COST BENEFIT ANALYSIS

RAJASTHAN SHOPS AND COMMERCIAL ESTABLISHMENTS ACT
OUTLINE

• What is cost-benefit analysis?

• Why Shop Act?

• About Rajasthan Shop Act

• Preliminary findings of the study

• Preliminary conclusions and recommendations
WHAT IS COST BENEFIT ANALYSIS?

• Regulations change behaviour. Eg. Need for registration, obtaining of approval/license, maintenance of records and registers, periodic filings

• Such change in behaviour is intended to achieve specific objective. Eg. Up to date record maintenance, generation of revenue, labour welfare, environment protection

• However, change in behaviour imposes costs. Eg. Procurement and filling of forms, maintaining registers, reviewing of submissions, inspections and supervision

• Is there a way to achieve regulatory objectives (maximise benefit) at minimum costs?

• Regulatory Impact Assessment (of which CBA is a tool) provides a solution
WHY SHOP ACT?

• Focus by Central Government and several State Governments:
  – Use of technology for registration and renewals
  – Ease of doing business by freedom of operation
  – Non-discrimination w.r.t employment of women

• Government of Rajasthan has been a frontrunner in reforming several legislations.
ABOUT RAJASTHAN SHOP ACT

• Entire legislation applicable to 35 locations in Rajasthan.

• Registration and renewal related provisions applicable to 115 locations.

• All shops and commercial establishments are required to register on payment of prescribed fee (determined based on size and period of registration sought).

• Registration possible for 1 or 3 or 5 years.

• Registration and renewal mandatory through the online Labour Department Management System (LDMS) portal.
PRELIMINARY FINDINGS
MAXIMUM REGISTRATIONS FROM JAIPUR
INCREASE IN REGISTRATIONS AFTER LDMS

Note: Change in bank account opening requirements in 2016
DECLINE IN REVENUE AFTER LDMS

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
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<tbody>
<tr>
<td>2012-13</td>
<td>27910000</td>
</tr>
<tr>
<td>2013-14</td>
<td>29494000</td>
</tr>
<tr>
<td>2014-15</td>
<td>32500000</td>
</tr>
<tr>
<td>2015-16</td>
<td>30400000</td>
</tr>
<tr>
<td>2016-17</td>
<td>27452250</td>
</tr>
<tr>
<td>2017-18 (DEC)</td>
<td>21093525</td>
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</tbody>
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REGISTRATIONS AND FEES UNDER LDMS

0-2 employees  3-10 employees  11 and above

0-2 employees  3-10 employees  11 and above
COST OF REGISTRATION

INR 30-40

INR 36-48

INR 100-5,000
MAXIMUM REGISTRATIONS UNDER LDMS FOR 5 YRS

- 1 year: 3654
- 3 year: 20173
- 5 year: 31619
PRELIMINARY CONCLUSIONS AND RECOMMENDATIONS

• Need to generate awareness about the Act and ensure compliance outside Jaipur

• Need for greater awareness, capacity building, and availability of infrastructure for registration and renewal through LDMS portal, to reduce cost of registration

• While LDMS has increased registrations, given the fall in government revenue, case for re-introduction of manual mode of registration, especially in locations wherein the provisions are not yet applicable

• Given that most registrations are for 3-5 years, case for doing away with 1 year registration period
PRELIMINARY CONCLUSIONS AND RECOMMENDATIONS

• Case to revisit fees:

<table>
<thead>
<tr>
<th>Size of establishment</th>
<th>Average fee collected per establishment under LDMS (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No employees</td>
<td>316.91</td>
</tr>
<tr>
<td>At least 1 employee (1-2 employees)</td>
<td>750.92</td>
</tr>
<tr>
<td>At least 101 employees</td>
<td>41,666.67</td>
</tr>
</tbody>
</table>

• Case for risk based application of the Act:
  – Intimation with payment of token fee by smaller establishments. No need to comply with other provisions. E.g. Maharashtra, Model Act
  – Approval with payment of increased fee by bigger establishments. Need to comply with other provisions
THANK YOU

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