

eGovernance in municipalities: Improving the delivery of services to micro-enterprises and urban poor

Improving service delivery for e-Inclusion

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Table of Contents

List of Abbreviations	4
List of Tables	4
Abstract.....	5
1 Introduction	6
2 Contribution of MEs to the Indian Economy and the Quality of Urban life	6
3 Experience of MEs with Registration and Delivery of Other Services.....	8
4 Why is it Important to Increase Compliance of Registration Process?	11
5 Past Efforts at Improving Service Delivery through Computerization	13
6 A Framework for Improvement in Registration and Other Services Delivered to Urban Poor	16
7 Recommendations.....	18
7.1 ICT Enabled Reform in the Registration Process.....	19
7.2 Effective Delivery of Basic Services to the Urban Poor.....	21
8 References	24
9 Appendix-I.....	27
9.1 Vegetable Hawker	27
9.2 Fruit- hawker.....	27
9.3 Pharmacy Shop owners	28
9.4 Electrician	29
9.5 Fruit Juice Vendor.....	29
10 Appendix II.....	31
10.1 Procedures for Registration of MEs in Ahmedabad Municipal Corporation	31
10.2 License issuance process for others (Enterprises/entrepreneurs having a fixed location of business).....	32

List of Abbreviations

AMC	Ahmedabad Municipal Corporation
AUDA	Ahmedabad Urban Development Authority
BBMP	Bruhat Bangalore Mahanagara Palike
BMC	Bombay Municipal Corporation
BOP	Bottom of the Pyramid
BSUP	Basic Services to Urban Poor
CCC	City Civic Centre
GHMC	Greater Hyderabad Municipal Corporation
GIS	Geographic Information System
GPRS	General Packet Radio Service
GPS	Global Positioning System
JnNURM	Jawaharlal Nehru National Urban Renewal Mission
KMC	Kolkata Municipal Corporation
ME	Micro – enterprise
MSME	Micro, Small and Medium Enterprise
NDMC	New Delhi Municipal Council
NGO	Non- Governmental Organization
NSSO	National Sample Survey Office
OAE	Own Account Enterprise
PID	Property Identification Number
PTR	Professional Tax Registration
ULB	Urban Local Body

List of Tables

Table1:	Experience of MEs in Accessing Other Services
Table2:	One Year Transaction Data of Registrations in Ahmedabad Municipal Corporation
Table 3:	Performance of Computerized Trade License in three Corporations

Abstract

In spite of many policy interventions and proactive legislations by the Central Government aimed at encouraging Urban Local Bodies (ULB) to play an active role in promoting orderly growth of the Micro Enterprise Sector in India, the ground reality is that most ULBs have not accepted the new mandate. Even though the sector is important contributor to the economy, particularly towards the growth of employment, there is little focus on the wellbeing of the sector by the ULBs which are responsible for the regulation and growth of the sector.

The law requires that all micro enterprises-shops, establishments, and hawkers need to register themselves with the local government. The intent of the law is that the ULBs can plan for an orderly growth of the sector as well as regulate the sector. However, it is universally accepted that there is virtually no compliance of the law. As a result there are hardly any promotional/developmental activities that are carried out by the ULBs to help MEs to grow. Since the law is transgressed so openly, there is a large scope for harassment of MEs at the hands of a number of regulatory agencies leading to extortion of bribes.

This paper explores the reasons for non-compliance by the MEs. Analysis of survey results and case studies are used to understand the reasons. The main reason is that the cost of obtaining a registration far outweighs the benefits derived from being registered. It appears that there is virtually no benefit provided by the ULBs. The expected immunity against harassment also does not exist as bribes are extracted on some pretext or the other.

The paper makes suggestions on strengthening the role of local governments in planning the growth and regulation of the ME sector. ULBs need to ensure that the cost of registration is minimized and some benefits are provided to register MEs as an incentive for registration. In the short term, many procedural improvements in the registration process can minimize the cost and inconvenience. In the medium term, ICT can be used to register ME enterprises at their door step. This would increase compliance and ensure an error free data capture which can be used for spatial planning for urban areas. The paper highlights the potential for using data collected through registration for spatial planning, so that ULBs pay attention to reform of the registration process. ULBs normally pay attention to activities that generate significant revenues and registration does not qualify on that count.

Improving the provision of basic services to poorer areas of a city where most MEs live and work can help in the growth of the sector. The paper argues that facts about provision of basic services to different areas of a city be published on web sites. Such transparency can lead to a more equitable provision of services.

1 Introduction

Micro Enterprises (MEs) consist of enterprises engaged in three types of activities: enterprises engaged in manufacturing products, enterprises engaged in providing or rendering services and enterprises engaged in trading products and services. The micro nature of the enterprise is determined by indicators such as total investments and number of employees. The definitions may vary across countries. Another important way to classify MEs is as shops and establishments that carry out business from fixed locations and hawkers who carry out business from mobile units. If micro enterprises are registered with the regulatory authority (usually the Municipal Corporation) then they form a part of the formal sector. However, a large number of micro enterprises are not registered and are therefore a part of the informal economy. The Informal sector includes self-employed (unregistered businesses) and those in unregulated and unprotected jobs.

India is one of very few countries to have developed a National Policy on Urban Street Vendors. Adopted in 2004, its objective is to promote a supportive environment for street vendors to earn their livelihoods, while reducing congestion and maintaining sanitary conditions in public spaces (Government of India, 2014).

