

## **Exploring the North Eastern Region for Future Business Opportunities in the ERA of Ease of Doing Business**

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### **Abstract**

Asian Development Bank Reports states that, private sector involvement in areas, such as infrastructure will require transparency and accountability. Government institutions must be made accountable and run by committed professionals, who are appropriately rewarded. Countries that persist with bad governance will have to endure slower growth” (Source: ‘Emerging Asia: Changes and Challenges’). On 01 July 2015, Govt. of India has launched Digital India campaign for power to empower to ensure that Govt. Services are made available to citizens electronically by improved online infrastructure and increasing internet connectivity by making the country digitally empowered in the field of Information and Communication Technology (ICT). DPIIT, under M/o C&I which is largely dealing with foreign direct investment in the country has effectively implemented PESO-Online Licensing System in 2012 itself under Good Governance initiatives, which can effectively monitor the industrial development activities on pan India basis. World bank doing business report 2019 has placed India this year on 77<sup>th</sup> Rank by stepping 23<sup>rd</sup> rank up from last year on the basis of 30 parameters under 10 categories, namely starting a business, construction permit, getting electricity, registering properties, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency in term of time to comply with the government regulations. This study was undertaken to focus only on North Eastern States except, Sikkim and the major findings were very useful tool to spread knowledge, skills and attitude, required for ease of doing business in the region.

### **Keywords**

Digital India, Ease of Doing Business, Good Governance, World Bank Doing Business Report.

## 1. Prologue

The North Eastern Region (NER), mainly comprises of seven sister states, namely Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura, though Sikkim is also located in the extreme north west side of the region having its close geographical boundaries with West Bengal and international boundary with Nepal.

The NER is in fact a very strategic business location as it is surrounded by five different countries viz. Bangladesh, Bhutan, China, Myanmar and Nepal. Thus there exist, tremendous business opportunities, which has to be explored for future business development in this particular region.

## 2. Need for Study

Let us put a look in the recent data released by the world bank doing business report 2019 and assess the significance of performance of domestic firms in 190 economies as on 31 October 2018, it is joyful to note that India this year has jumped up to 23 steps and placed at 77 rank as compared to its last year performance.

**Table-1**  
**Data from the World Doing Business Report 2019**

Neighbouring Country	Eodb Ranks 2018	Performance
India	77	Very Significant
China	46	Highly Significant
Bangladesh	176	Significant
Bhutan	81	Very Significant
Myanmar	171	Significant
Nepal	105	Significant

*Source:* Adapted from, *The WB-Doing Business Data for the year 2018, Washington, DC; 31 Oct 2018 (USA).*

The NER neighbouring country, namely China and Bhutan had recorded highly significant improvement in their EODB scores, while Nepal, Myanmar and Bangladesh are also improving significantly. Which clearly indicates that there exist opportunities for exploring trading across borders.

**Table-2**  
**Areas of Business Regulations Being Measured in EODB**

S.No.	Indicators	What is Measured
01	Starting Business	Procedures, time, cost and paid-in minimum capital to start a limited liability company for men and women
02	Dealing with Construction Permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
03	Getting Electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
04	Registering Property	Procedures, time and cost to transfer a property and the quality of the land administration system for men and women
05	Getting Credit	Movable collateral laws and credit information systems
06	Protecting Investors Minority	Minority shareholders' rights in related-party transactions and in corporate governance
07	Paying Taxes	Payments, time and total tax and contribution rate for a firm to comply with all tax regulations as well as post filing processes
08	Trading across Borders	Time and cost to export the product of comparative advantage and import auto parts
09	Enforcing Contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes for men and women
10	Resolving Insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
11	Labor Market Regulation	Flexibility in employment regulation and aspects of job quality
12	*Areas Not Covered under EODB Study.	Macroeconomic stability, Development of the financial system, Quality of the labor force, Incidence of bribery and corruption, Market size, Lack of security and Labor Market Regulations are not covered under WB-DB.

*Source:* Adapted from; *The WB-Doing Business Data for the year 2018, Washington DC; 31 Oct 2018 (USA).*

The World Bank for doing business report measures these indicators in terms of their highest, lowest and average scores. The main uses of doing business data are for policy formulation by think tanks, by research organizations and indexes comparing business regulations.

### **3. Present NER Status**

Based upon the above criteria, DPIIT has also started its EODB ranking of the Indian states and rated them with respect to their business reform action plan and related feedback methodology. The feedback score percentage was made available for the state of Assam only and it was measured as 6.7104%. Based upon their combined score card of reform evidence and feedback the DPP has ranked the NER states into four categories based upon their BRAP score cards.

