, *if no other penalty is elsewhere provided by or under this Act, for such contravention or non-compliance, be punishable with imprisonment for a term which may extent to two months or with fine which may extent to four hundred rupees, or with both.*

Shops and Establishments act

Section 5A Registration of establishments Registration. certificate granted under this Act *shall not be valid beyond the year in which it is granted* but may be renewed from year to year (odisha has a lifetime regn)

To get land for Mega projects in Kerala as an in Gujarat, Rajasthan, UP or TN is difficult due to its Geographical limitations of Western Ghats--narrow strip and high population density.

2) Existing perceptions of Labour Militancy. Civil liberty should remain but to be practical

3) Knowledge Industry can prosper better in Kerala.

4) Large number of Regulations are imposed by different Departments of Govt from Labour to Pollution Control, Industry, Local bodies. Even a Panchayat President can issue Stop memo to an Entrepreneur on mere assumption. Licence raj should go. There is no need to keep so many registers and Departments. Regulatory Cholesterol is hampering Entrepreneurship. There are about 676 Regulations.



5) Businesses thrive only where people here invest.

6) Education needs total change. Education is not at par with the needs of the society. Our students are not getting employable skills.

7) Above all there should be a friendly Governance. Majority of the PSU's are eating away the public money in Kerala.

Kerala, a southern state in India, has been striving to improve its business environment to attract investments and foster economic growth.

Kerala, with its strategic location, skilled workforce, and natural resources, has the potential to become a preferred investment destination. However, the state's business environment has been plagued by bureaucratic hurdles, infrastructure constraints, and regulatory complexities

1. Regulatory Framework: Complex and time-consuming procedures for obtaining licenses and approvals.
2. Infrastructure: Inadequate transportation networks, power supply, and digital connectivity.
3. Bureaucratic Delays: Slow decision-making and lack of transparency in government processes.
4. Labor Laws: Stringent labor regulations and high labor costs.

5. Corruption: Perception of corruption and lack of accountability.
1. Tourism and Hospitality: Kerala's tourism industry offers significant potential for investment.
2. IT and ITES: Growing demand for IT services and software development.
3. Agriculture and Food Processing: Opportunities for value-added agricultural products.
4. Renewable Energy: Scope for solar and wind energy investments.
5. Startups: Emerging startup ecosystem with potential for innovation.



Recommendations:

1. Simplify Regulatory Framework: Streamline procedures, reduce approval timelines, and introduce online platforms.
2. Infrastructure Development: Invest in transportation networks, power infrastructure, and digital connectivity.
3. Single-Window Clearance: Establish a single-window system for approvals and clearances.
4. Labor Law Reforms: Introduce flexible labor laws and training programs.
5. Anti-Corruption Measures: Strengthen transparency and accountability mechanisms.

Initiatives by the Government of Kerala:

1. Kerala Single Window Interface for Fast and Transparent Clearance (KSWIFT)
2. Invest Kerala
3. Kerala Startup Mission
4. Industrial Development Policy (2018)

Improving the ease of doing business in Kerala requires a multi-faceted approach, addressing regulatory, infrastructure, and bureaucratic challenges. By leveraging opportunities in tourism, IT, agriculture, and renewable energy, Kerala can become a preferred investment destination. The government's initiatives, combined with private sector participation, can foster a conducive business environment.

The event started at 7.30 pm with silent prayer and QMA Secretary General Sri P N Appukuttan welcomed the gathering. Dr, A.S. Shaji introduced the chief guest to the audience. The event concluded with a vote of thanks by QMA Secretary Public Relations Sri. R S Chippy.