2 Contribution of MEs to the Indian Economy and the Quality of Urban life

In the reports on MSMEs (Government of India, 2013) based on a census of manufacturing units in 2005-6 and data on trade and services extracted from economic census, there are no direct measurements of the size of the ME sector. The data is disaggregated for registered (with District Industries Centers) and unregistered enterprises. Only 1.56 million of the 36.1 million enterprises were registered. Per unit employment in registered units was 5.95 where as it was 2.06 in the unregistered units. However, many reports on the informal sector provide a variety of statistics which may be presumed to be largely small and micro enterprises. Micro Enterprises, whether in the formal or informal sector constitute a very important part of the Indian economy. According to the 67th round survey of NSSO for the year 2010-11¹, India's informal service sector accounted for almost 5.8% of the total services sector, while manufacturing in the informal sector accounted for 14.87% of the total manufacturing sector. A report on the informal economy of India (Government of India, 2012) estimated that workers

¹ The NSS 67th round is the exclusive enterprise survey covering unincorporated non-agricultural enterprises (manufacturing, trade and other services, excluding construction. The survey covered 57.7 million units out of which 54% were located in the rural areas while 46% were in the urban areas. The economic units were further divided into Own Account Enterprises (OAEs) and Establishments. OAEs outnumbered establishments at the all India level by a huge margin accounting for 85% of total enterprises. Their share under the three broad activity categories of manufacturing, trade and other services were at 84%, 86% and 84% respectively. Informal sector manufacturing 15% of overall output: NSSO, ET Bureau. Jun 29, 2012.

in the unorganized sector constitute more than 93% of India's workforce and are likely to be around 502 million by 2012. Clearly growth of MEs is critical to denting the problem of unemployment in India. Promoting employment is essential to the security and integrity of large countries as high unemployment breeds discontent.

Micro enterprises are also an important part of the urban social fabric-providing many essential services to the population of urban areas .A large segment of micro enterprises operate within urban and semi-urban areas as they cater to the demand for a variety of services from the residents of these areas. Local governments have to walk a tight rope. They need to regulate in migration and congestion in cities and city streets. On the other hand the quality of life for the bulk of residents depends on the access to a variety of services offered by the MEs. Town planners have noted that town planning schemes provide virtually no space for population engaged in micro enterprises even though such population may constitute more than half of the total population².

A high proportion of socially and economically underprivileged sections of society are concentrated in the informal economic activities. Their welfare is an important aspect of governance for any Government. There are inter-linkages between informal and formal economic activities. Faster and inclusive growth requires that special attention is paid to enlarge the ME sector operating largely within the informal economy. Sustaining high levels of growth requires addressing the needs of the informal sector in terms of credit, skills, technology, marketing and infrastructure.

Even in a global context, while extreme poverty has gone down in the last decades, it is still a very serious problem in Sub-Saharan Africa, East Asia and South Asia, where 95% of the extreme poor live. There is evidence that entrepreneurship is one of the key factors for economic development and, hence, for lifting people out of poverty. One of the more recent tools to foster entrepreneurship is Micro-Franchising. For example 9,000 micro-entrepreneurs in Bangladesh, El Salvador, India and South Africa diagnose minor eyesight problems and sell affordable reading glasses to rural communities that would otherwise have no access to optometrist services and eye correction devices. Basic training in optometry and glasses are provided by Vision Spring, a social enterprise that acts as the franchisor. In Ghana, micro-entrepreneurs sell dairy, ice cream and milk drinks in poor areas on a bicycle (Hürlimann, 2011).

² Planners moot sustainable cities, TNN Feb 9, 2013, 04.51AM IST quoted Darshini Mahadevia of Cept university, who has extensively studied street vendors "In Ahmedabad 55% of the population is involved in the informal sector and there is practically no space for it in town planning schemes".

The government of India has developed legislation³ and collected statistics on the unorganized sector and established a National Commission on Enterprises in the unorganized sector. Non-governmental organizations such as SEWA also have long-standing experience of organizing and supporting groups of India's informal workers. The Commission recommended that all efforts should be made to improve the quantity and quality of employment in the unorganized sector which would require a new approach to economic planning in India. The report offers numerous policy suggestions including labor law reform, the need for a skill development program and formation of cluster based growth poles for facilitating access to credit and technology. Although the report discussed the challenges faced by micro enterprises, the report did not touch upon the difficulties faced by MEs in dealing with a variety of agencies of the Government at state and local levels. For any substantive support for the MEs it is essential that Government agencies know the location and existence of every type of micro enterprise in a geographic area (city). The purpose of enacting a law to register every enterprise was to collect such data. However, the compliance of the law is far from comprehensive.

This paper focuses on the delivery of services by Government agencies to MEs. The primary focus is on the mandatory registration of MEs. For a bulk of the MEs for whom the line between home and work place is blurred, the quality of services such as water, electricity, sanitation and transport provided to every resident of a city also impact the business. Provision of such services is also discussed in the paper. The current state of service delivery as measured through a survey of MEs conducted by LIRNEasia, and interviews with some MEs conducted by the author in Ahmedabad is presented. Suggestions are made on how the delivery of services can be improved. The primary focus in the suggestions is on "eGovernance" i.e. ICT enabled delivery of such services.

3 Experience of MEs with Registration and Delivery of Other Services

A recent survey⁴ of MEs designed to understand the operations of MEs and the manner in which MEs interact with providers of a variety of services needed by them highlights several

³ One such important legislation is the Shops and Establishments Act, enacted by every state in India to regulate conditions of work and to provide for statutory obligations of the employers and rights of the employees in un-organized sector of employment and other establishments in their jurisdiction.

⁴ LIRNEasia conducted the survey on urban BOP micro entrepreneurs in Sri Lanka, Bangladesh and India. In India a sample of 1279 MEs were surveyed in two cities: Delhi and Patna. Ilavarasan, P.V. Improving Service Delivery in Electricity Sector in Sri Lanka, India and Bangladesh: Possible lessons from the Telecom Sector? Forthcoming 2014.

areas where delivery of services to MEs can be improved. The services included in the survey covered the issue of certificates and licenses by government offices which entitle the MEs to carry out specific activities and receive a variety of government subsidies targeted at the poor.

It is mandatory for every ME to register itself with a local authority. The survey revealed that compliance of registration is very low. Hardly 5% of the sample MEs had registered. A variety of reasons were cited by those who did not register. The process was seen as unnecessary workload (42%), particularly when no benefits of registration (40%) were seen. The average fee paid by the MEs for registration was Rs 680 and in addition about 200 rupees was paid as a bribe. Nearly half of those who registered used an agent-based on a suggestion made by the officials. Only 14% of the registered MEs were visited by an official for verification.