**Table-3**  
**The Business Reform Action Plan Score Card of NER for the Year 2017-2018**

<b>States</b>	<b>Rank</b>	<b>Reform</b>	<b>+f/back</b>	<b>States</b>	<b>Rank</b>	<b>Reform</b>	<b>+f/back</b>
AS	17/35	92.41%	84.75	MN	32/35	00.27%	00.27%
TR	25/35	25.62%	22.45	SK	33/35	00.27%	00.14%
NG	28/35	14.16%	14.16	AR	34/35	00.00%	00.00%
MZ	30/35	03.79%	03.66	MG	35/35	00.00%	00.00%

*Source: Adapted from; The BRAP Data for the year 2017-2018, DIPP; New Delhi, India, Assessed on; 30 Nov 2018.*

The Top Achievers were placed in above 90% categories, Achievers in 90-95%, Fast Movers between 80-90% and Aspirers were placed in below 80% categories. Assam is the only state which scored above 90% and placed at first rank at number 17 in Fast Movers category, the rest of the seven states were not found performing well and placed in below 80% rank in the Aspirer Categories namely Tripura 25, Nagaland 28, Mizoram 30, Manipur 32, Sikkim 33, Arunachal 34, and Meghalaya at 35. There exists a tremendous scope of business opportunities in the north east region under various categories of scheduled business as listed in the Annexures of section 2 & 3 (1) of Industries Development & Regulation Act, of 31 Oct 1951.

**Table-4**  
**The Present Business Scenario of NER up to the Year 2017-2018**

Present NER Industrial Profile	No. of Units	States
Major Petroleum Refineries	04	AS
Mini Solvent Refineries	02	AS,NG
Cement Factories	16	AS,MG,TR
Oil Marketing Company Bottling Plants	14	ALL NER STATES
Parallel Marketing Bottling Plants	04	AS
Non-Toxic, Non-Flammable Gas Plants	19	AS,MG,TR,MN,AR,NG
Petro Chemical Complex	02	AS
Fertilizer Unit	02	AS
Drugs and Pharma Units	04	AS,SK,TR
Paper Mills	02	AS,MG
Food Processing, Braveries and Distilleries	06	AR,AS,MG,SK,TR
Explosives Manufacturing Unit (SME)	01	MG
Cylinder Manufacturing Unit	03	AS
CNG Cylinder Testing Units	03	TR
Cross Country Pipelines	Ex Digboi to Siliguri	AS
PSU Oil & Gas Exploration Companies	OIL,ONGC,GAIL	AS,TR,MZ
CGD Companies	TNGCL,AGCL	TR,AS
Coal Excavation cum Mining Companies	CIL,ECF,NECF	AS,MG

*Source:* Compiled from Peso online licensing system data accessed through [www.peso.gov.in](http://www.peso.gov.in) on 30/11/2018.

The current business profile of the NER is not much impressive at all and there exist a need to act seriously for its immediate improvement in the Business Reform Action Plan (BARP), for the current year. The researcher, during the course of this research study has tried to map the perceptions of the aspirers based upon their Personal Interviews (PI), and collected the primary data in the form of the structured questionnaire from the NER entrepreneurs except Sikkim which has very significantly highlighted the business constraints present in the North Eastern Region.

#### **4. Rationale**

The Digital India campaign launched by the Govt. of India on 01 July 2015, for power to empower is to ensure that Govt. Services are made available to citizens electronically by improved online infrastructure and by increasing internet connectivity and by making the country digitally empowered in the field of Information and Communication Technology (ICT). National e-governance plan has three basic core components, to develop a secure and stable digital infrastructure, to deliver Govt. services digitally and to spread universal digital literacy among users. DPIIT formerly DIPP, under M/o C&I has effectively implemented “PESO-Online Licensing System” in 2012 itself, which can effectively monitor the industrial development activities on pan India basis. This research paper has focused only on the future industrial development of the North Eastern States covered under (NEIDS) scheme by analyzing the online licensing data as per North East Industrial Investment Promotion Policy (NEIIPP) launched by the Govt. of India for achieving sustainability in the industrial development of the NER. The constraint faced by the aspirant business entrepreneurs of the NER has been listed to fill the present research gap and a suitable rationale has been provided to undertake the corrective actions by the concerned authorities at an appropriate level in the absence of any published literature highlighting the perceptions of the respondents for doing business in NER. The Let us focus on the PESO online licensing system data accessed through Peso website on 31/08/2018 to understand the effectiveness of IT based service delivery system used for ease of doing business.

