

**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?

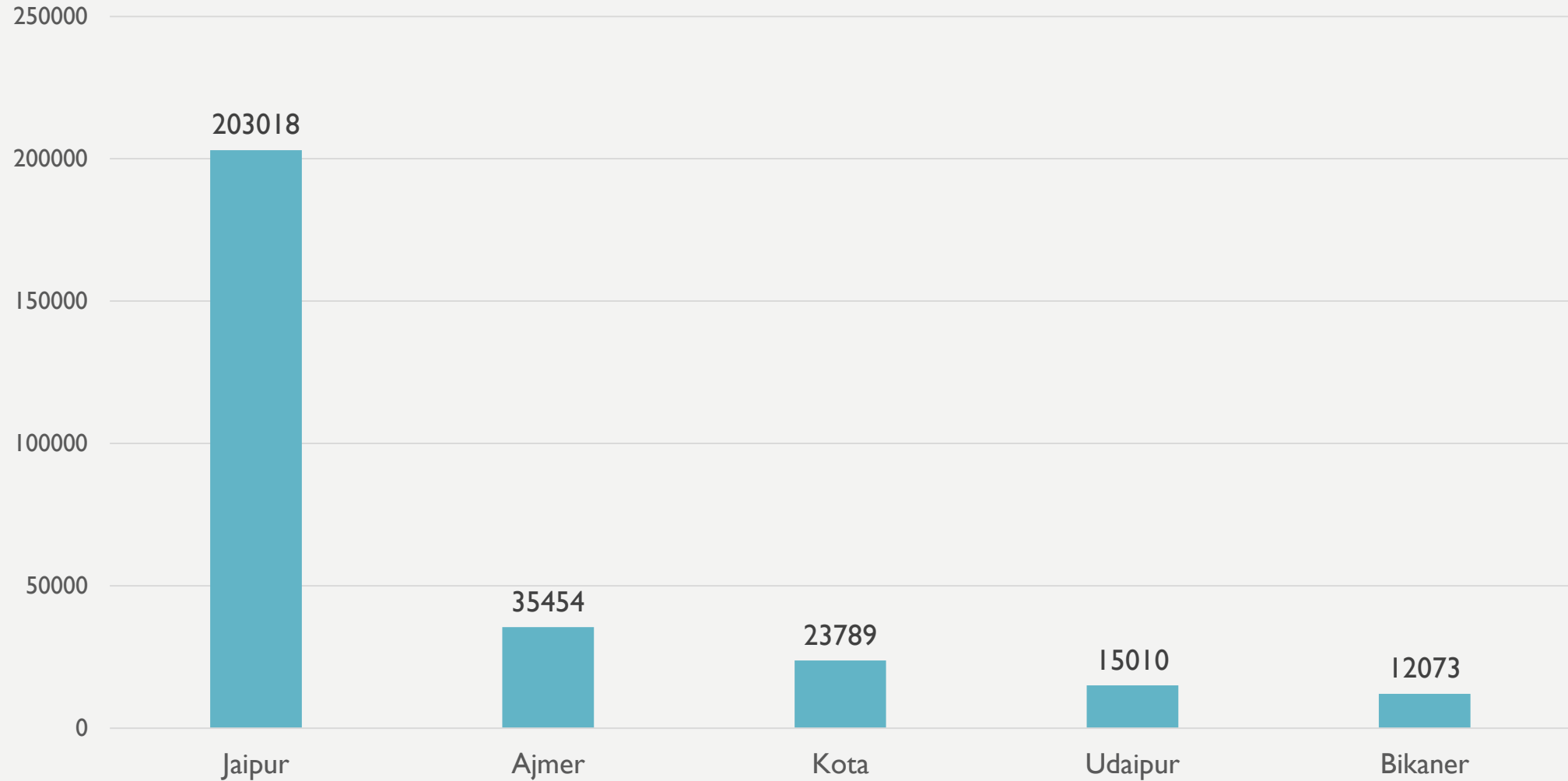
- Focus by Central Government and several State Governments:
 - Use of technology for registration and renewals
 - Ease of doing business by freedom of operation
 - Non-discrimination w.r.t employment of women
- Government of Rajasthan has been a frontrunner in reforming several legislations.

