



Ease of doing business in **Maharashtra**



Mahratta Chamber of Commerce, Industries and Agriculture
Pune - India



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Maharashtra is India's largest economy at USD 384 billion and contributes 15 percent to India's GDP. In spite of this, Maharashtra ranked at the 13th place in the Ease Of Doing Business rankings, 2019 (published in the first week of September, 2020).

We believe that one of the key reasons for the low score is the excessive compliance burden faced by businesses in Maharashtra with 67 acts and 3,657 compliances. This has been further explained with data in Annexure A.

This document draws from experiences of some of 3,000+ member companies of MCCIA (an association with a rich legacy of more than eight decades) and those of 1,500+ corporate compliance customers of Avantis Regtech.

Simplifying Inspections

Rather than multiple inspections at the whim and fancy of one or more of the multiple inspectors, the inspection could be **i. Consolidated, ii. Risk Based, iii. Digital and iv. Mostly Self Certification** and where it is must via Third Party Inspections.

There are several examples of States / UTs such as Telangana, Karnataka and Puducherry implementing rationalised, simplified and digitised inspection process.

Details of the current inspection process and the proposed reform is attached in **Annexure B**



Introducing Fixed Term Employment (FTE)

Industries need greater flexibility in labour markets to plan their headcount in line with demand and supply cycles. We recommend that under Maharashtra Industrial employment (standing order) Rules, 1959 make provisions to implement fixed term employment in line with central Industrial Employment (standing order) central rules, 1946.

Fixed Term Employment has already been implemented by other states such as Haryana, Uttar Pradesh, Karnataka, Goa and Gujarat.

Enhancing Deemed Approval

Currently licensing, registration and renewal under CLRA (Contract labour (regulation & abolition) Act, 1970), and Factories Act, 1948 are available under deemed approval. However the same under other Acts such as BOCW (Building and other Construction Workers Act, 1996), ISMW (Interstate Migrant Workmen Act, 1979) are not covered under the deemed approval route. It is requested that the state government work towards greater accountability and timeliness in granting licenses, registrations, permissions and consent order. Towards this goal, we request introduction of a deemed approval clause with a reasonable timeline for BOCW and ISMW Acts. In addition, the duration of 4 months for deemed approval under Factories Act, 1948 should be reduced to 1 month. In addition licenses such as factory license should be granted upfront for longer periods to avoid frequent renewals. Many states now grant factory license for up to 10 years.

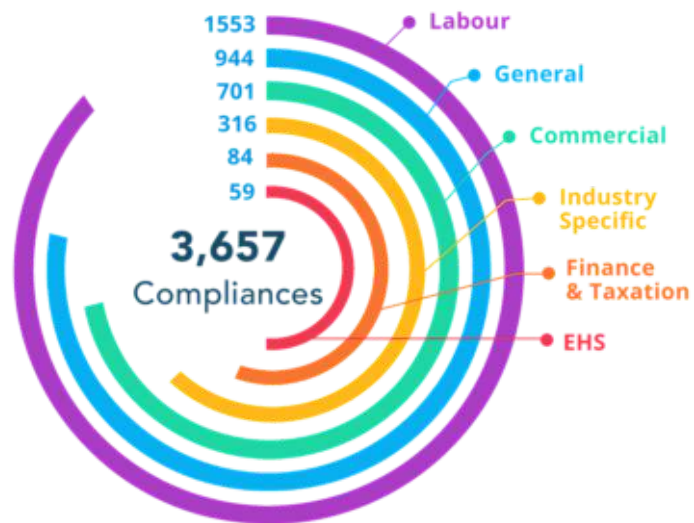
We would be happy to engage to further explain the impact of the compliance burden on Maharashtra's business community and provide key recommendations and help the appropriate authority to progress further so that Maharashtra's rank in '**Ease of Doing Business**' improves in the coming years and we are able to rise to the top.