Some of the other services availed by MEs from Government offices are indicated in the table 1 below:

Table 1: Experience of MEs in Accessing Other Services

India	Number of respondents in a Base of 1279	Use of Electronic means %	Paid Bribe %	Use of Intermediary %
Birth & Death registration office	53	75	15	36
Public distribution system office	159	25	11	21
Cooking gas cylinders – new & refill	174	63	19	33
Driving license office	38	71	34	55
Voter's card office	117	69	19	21
Poor identification office	74	46	24	35

Government health centers / hospitals	355	58	14	23
Courts office	31	45	23	32

A large proportion of those who accessed the service paid a bribe (11-34%) and used an agent to access the service (21 to 36%). These figures indicate a poor quality of service delivery.

The results of the survey suggest that the process of registration as well as delivery of other services need improvements. In addition to the survey results, a number of MEs being served by the Ahmedabad Municipal Corporation (AMC) were interviewed to understand their businesses as well as the interaction they had with the AMC for registration (for details see APPENDIX I). The MEs consisted of shops (pharmacies) and a variety of hawkers and providers of other services. AMC is similar in terms of size of the four independent corporations formed by splitting the jurisdiction of the old monolith Delhi Corporation.

It is mandatory for every ME to register itself with the municipal authority. In Ahmedabad most hawkers have either not registered or did so after a lapse of many years, when they faced fines. Amongst shops and service establishments including pharmacies a small fraction has registered. On the other hand pharmacies and other establishments do comply with regulations and obtain licenses which are crucial for furthering their business or where punitive action is severe. One year aggregate volume of transactions for licenses issued to hawkers, shops and establishments by the AMC is presented in Table 3 below.

Table 2: One Year Transaction Data of Registrations in Ahmedabad Municipal Corporation

Service	# of Transactions	Revenue Collected in Rupees (INR)
Hawkers License+Renewal	357	139250
Shops and Establishment	30350	2697465
Professional Tax Registration	37338	233223563

All Transaction	182880	
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Source: Amdavad Municipal Corporation. (n.d.) Online. Retrieved from http://www.egovamc.com/civic_center/frmccc_abstract.aspx?sno=ccc

Although, there are no independent estimates of the number of trade establishments and hawkers in Ahmedabad the number is likely to be over a hundred thousand. Only 357 fresh licenses and renewals were reported during a 12 month period making it clear that the compliance is extremely low for hawkers as is the case with most ULBs. Similarly, compliance within ME owned trade establishment is also low.

The interviews with MEs being served by AMC helped in understanding the reasons for low registration. Amongst the reasons cited by those who did not register, the key reason seems to be that the process was seen as unnecessary workload, particularly when no benefits of registration were seen. Few of the registered MEs were ever visited by an official for verification. There is no great threat in not having a registration. Some MEs find it worthwhile to pay bribes to inspectors because these bribes are extracted in any case –whether a registration exists or does not exist. Many MEs, particularly hawkers do not clearly understand that registration is mandatory. The end result is that a very tiny fraction of MEs register themselves.

4 Why is it Important to Increase Compliance of Registration Process?

In comparison to other countries in the region, the compliance is much lower in India⁵. Some civil society reports indicate that there are more than 600,000 street hawkers in Delhi, of whom only about five per cent have the license to hawk their goods on public space. The rest are subjected to continuous harassment through extortion and/or eviction. As a result most of these hawkers are doomed to a life of illegality. Because of their illegal status, they are exposed to constant harassment, and extortion at the hands of the concerned authorities who have a vested interest in keeping them illegal since they stand to gain from the constant payment of bribes to ward off evictions⁶.

⁵ According to the LIRNEasia survey, In Delhi and Patna out of a sample of 1279 MEs only 4.3% had registered. On the other hand in Sri Lanka out of the 986 as many as 55% had registered. Ilavarasan, P.V. Improving Service Delivery in Electricity Sector in Sri Lanka, India and Bangladesh: Possible lessons from the Telecom Sector? Forthcoming 2014.

⁶ Centre for civil society (CCS) website carries many articles on issues faced by hawkers in Delhi. See Livelihood freedom campaign. Retrieved September 2013 from <http://ccs.in/search/node/hawkers%20in%20delhi>

However, the fact is that many hawkers choose not to register. It is clear that currently from the perspective of the MEs there is no benefit from registration. However, from the perspective of a Municipal Corporation, the process of registration should be seen to be important for regulating the activity of MEs. Regulating the MEs is a core function of the ULB and for other regulatory agencies. The current manner of regulation through ad hoc inspection is not effective in increasing compliance. It only leads to bribery. Another important reason for increasing compliance is to be able to provide support to the MEs so that they can grow. Growth of MEs may not be seen as a primary objective by a ULB although it is extremely important from the point of view of central economic planners.

With hardly 5% registration it is difficult to keep a count of number of hawkers and other establishments and to factor their presence in town planning. Without having data on number of different types of vendors and their broad profile, it is difficult to design any kind of program to educate MEs or to provide any other kind of assistance for their growth. The profile of MEs based on the survey indicates that a bulk of them are not literate (87% are not educated beyond the primary school level) and largely function as hawkers with no fixed location (50%). Even their numerical abilities are poor as 42% and are unable to do arithmetic calculations. As many as sixty percent of the MEs do not have a bank account. Their use of low level of technology is also low. Only one third of the BOP ME's have an electricity connection. Nearly 91% of the MEs choose to interact with their customers and suppliers in person rather than on mobiles. Those who do not use mobiles do not feel the need to do so. So, there are many areas in which effectiveness of MEs can be improved through training.

There are a number of other support services that need to be made available so that MEs can grow their business. Nearly 68% of the MEs used their own savings to start their enterprise, or borrowed from friends and relatives. Access to credit is a problem for a variety of reasons. Business is largely conducted through cash transactions. There are very few females amongst the MEs (12%) and these are largely traders. Around 60% MEs have felt that there was no growth in their business in last one year, while a few felt their business had declined.

If a ULB makes the registration process more effective to increase compliance, other agencies interested in the growth of ME sector can pitch in with the needed services. These agencies may include NGOs, business associations and government agencies. It is therefore worthwhile to analyze the process of registration and to reform it with a single objective of enumerating as completely as possible all the MEs running establishments and hawking products and services.

Depending on the vocation and type of business activity, MEs need to deal with many different government agencies for certificates and licenses. However, there is no information exchange amongst these agencies and the data bases if computerized are not cross referenced as there is no single identifier for an ME. For regulating the business operations

for some types of MEs many different agencies are responsible and their efforts are not coordinated in any manner.