**Table-5**  
**The Month Wise Visitor Count at North Eastern Region Peso**  
**Guwahati**

Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Tot
288	101	69	57	87	14	58	32	63	769

*Source:* Visitor count register of O/o Dy. CCE, peso Guwahati office, entries from 01/03/2018 up to 30/11/2018.

The physical visitors count was evidently found to be tremendously decreasing as compared to the previous year due to enforcement of online application system using Peso website baring March. Users from all over the NER states are applying through Peso online licensing system and obtaining different types of licenses as per their requirement well within the stipulated time line.

**Table-6**  
**State and form Wise Licenses Granted from 01/03/2018 up to 31/08/2018**

State/Form	XI	XIV	XV-A	XV-U	XV-C	XVI	XIX	Total
AP	06	0	0	0	0	0	0	06
AS	357	0	0	0	0	0	2	359
MN	18	0	0	0	0	0	0	18
MG	32	0	0	0	0	0	0	32
MZ	10	0	0	0	0	0	0	10
NG	63	0	0	0	0	0	0	63
TR	16	0	0	0	0	0	0	16
Grant Total	502	0	0	0	0	0	0	504

*Source:* Compiled from Peso on line licensing system data accessed through [www.peso.gov.in](http://www.peso.gov.in) on 31/08/2018.

## 5. Review of Literature

A solo attempt has been made by the researcher to provide a brief review of the available literature concerning the subject research study, though no published literature related with the NER was found available to correlate the findings of this research study. However, in her recent book release “Understanding India’s North East” Rupa, Chenai (2018) has tried to touch upon the regions challenges and potential through the eyes of a journalist. Similarly Sidhu, G B S (2018) has explained Sikkim’s close secret as it is quite crucial to India’s security point of view. But for doing business in the region, it was felt necessary to first understand the principles of Good Governance for effectively managing the challenges ahead due to the cultural diversity and ethnic strife of the NER. Peter F Drucker (1966), once said any organization, whether a business, a non-profit, or a government agency, needs to rethink itself once it is more than forty or fifty years old. If it continues in its old ways, it becomes ungovernable, unmanageable, and uncontrollable, though success is not an overnight issue, as it takes a lot of hard work to become an overnight success (Diana Rankin). The Governance is a method of decision making and Good Governance is the processes by which Good decision can be put into the system (Sheng, Yap. Kioe, UNESCAP, 2013).

The terms Good Governance and Corruption are stated to be proportional. If there is less corruption, of course, there will be Good Governance. Good governance influences the procedures of administration. In absence of Good Governance, implementing sound

policies and codes within the organization will be a difficult task. The Good Governance has eight visible and prominent characteristics, Participation, Accountability, Transparency, Efficiency, Rule of Law, Responsiveness, Consensus and Equity (World Bank Development Report, 1989). The Governance Development Network in 2011 has reported in working together to build stronger communities that by implementing effective good governance principles, the present service delivery challenges can be reduced up to the greatest extent (GDN, AFOA, ONTARIO, 2011). Therefore, the researcher is of the opinion that constraints present in the NER for ease of doing business can be very well addressed by the Good Governance and Better Business Regulations.

## **6. Research Objectives**

The basic objective of this research study was to map the ground level perceptions of the respondents towards constraints faced by them for starting a fresh business in the NER with an intention to address the issues raised for exploring the future business opportunities in the region.

## **7. Research Methodologies**

The research methodology consists of the following, the research design was exploratory. The researcher has mainly used the Structured Questionnaire (SQ) based primary method to empirically map the perceptions of the respondents visiting PESO office situated at Guwahati to know the actual constraints faced by them in setting up a new business in the NER. The primary data was collected randomly from selected 39 numbers of respondents, as roughly one visitor per week was Personally Interviewed (PI) before filling up the structured questionnaire with them from March 2018 to Nov. 2018. Thus out of the total visitor count of 769 numbers of visitors during selected period, only 5% of them from the available population were selected as respondents for the purpose of collecting the primary data. Their demographic data and collected responses were then subjected to the statistical analysis for verifying various parameters to establish the reliability of the scales used and knowing its significance to interpret the final results, which really showed the internal reliability of the scale set for the selected respondents. It also validated the structured questionnaire by reflecting



the required degrees of co-hesiveness among the selected variables (Naresh K. Malhotra, 2007 and Jum C. Nunnally, 1981).