Compliance Data for Maharashtra

01



02



MSME Compliance Data for Maharashtra

A typical MSME in Maharashtra with one office and a factory, around 100-150 employees, and likely turnover in the range of INR 10-20 crore, is required to obtain 27 different types of registrations in order to start operations. Around a third of these are labour related.

In addition, they are subject to approximately 364 Compliances in a year. The table below provides a summary.



Types of Compliances for MSMEs

Compliance Category	Labour	Tax	Secretarial	EHS	Total
Returns & Intimations	72	46	10	16	144
Registers	48	1	8	4	62
Payments	38	65	-	-	103
Displays	23	3	-	2	28
Audits & Examinations	10	2	1	4	17
Others	1	5	-	4	10
	192	122	19	30	364

01



02

15
Central12
StatesLicenses /
Registrations

20

Inspectors

03

Overview of the current inspection process

Under various Labour Acts, there are many different inspectors who can visit an establishment and inspect. They are Labour Inspector, Labour Officer, Asst Labour Commissioner, Labour Welfare Commissioner and Factories Inspector.

A comprehensive list is as given below.

Inspections under labour laws for MSMEs		
	Authority	Act / Rules (Central / State)
1	Factories Inspector	Factories Act, 1948
2	Labour Inspector	Shops & Establishment Act, Minimum Wage Act, 1948, Payment of Wages Act, 1936
3	Labour Officer	Payment of Bonus Act, 1965, Maternity Benefits Act, 1961, Building and Other Construction Workers Act, 1996
4	Asst. Labour Commissioner	Contract Labour (Regulation & Abolition) Act, 1970, Inter State Migrant Workmen (Regulation of Employment & Condition of Service) Act, 1979
5	Labour Welfare Commissioner	Payment of Bonus Act, 1965, Maternity Benefits Act, 1961, Building and Other Construction Workers Act, 1996
6	Health Inspector	Local Legislation
7	Employment Officer	Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
8	Apprenticeship Advisor	Apprentice Act, 1961
9	Enforcement Officer	Employee Provident Fund & Miscellaneous Provisions Act, 1952
10	Inspector	Employee State Insurance Act, 1948
11	Commissioner	Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013
12	Commissioner	Right of Persons with Disabilities Act, 2016
13	Professional Tax Officer	Professional Tax Act (State Specific)

There is no coordination among inspectors. One or more inspectors can visit at any time unannounced and begin the inspection process. The process is highly manual with little or no digital interface. All companies are treated at par with no consideration of the size, complexity, establishment type and past compliance behaviour.



Proposed Inspection Process Reform

Risk based Inspection

Currently, there is no risk based inspection approach. All establishments are considered to be at the same risk level and there is a random inspection process with a provision of inspection once every six months.

A risk based inspection process is proposed. Enterprises should be classified as high, medium or low risk based on headcount and establishment type (shop and establishment / factory). Any company should be exempted from any inspection within the first year of its establishment. If an employer continues to show good behaviour and complies with the applicable laws (returns/ registers / challan) and there are no complaints, they will continue to be exempted. The hierarchy of authority conducting the inspection should change based on the risk level of the establishment.

Consolidated Inspections

Currently, every inspector can conduct independent inspections at their own convenience without coordinating with any other inspectors. It is proposed that the concept of consolidated inspections be introduced where a single inspection will provide an opportunity to multiple inspectors to seek the relevant information. Instead of several different inspections by different authorities on a random basis, there will be only one consolidated inspection across authorities. Once the inspection is completed, there will be no inspection for the next 24 months for a high risk establishment and for up to 60 months for low risk establishments.

Digitised Inspections

Faceless and presence less requests for inspections should be initiated digitally. Digital Platform should be enhanced to support / enable a digital request for inspection and provision for documentation upload with a digital checklist.

In addition, inspectors should only be assigned on a random basis to reduce the opportunity for rent seeking and corruption.

Self Certification & Third Party Inspections

Provisions should be made for self certifications and third party inspections. This will help reduce the amount of time and resources that enterprises have to dedicate to deal with multiple inspectors and inspections.



A Publication By



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