Although the wellbeing of the ME sector or the effectiveness of planning of number and locations of shops/establishments and hawkers has not been an area of primary concern to the ULBs, some efforts have been made to improve service delivery of many municipal services to citizens under the JnNURM program.

5 Past Efforts at Improving Service Delivery through Computerization

In 2005, Ministry of Urban Development, Government of India launched the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) to modernize cities in India. JnNURM aims at creating 'economically productive, efficient, equitable and responsive cities' by adopting a strategy of upgrading the social and economic infrastructure in cities, provision of basic services to urban poor (BSUP) and also carry out wide-ranging urban sector reforms to strengthen municipal governance in accordance with the 74th Constitutional Amendment Act, 1992.

A critical component of the JnNURM reforms was Municipal eGovernance i.e. ICT enabled delivery of key services by a ULB. Implementation of Municipal eGovernance is being carried out as a part of the National eGovernance Program (NeGP) which was also launched in 2005. A number of Mission Mode Projects (MMP) have been defined under the NeGP. Implementation of eGovernance in ULBs is one of the key MMP taken up at the national level.

Although a number of ULBs have been deploying IT for service delivery for some years now, the new initiative was expected to standardize the delivery processes.

There are a number of services that ULBs started to offer through e-delivery. The services that are relevant to the poor urban dwellers and MEs are listed below:

- Registration of MEs
- Issue of Births/ Deaths Certificate
- Payment of Utility Bills.
- Grievances and Suggestions

A number of eGovernance projects were assessed in 2006-2008 in an impact assessment program that surveyed large samples of citizens to understand whether the cost of accessing ULB services by the citizens had been impacted through e-delivery⁷. The survey measured the cost of accessing a ULB service by a citizen as being composed of the number of trips

⁷ Department of Information Technology (2010) Impact Assessment study of JNNURM. Retrieved from http://deity.gov.in/hindi/sites/upload_files/dithindi/files/ImptAssmntJnNURMe-GovprojDrftrepIIMA_29411.pdf

required to be made to the municipality, waiting time at the counter, and amount of bribe paid to a functionary or an agent. The study covered four large corporations: Delhi (NDMC), Mumbai (BMC), Hyderabad (GHMC) and Kolkata (KMC). The results of this study are discussed below.

The experience of respondents from NDMC which primarily covers the New Delhi municipal limits showed marginal improvement in payment of water and electricity bills. Although the survey did not target MEs, bulk of the respondents in Delhi were from lower middle income groups. The study showed that the waiting time in minutes was reduced significantly from 51.8 minutes to 24.5 minutes. The average number of trips required was reduced marginally from 1.1 to 1.0.

Results from three corporations (Mumbai, Kolkata and Hyderabad) on issue of new trade license and renewal of trade license are presented in the table --below in terms of various cost elements for the citizens under the manual and computerized process of service delivery.

Process of obtaining a new license is similar at all three Urban Local Body (ULB's), including ULB guidelines on time limits for obtaining the licenses. Applicant has to obtain requisite form from the ULB office/download the form from ULB website and apply for a new traders license along with a "type of business certificate" to be issued by the State Industries Commission. Depending upon the nature of the business, the applicant is subjected to a process of verification, within 3-15 days of this application submission. For more restricted categories of business, the verification process generally occurs toward the later of these 3-15 days cycle. For such businesses also, there may be more than one round of verification by different departments. Once the process of verification is over, the applicants are sent the trade license approval form from the ULB, within about 7 days from the process of verification. Process for renewal of trade license is also similar across the ULBs. Applicant gets demand notes from the ULBs for the renewal. Applicant can go to the ULB registered counters or the kiosks designated by the ULBs for accepting these payments.

Table 3: Performance of Computerized Trade License in three Municipal Corporations

NEW TRADE LICENSE						
BMC		KMC		GHMC		
Manual	Computerized	Manual	Computerized	Manual	Computerized	

Number of trips	1.9	2.2	1.8	2.34	1.8	2.01
Waiting time (minutes)	58.8	83.5	149.6	115.7	86.7	86.03
Elapsed time (in days)	7.4	14	7.2	20.8	9.2	10
Percentage paying bribe	10.6	10.71	14	10	24.1	3.6
Percentage using intermediaries	9.52	3.92	8	8	45.3	7.2
RENEWAL OF TRADE LICENSE						
	BMC		KMC		GHMC	
	Manual	Computerized	Manual	Computerized	Manual	Computerized
Number of trips	1.6	1.2	1.2	1.2	1.8	1.56
Waiting time (minutes)	61.6	48.7	89.3	61.5	69.5	50.1
Percentage paying bribe	9	7.5	8.5	2.5	40.2	12.1
Percentage using intermediaries	6.06	0	7.31	3.75	56.64	10.86

In terms of issue of new licenses, computerization has worsened the situation for all the corporations except in case of bribery where significant gains were reported in Hyderabad. In Hyderabad a much smaller proportion of establishments seeking license needed to use intermediaries. The number of trips has increased across all the municipalities in the computerized system. An additional requirement of a “type of certificate” obtained from the State Industries Office has added at least one trip. Survey results reported the following

reasons for unnecessary trips: long queues in ULB offices, malfunctioning computers, and additional document requirements. Across all three ULB's the reasons for long wait mentioned were non-operational counters and too many customers in the service area.

Incidences of bribery have been reported for this service for all ULBs in both computerized as well as manual services. The maximum reduction in intermediary usage has been in GHMC; primarily due to multiple locations where service is delivered. Corruption in the working of the system and durability of certificates were problem areas where citizens seemed most concerned.

In renewal of trade license the service has improved marginally in all dimensions. However, the need for one trip and nearly an hour of wait time are far from optimal. In Hyderabad the impact on bribery has been significant. There has been a reduction across all three ULBs in intermediary usage for this service.

Overall, early computerization in all the ULBs resulted in very little improvement in services needed by ME's.