## 8. Limitations

While writing this research study paper the author has taken into account, data related to only NER states where he was posted as head of the office of Dy. Chief Controller of Explosives in Petroleum and Explosives Safety Organization, Guwahati, Assam, India. The limited time duration that is with effect from 01 Mar 2018 to 30 Nov 2018, was selected. Not a single respondent from the state of Sikkim was personally interviewed for the collection of primary data.

## 9. Major Findings

The major findings were found to be very useful tool to spread knowledge, skills, and attitude required for exploring innovative ideas to set up a new business, to manufacture in demand household or industrial product, or to provide a community service to reach out to a new consumer base by devising new workable business model for achieving the ultimate goal of sustainable development of the North Eastern Region.

By mapping the ground level perception of the respondents the researcher was able to list the number of constraints faced by them for starting a fresh business in the region, which can be addressed at the appropriate level for exploring the future business opportunities in the region.

**Table-7**  
**The Present Business Constraints of NER up to the Year 2017-2018**

<b>Present Business Constraints NER</b>	<b>Data Responses</b>	<b>Ne State Counts</b>
Major Land Portion under Flood Region	Highly Significant	AS, NG, AR
Heavy Rain Falls	Significant	MG, AS, MN, NG, MZ,
Hilly Terrains	Significant	MG, MN, MZ, TR
Earth Quakes Land Slides and Avalanches	Highly Significant	AR, MN, MG
Insurgency cum Un Stability Factor	Very Significant	AR, MN, AS
Regular Bandh Dharna and Strikes	Less Significant	AS, MN,

Road Blockages	Less Significant	AS, MN
Poor Internet Connectivity	Very Significant	AS, MG
Poor Communication Network	Very Significant	MG
Less Industrial Infrastructure	Highly Significant	AS
Less Construction Equipment	Highly Significant	TR
High Daily Labor Cost	Very Significant	AS
High Transportation Cost	Very Significant	AS, TR, MZ
High Living Cost, Food, Hotel, Vegetables	Significant	AR, NG, MZ, TR, MN
Less Rail cum Road Connectivity	Significant	MZ, AR, TR, MN, MG

*Source: Compiled from Personal Interviews of PESO visitors between the period of 01/03/2018 up to 30/11/2018.*

The major findings were mostly related with the geographical constraints due to hilly terrain and poor road and rail connectivity and less industrial infrastructure and construction equipments and heavy rainfall and flooding situation in most of the NER states which can be addressed by the union Govt. by allocating a sufficient amount of funds required for improving the highly significant issues as per the findings listed above. It was also established that better business regulation is associated with employment growth in the region and poorer regulations with higher unemployment (WDBR, 2019). Thus, by improving better business regulations huge employment can be generated in the region and factors like insurgency cum instability, high cost of living and managing labor due to high cost of food, hotel, vegetables, and transportation can be significantly reduced. Thus it is important to have a well establish ease of doing business regulations in place so that new entrepreneurs can flourish well and start delivering within time line in the North Eastern Region.

## **10.Implications**

This research study shall contribute to improve the business environment in the NER, EODB initiatives and related awareness campaigns must start without any further delay (WDBR, 2018). Govt. machinery shall provide all possible help and render prompt and courteous service through the use of digital platform in the prescribed timeline. Structured training programme shall have to be commenced immediately at all

levels, as the success in management requires learning as fast as the world is changing (Warren Bennis, USA).

## **11.Recommendations**

Based upon the data analysis and findings of this research study, the following recommendations are put forward in the interest of achieving the goal of sustainable industrial development of the NER. As most of the constraints faced are found to be directly related with delay in service delivery and upkeep of providing infrastructure facilities by the Govt. machinery, it is advisable to trained the present manpower specially the first line officers to deliver Govt. services digitally and to develop a secure and stable digital infrastructure at district level, and to spread universal digital literacy among rural users (WDBR, 2018). The Digital India Programme is one of the key initiatives taken in this regard. It is thus recommended to provide a customized training to all users at different levels, as it was found to be an important factor for reforms, which has to be given prime importance in deciding the BARP required for enforcing EODB regulations, as better business regulation is associated with employment growth and poorer regulations will increase the higher unemployment rate (WDBR, 2019).

## **12.Future Directions**

The future research studies on the subject must consider components of the National e-governance plan to address the unemployment issues and training to first line Govt. officers who are directly interacting with the aspirant business entrepreneurs. Geographical constraints and neighbouring country's business environment may also be included for exploring the doing business parameters.

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