ABOUT RAJASTHAN SHOP ACT

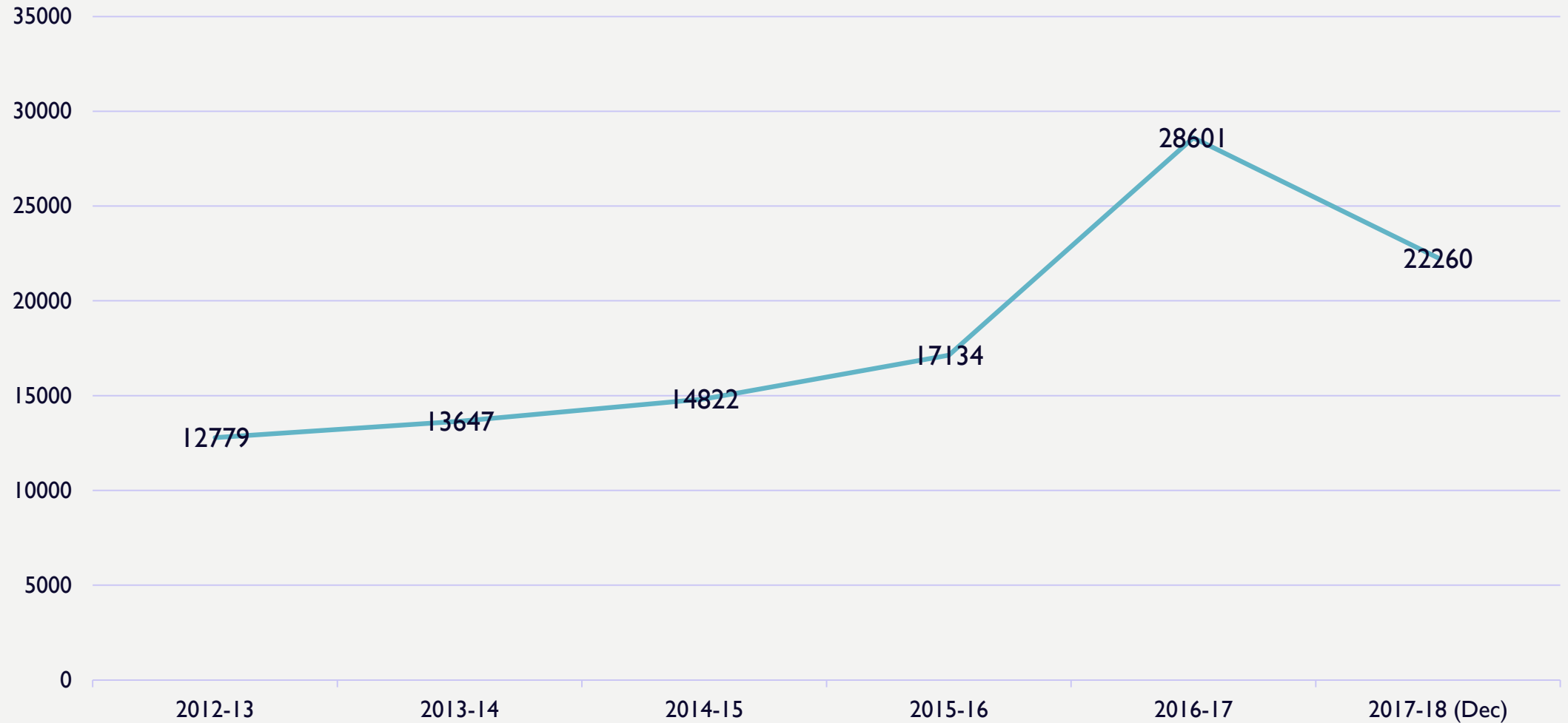
- Entire legislation applicable to 35 locations in Rajasthan.
- Registration and renewal related provisions applicable to 115 locations.
- All shops and commercial establishments are required to register on payment of prescribed fee (determined based on size and period of registration sought).
- Registration 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