6 A Framework for Improvement in Registration and Other Services Delivered to Urban Poor

Currently ULBs interpret their responsibility towards MEs in a very narrow manner as being responsible for implementing the shop and establishment act⁸. This act defines rules for working hours per day and week; days of closure; and rules for employment of and termination of employee. These rules largely concern the welfare of employees and compliance with labor laws. Every business has to maintain a number of records under Shops and Establishments act, such as approval from Department of Labor and details of employment, fines, deductions and advances, salary, holidays, etc. As discussed in section 4 meaningful enforcement of the act is not possible without maintaining a data base of all shops and establishments in an urban area.

However, the 74th Amendment Act (Administrative Reforms Commission 2006) envisaged a much wider role for elected ULBs covering planning for economic and social development, urban poverty alleviation and safeguarding interests of weaker sections of society expecting them to function as effective local self-government institutions. ULBs by and large have failed to live up to the expectations embodied in the 74th Amendment (Reserve Bank of India 2005).

Hawking has always posed a serious public policy challenge for the ULBs. Hawkers strategically locate their workplaces in urban areas with steady pedestrian flows, often in

⁸ See more at: <http://smallbusinessindia.intuit.in/starting-business/shops-establishments-%E2%80%93-law-says/#sthash.iVDMdTJT.dpuf>

central business districts or near crowded transport junctions. In doing so, they rankle big businesses, real estate developers, and other elites who want access to the same space. Overcrowding of vendors in these areas can also exacerbate broader problems in urban governance, such as traffic congestion, solid waste management, and public health risks.

To address these problems, city governments need a way to define and enforce rules governing who gets access to what space at what times. The street vendors Bill introduced in Lok Sabha in September 2012 defines a registration process for vendors, their rights and obligations to work in authorized vending zones, and a statutory bargaining forum called Town Vending Committees in which vendors are represented through their associations. Notably, the bill also allows for evictions, relocations, and confiscations of merchandise, but defines the conditions under which they may take place. Most significantly, the bill recognizes street vending as a right and as an urban poverty alleviation measure, while acknowledging the need for local authorities to regulate it (Roever 2012).

To fulfill the broader role a ULB would need to take multiple actions. These include simplification of the procedure for registration to enhance compliance; providing incentive to ME for registering; methodical enforcement for compliance and use of ICTs to make the process convenient for MEs. In addition, many of the necessary services made available to every resident will have to be improved in areas inhabited by MEs.

Figure 1: Enhancing Compliance for Benefits to Corporation and Impact on Economy

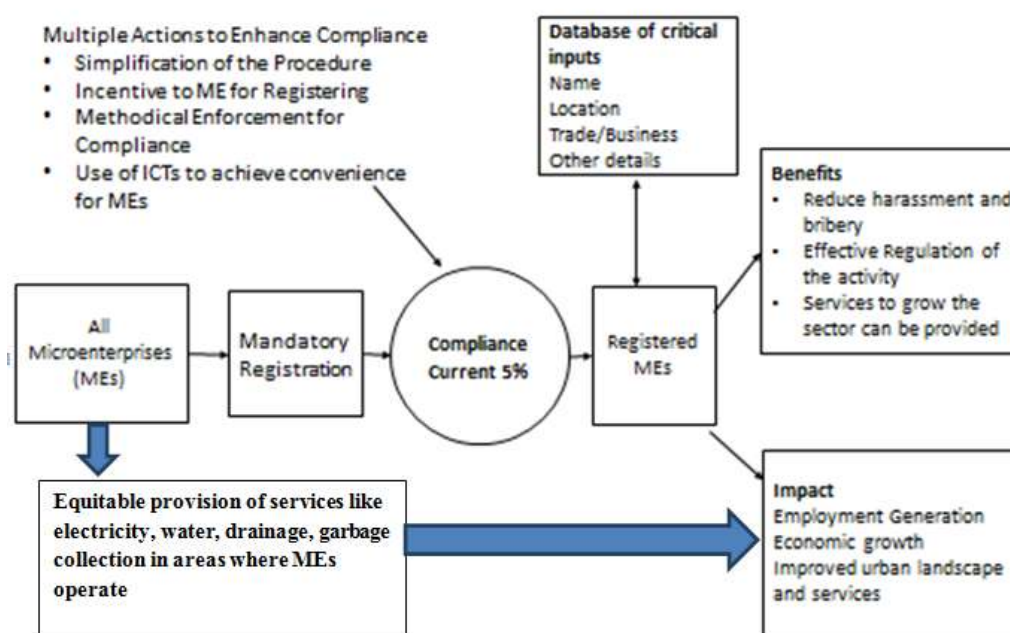


Figure 1 indicates how different actions taken to improve the registration process and utilize the data base of registered units would enhance compliance of the registration process, make

regulatory actions less arbitrary and create an overall climate of growth of the ME sector. A list of specific actions that can be taken in the short term and in a longer time frame are listed below.

1. Create a data base of all entities carrying out economic activities in manufacturing, trading and provision of services which can be mapped spatially.
2. The data base will allow a ULB to enforce the labor laws in a non-arbitrary fashion and will allow establishments to complain against unfair enforcement by using the facts recorded in the data base.
3. By analyzing the demand for different types of services and goods by geographical units based on the nature and size of population in these units, the corporation can advise prospective businesses about over supply and under supply based on the data on existing units.
4. Use the data on demand and supply to plan the land use for residential, commercial and public purposes.
5. Creation of the data base implies a full compliance of the registration process. Creation of awareness about the need to register to do business legally and provision of incentives to registered units in terms of information on access to funding and subsidized infrastructure would be important.
6. The cost incurred by an entity in registration would have to be reduced. Number of trips to ULB office, waiting time, cost of preparing supporting documents and bribery would have to be significantly cut down to make it attractive for new entities to register and old entities to renew the registration.

Item number 6 is critical for increasing compliance of the registration process. The process needs to be simplified because most MEs are semi-literate and therefore cannot be expected to deal with complex procedures, forms and supporting documents.

7 Recommendations

Three types of recommendations are discussed.

The first type is targeted specifically for the registration process and can be implemented without altering the procedure for a large number of other services that are delivered by a ULB.

Simplification of forms, procedures and rules followed in the current manual systems can be revised. The current procedure for issue of license needs to be analysed for non-value adding activities that burden the client. These could be in the form of unnecessary data in application form, needless requirement of supporting documents. For example, a large number of documents are needed for registration in Delhi: property papers, electricity bill, site plan and a key plan from a registered architect, demand draft in the name of the commissioner along

with the application form. For renewal, copies of the registration receipt and the payment receipt from the previous year are required to be submitted. In Delhi, the application form for trade license is in English which is difficult for an ME to understand. The form is available for INR 250 (19.77 USD). The form and format and the validity period of the license can also be reviewed.

In Dhaka, Delhi, Patna and Colombo, the service provider is solely responsible for disseminating information, providing forms as well as well as informing the consumer about any delays in the process. Other channels which are perceived to be reliable are not made available for seeking information.

Another paper (a part of the LIRNEasia study) has detailed some possible reforms of the type outlined above which may be easily implemented in those corporations which operate the registration process manually. Such reforms present the low hanging fruit.

The second type of recommendation is based on deploying ICTs to improve the registration process. Given the fact that India has a program of computerizing the service delivery in nearly 300 ULB through a single window concept (a counter for many different services and dealing with different steps of a delivery process such as accepting an application, supporting documents and fees) the proposed recommendations may be easy to implement. Nearly 30 corporations are already computerized but as noted earlier, the relief to MEs is marginal.

7.1 ICT Enabled Reform in the Registration Process

A simple way to minimize the cost of registration for the MEs is to provide the registration services closer to the location of ME business. For most computerized ULBs the service needs to be availed at a ward/ULB office. By web enabling the service, MEs can access the service at licensed cyber cafes. In some states like Andhra Pradesh a large number of such services are provided by licensed cyber cafes.

The process of issue of license can be significantly transformed to minimize the cost of travel to make an application and collect the license and wait time by harnessing the opportunity offered by new technologies. The cost of getting a license can be significantly reduced if hand held units are used by mobile staff to issue licenses at the door step of shops/establishments and places where hawking is being done. For many years mobile based electronic banks are operating in rural areas to disburse pensions. Mobiles can capture data (including photographs and biometrics) and transmit it to back end servers through GPRS connectivity. Once the issue of license is approved, a digitally signed license can be placed in a registry which can be down loaded and printed by any licensee. Such on the spot issue will enable simultaneous verification of the address and can also be used to verify the identity of the shop

owner through anadhaar⁹ card. The whole process can be done in a programmed manner covering different areas after creating awareness about the licensing drive. All these elements are present in the example of pension payment in Andhra Pradesh. It may also be possible to capture the GPS coordinates of the shop/establishment and link it to the address. Such a process will enhance compliance and ensure that good quality data is collected.

Sometimes collection of correct address is a problem because no standard format has been designed to specify an address. ULBs can follow the example of the Bangalore Municipal Corporation (BBMP) which has developed a GIS based Property Tax System covering whole BBMP jurisdictional area. It has provided a unique Property Identification Number (PID) to each and every property in Bangalore. The PID Number is a combination of Ward number-Street Number-Plot number. A unique street number has been assigned to every Street and within the street a property number has been assigned. The validation of the properties with statistics such as owner name, address of the property was carried out by Revenue Officials. BBMP shared the updated information with a web based search engine for citizens to access¹⁰. Such an exercise can be done if the addresses need to be captured in the delivery of a number of services by the ULB.

In addition to the improved registration processes, ULBs need to work out ways in which to incentivise licensed entities. One example of such a strategy followed by the Greater London Authority is to earmark 10% of procurement of goods and services to local producers¹¹. Providing information that is useful for the conduct of business to registered users through SMS, call centres and a web portal could also act as an incentive. Such information could relate to sources of funding, new schemes by Government providing assistance to MEs or poor citizens, and knowledge updates for various vocations.

⁹ Aadhaar is a unique number linked to each individual's basic demographic and biometric information. A photograph, ten fingerprints and an iris scan are stored in a central database for every individual who is issued aadhaar. Citizens' identity can be verified using hand-held devices linked to the mobile phone network by sending the aadhaar and a finger print to the central database. The UIDAI then promises to give a 'yes' or 'no' response to verify the individual's identity within eight seconds. Possessing aadhaar is not mandatory. <https://portal.uidai.gov.in/uidwebportal/dashboard.do>

¹⁰ <http://sasbbmp.com/spandana/>

¹¹ The City Corporation's Local Procurement Charter calls on developers to source 10% of goods and services, relating to development, from the City and its neighbouring boroughs. The Local Procurement Charter seeks to encourage City developers and their contractors to source locally and drive the economies of local small to medium sized enterprises. In addition the City Corporation provides free support to city based business wishing to procure locally. It does this by signposting local supplier databases, providing 1:1 advice and providing written guidance via its Local Purchasing Toolkit and other resources. Source: <http://www.cityoflondon.gov.uk/business/supporting-local-communities/Pages/sustainable-procurement-for-city-firms.aspx>

To implement such reforms selectively for the registration service (a ULB offers a few dozen services) the importance of the ME sector would have to be recognized within the policy framework of a ULB.

The third type of recommendation relates to the equitable provision of basic services to the less developed areas of a city (where a bulk of MEs are likely to be conducting their business).

7.2 Effective Delivery of Basic Services to the Urban Poor

Such services include water supply, sanitation (garbage collection and drainage), education (running schools), and provision of roads and road lights which are essential for residential and business purposes. Although provision of these services involves physical infrastructure, operating budgets and human resources, there is a role of eGovernance in planning and monitoring the quality of services and handling citizen complaints.

One of the major problems of delivery of such services is the imbalance in the inputs and quality of services to different parts of the city. Regions that are inhabited by affluent citizens tend to get more attention, greater resources and therefore better services. It is also true that in most cities the more affluent and poor populations tend to be quite segregated in terms of physical spaces. The urban poor largely live in slums usually located at the periphery of the city.

Although problems of such imbalance in quality of services are discussed amongst civil society, there is no concrete evidence that such discussions lead to any follow up action. It is proposed that ULBs publish performance data on infrastructure, operating budgets and actual performance for the important services by spatial regions of a city. For example, for garbage collection data needs to be reported on the number of garbage bins located in various areas of city per square kilometre and per capita; amount of garbage actually collected and dumped by trucks in previous month/year normalized per unit area/per capita. Such comparative data displayed on an interactive map of the city with different wards (Burroughs) will enable the civil society to understand the imbalance in quality of service and highlight the issue. It will also enable the citizens to raise their voice based on concrete evidence. Some corporations such as the BBMP have begun to publish aggregate data on tonnes of garbage collected, number of trucks deployed etc.¹². They need to go a step further to publish such data disaggregate by spatial zones.