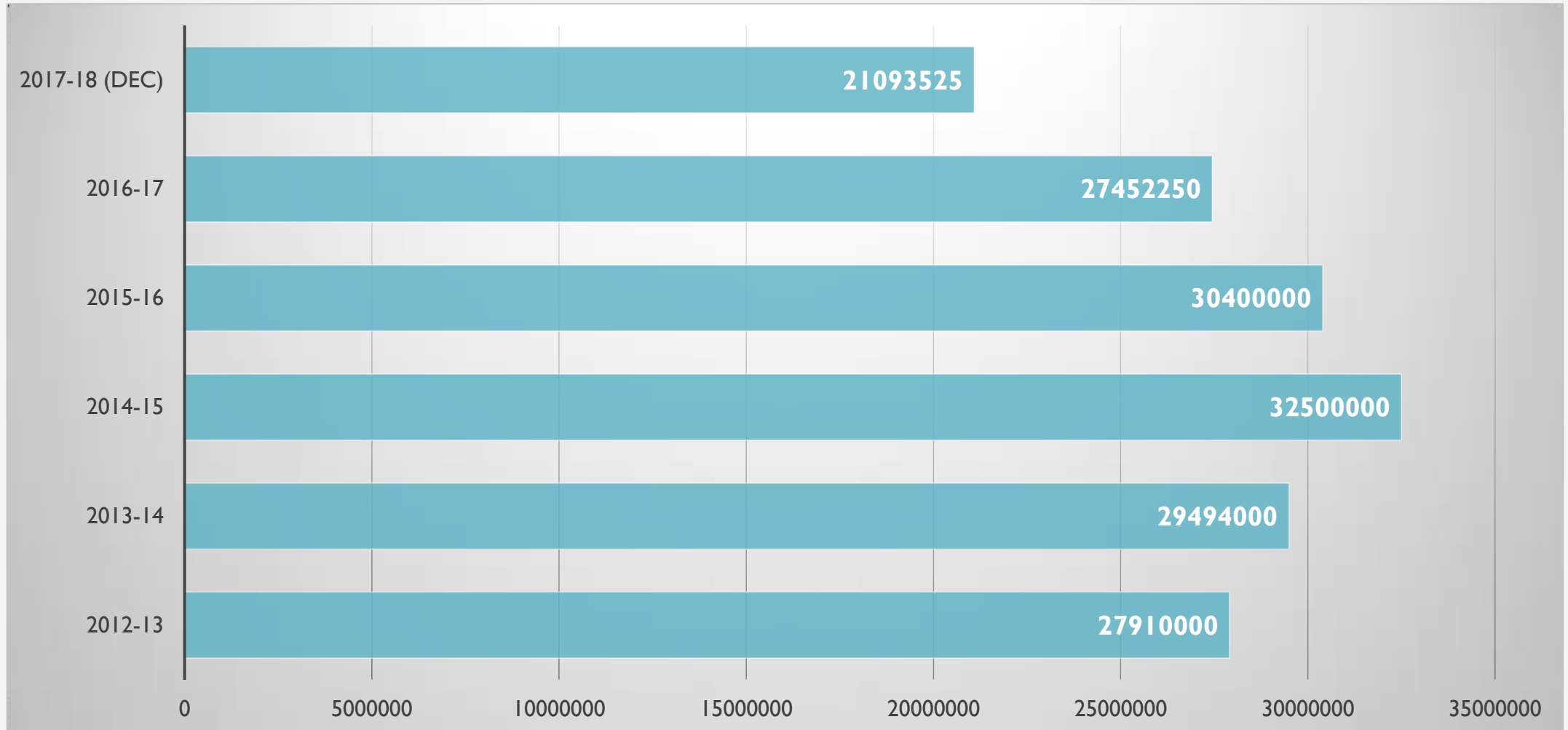


INCREASE IN REGISTRATIONS AFTER LDMS

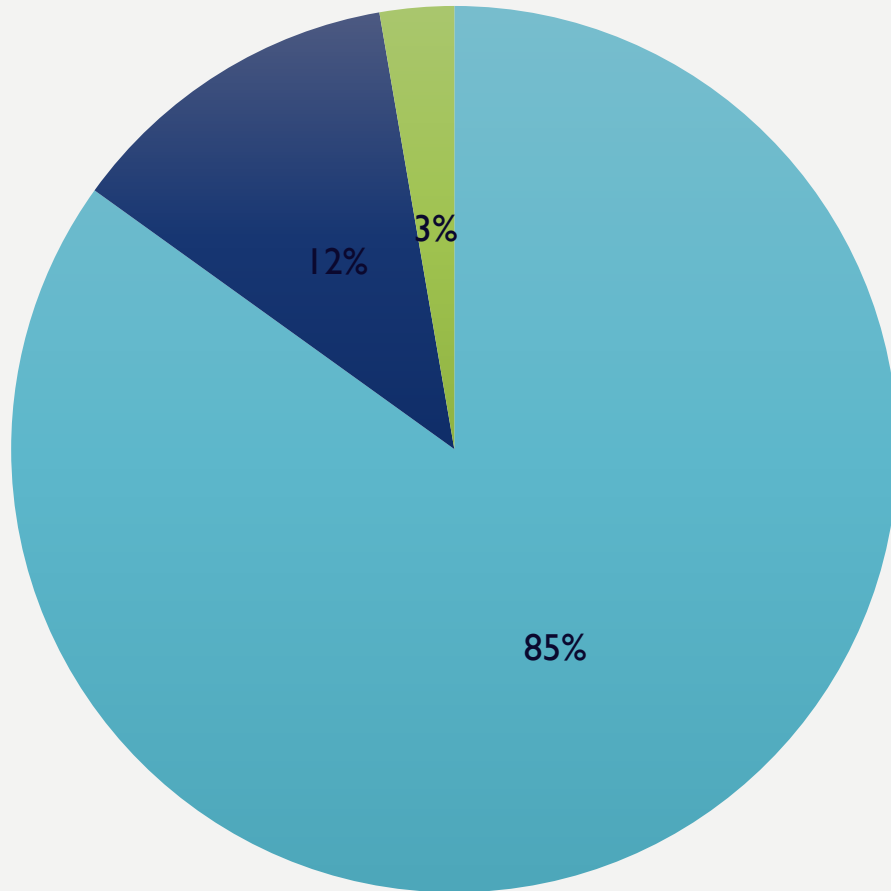


Note: Change in bank account opening requirements in 2016

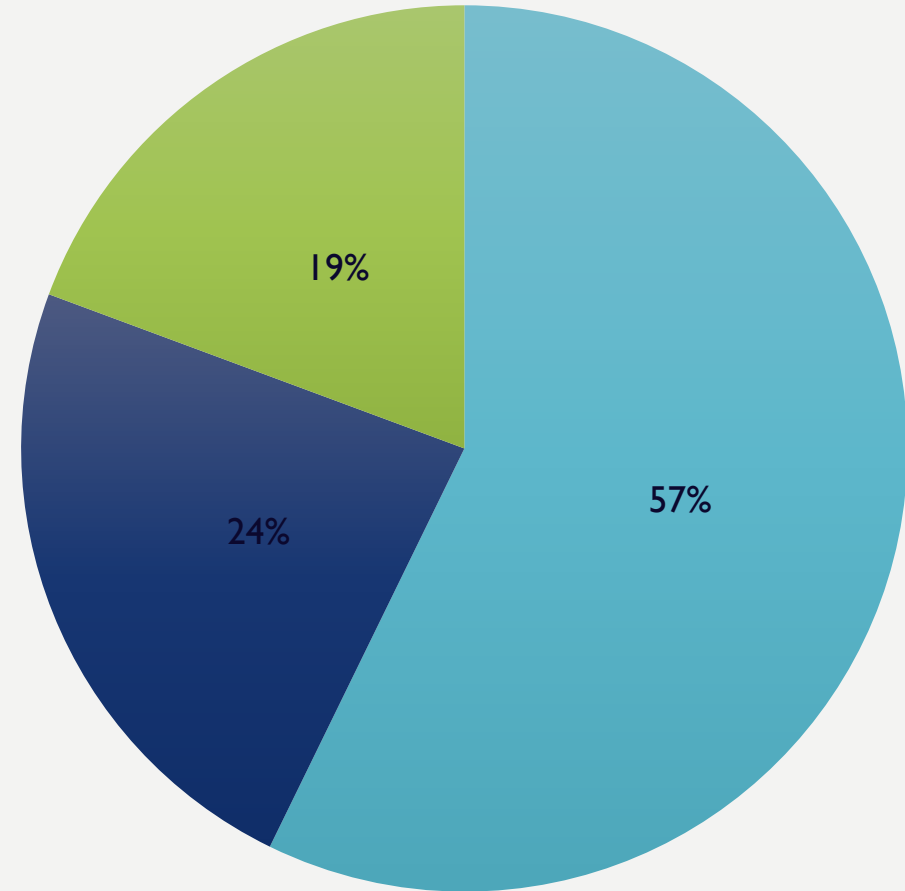
DECLINE IN REVENUE AFTER LDMS



REGISTRATIONS AND FEES UNDER LDMS