¹² Bruhat Bangalore Mahanagara Palike (n.d.) Solid Waste Management in Bruhat Bangalore Mahanagara Palike (BBMP). Retrieved from <http://218.248.45.169/download/health/swm.pdf> retrieved on September 2013

Many corporations in industrialized countries publish a large number of statistics for every spatial unit of the city. For example, the Greater London Authority (GLA) collects data about the major planning permissions in London on the London Development Database. The data is provided by the London boroughs, who are responsible for providing data on the permissions in their area. It is possible to find the planning permissions in an area by searching for a locality by name or postal code or by use of a mouse on an interactive map. The permission markers give an indication of the main proposed use. There are detailed instructions to navigate the site¹³. Another link provides a visual description of the different services provided by the authority¹⁴.

Sharing of performance information by spatial units would require the development of suitable indicators that measure inputs, activities and outcome. Such an exercise should be consultative involving citizen groups and civil society in discussion with municipal authorities. Processes for developing such indicators are already being used in some cities like Bangalore through the Report Card initiative promoted by a Bangalore based NGO¹⁵.

Problems in provision of such services can become acute, requiring immediate attention from the corporation. A variety of modes can be used to register complaints including SMS, call centres and through a portal. A structured way of providing information for a complaint so that its location can be identified needs to be publicized. Urban poor have limited access to the Internet. Therefore cyber cafes can be licensed to accept complaints for a small fee. Complaints filed on the Portal may have an option to upload a photo so that a visual description can be provided.

The complaint handling system needs to have provisions for routing the problem to a specific functionary, report of resolution (with photo if necessary), escalation if the work is not done in a defined time frame. The performance on resolving complaints need to be published. Often complaint handling systems provide a facility for tracking the status, but rarely report aggregate performance.

¹³ Greater London Authority (n.d.) London Development Database. Retrieved from <http://www.london.gov.uk/webmaps/ldd/>

¹⁴ City of London (n.d.) Sustainable Procurement for City Firms. Retrieved from <http://www.cityoflondon.gov.uk/business/supporting-local-communities/Pages/sustainable-procurement-for-city-firms.aspx>

¹⁵ Community Score Cards are qualitative monitoring tools that are used for local level monitoring and performance evaluation of services, projects and even government administrative units by the communities themselves <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0,,contentMDK:20507680~pagePK:148956~piPK:216618~theSitePK:410306,00.html>

As noted earlier, the compliance for Hawkers License, Shops and Establishment license and Professional Tax Registration is low. Therefore the very purpose of issuing such licenses or making them ICT enabled has been lost. If the knowledge of shops and establishments and hawkers in any way helps the process of planning and monitoring such activity, then the first priority is to achieve high compliance. There is a clear disconnect between the mandated broad objectives of a ULB in serving all its stake holders and the manner in which ULBs view their role currently.

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9 Appendix-I

What Do a Sample of MEs Feel About the Quality of Existing Services?

9.1 Vegetable Hawker

Naresh aged 34 years is a vegetable hawker operating in largely 2-3 campuses in west Ahmedabad. He is educated up to 10th standard and has been in the business for 14 years. He has not obtained a license from the AMC. He claims that most people he knows in this business have not got a license. He has never been inspected for any kind of certification. He feels that hawkers operating on main roads (as part of large groups of hawkers) are more likely to face harassment. Hawkers selling food items are often subjected to checks and need to pay Rs. 100-200 as bribes every so often. Hawkers who have established at one location often have to pay a regular monthly bribe of approximately Rs. 2000. Naresh's daily turnover is around 3500 and on a good day it can go up to Rs. 5000. He buys his stock from a central retail market every morning and carries the supplies on his motor cycle. He has 25-30 customers who regularly contact him on a mobile phone to place orders. Otherwise he does not use the mobile for any other business purpose. He charges around Rs.250 into his prepaid Vodafone connection on every recharge.

9.2 Fruit- hawker

Mukesh, age 39 years is a fruit hawker in Thaltej area of Ahmedabad. In 2010, he invested around Rs 5000-of his personal savings in setting up a fruit cart. His monthly earning is around Rs 5500 (\$100). He does have a mobile phone but does not use it much for business purpose. He does not have a bank account.

He has a history of paying penalties for not possessing a hawker's license. His cart was confiscated by the officials of Ahmedabad Urban Development Authority (AUDA) in the first month of his venture because he was without a license and few residents of the area had complained about his cart being a hindrance in their forthcoming marriage function. He then obtained a hawkers license by paying a fee of Rs 175. Officials helped him in filling up the application form since it was in English. However, he could retrieve his cart only after 3 months after making multiple trips and spending nearly 1 thousand rupees.

He continues to be harassed by the AUDA officials. He was made to pay a bribe of Rs. 200 once in six months. He also had to pay a penalty of Rs 400 to the health department officials of AUDA, even though he had a crater to keep all the garbage.

9.3 Pharmacy Shop owners

Sidharth, aged 27 years, with a Bachelor of pharmacy degree, opened a chemist shop with an investment of round Rs 1.5 million, which was partly financed through a bank loan. There is just one employee working with him at present.

First he obtained a shop and establishment license from the AMC which took 4 days. Then he applied for a drug license at the food and drug department. The license is normally issued in 20 days but Sidharth obtained the license in 4 days. A government official then visited his shop to inspect the SE License and other facilities before issuing the drug license. The government fees for obtaining a drug license is Rs 3000 but he paid an additional amount of Rs 7000 as a bribe. He was helped by the government staff in filling up the application form. As observed by him the drug department processed the license in a manual way. Since he used the services of a Chartered Accountant, he did not have to visit the AMC office.

Sidharth has a bank account In the name of the shop. He goes to pay the property tax himself and finds the computerized counters efficient. He has never availed any government service through the website, even though online services are available. He avoids using his credit card because of the extra interest charge on it.