■ 0-2 employees ■ 3-10 employees ■ 11 and above



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COST OF REGISTRATION



INR 30-40

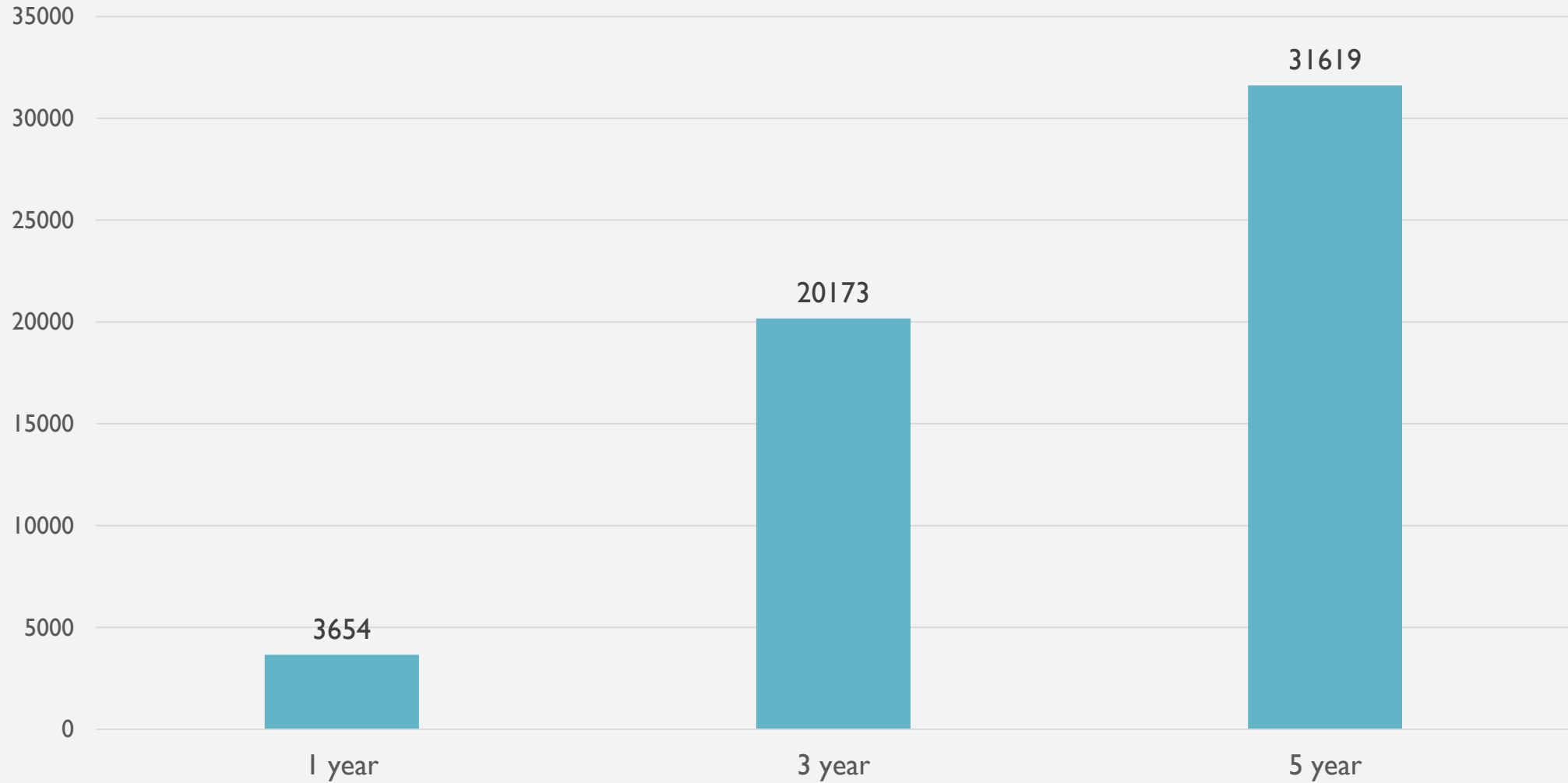


INR 36-48



INR 100-5,000

MAXIMUM REGISTRATIONS UNDER LDMS FOR 5 YRS



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:

Size of establishment	Average fee collected per establishment under LDMS (INR)
No employees	316.91
At least 1 employee (1-2 employees)	750.92
At least 101 employees	41,666.67

- 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

Amol Kulkarni

CUTS International

amk@cuts.org

www.cuts-ccier.org