Bharat aged 32yrs, educated up to 10th standard (though claims to be a graduate) is the registered proprietor of a chemist shop. He started the shop in 2008 with an investment of Rs 250 thousand, renting a shop for Rs. 3000 per month. He employed a qualified pharmacist and obtained a drug license in his name. However after a few years a new trained pharmacist was hired and the change was notified to the authorities. Bharat pays a monthly salary of Rs 4500 to the pharmacist for lending him the license to obtain drugs and medicines. Often the pharmacist is not present in the shop (It is mandatory for the pharmacist (license holder) to be present at the shop for monitoring the purchase and sale of drugs). Bharat says that this is the regular practice followed by most of the chemists. It is easy to get a drug license from the food and drug department. The pharmacist needs to be registered with the Gujarat State Pharmacy council requiring a fee of Rs. 500. The application form needs to provide photographs of the proprietor and the license holder wit proofs of residence and identity. The fee for the process is Rs 3000 and no bribes need to be paid. A completely filled sample form is provided for the applicants. It takes 2 trips and 20 days to get the license. The drug license is valid for 5 years. The renewal process is similar to a new application.

Bharat has not yet registered his firm's name for professional tax registration and shop and establishment act license (gumastadhara) even though the Gumastadhara act has been in existence since 1950. His monthly income is approximately Rs 20000. Most of his transactions are done in cash and purchase orders are placed with the suppliers mostly on phone. His income tax returns are handled by his CA and thus he seldom needs to visit any government office. The drug inspector from the food and drug department and officials from the health department of AMC visit his shop occasionally (once or twice a year) to check the

drug license, the retail invoice of the purchases made with the suppliers and availability of fridge in the shop. There is rarely any trouble caused by them.

9.4 Electrician

Satish aged 32 years is a qualified electrician from an ITI (Industrial Training Institute), Ahmedabad. He did an apprenticeship with a power company for one year and then worked with an electric shop for a year before starting his own business. He opened an electrical shop in 2003 with an investment of Rs. 20000 in Bopal area which comes under the Gram Panchayat authority. His monthly income is in the range of Rs 20000-25000

Satish works on contract basis for interiors, renovation and yearly maintenance of residences and office buildings. He employs workers on a temporary basis. Satish's father manages the shop and he does the field work.

He did not obtain a shop and establishment license because it was not mandatory when he started his business. He has a bank account in the name of the shop and receives and pays by check and cash. He pays property tax and professional tax at the gram Panchayat office in Bopal. He has never used any online government service coz the panchayat office is very near to the office. The income tax return is filed by a CA. Government officials from the professional tax department do visit the shop randomly.

Satish is also a qualified government electrical supervisor. For obtaining this certificate/license, he filed an application with the industries department in 2004 along with an experience certificate, copy of degree, driver's license, and a fee of Rs. 500. He got the license within 2 months. He had to call and inquire about the status of the application several times and had to visit the office 3-4 times incurring an expenditure of Rs. 1500. This license is issued to the applicant for a life time and is valid throughout India. This license gives him the opportunity to participate in the government tender bidding activity. Also he can certify test reports for individual houses requiring electrical repair or a request for approval of extension of load. Satish would like to apply for a license to be empaneled as a government contractor. He needs to procure tools worth Rs. 12000 and submit the bills with the application form.

9.5 Fruit Juice Vendor

Praveen, aged 30 years is an illiterate fruit juice cart owner. He is a migrant from a neighboring state. He has been selling juice for last 10yrs on a street just outside the AMC City Civic Centre (CCC). He lives in another part of the city on rental basis. He invested Rs 15000 from his personal savings and borrowings from friends.

Praveen has been running the cart for last 8 years but he applied for a license just 6 months back. It took 2 visits to the center to collect the form and submit it with the required documents. He had to wait for a week to get his hawkers license. He visited the AMC thrice

to collect the license but he was told that the license was not ready and he would have to come again.

AMC rules do not permit a hawker to stand on any of the main roads. They need to hawk only on specified roads. However Praveen has been standing right outside the AMC CCC on the main road for a number of years. The estate department monitors and Praveen has been questioned by them many times for not keeping a dustbin to dispose of the waste and maintain a healthy hygiene. Every time he had to pay a penalty of Rs 200 to the officials. The traffic police officials also monitor the hawkers standing on the main road and ask them to move from their place in order to avoid traffic issues. Every hawker along with the license is given a colored sticker (depending on the expiry of the license). Praveen did not display the sticker as none of his friends do so. Praveen does not use a mobile as he feels he cannot afford one.

10 Appendix II

10.1 Procedures for Registration of MEs in Ahmedabad Municipal Corporation

The Ahmedabad Municipal Corporation (AMC) provides civic services to about four million citizens residing within the urban limits of Ahmedabad city. AMC is divided into five zones, which are further segregated into 43 wards. Each ward is represented by three elected councilors. Fifty two computerized service delivery centers are operational currently. The number of service counters at each Civic Centre varies between 3 and 10 depending on its activity level.

Obtaining a “hawkers license” is mandatory. The license is classified into three categories a) fruit vendors b) vegetable vendors and c) other than fruit and vegetable vendor. A single page application form can be collected from any civic center/ward office by paying a fee of Rs. 5. The forms are not available on the website of AMC. The form has to be submitted with 3 documents: ID proof, proof of address and a passport sized photo.

Most applicants for a license use a voter’s ID card as ID proof. A driver’s license can also serve as an Id proof. A letter signed and stamped by the municipal councilor of their respective ward can substitute a residential proof such as an electricity bill. Most of the applicants use such a letter. Information needs to be provided in the form: name, address, the street on which the hawker would be setting up his cart (hawker can choose max 3 streets), and the duration for which he / she would want the license. A photo of the applicant is clicked by the webcam of the service counter for the purpose of verification. If the form and enclosures are in order, a hawker’s license is issued within 10-15 minutes. The hawker’s license is issued only at AMC city civic centers. Help is provided to the applicant in filling up the form by a representative of the CCC. The license issued is a laminated colored rectangular slip containing all the details from the form. The hawker is also issued a sticker in two colors (signifying validity period of 3 years or 2yrs) which is to be displayed on the cart.

This entire process of obtaining a hawker’s license can be completed with maximum 2 visits to the CCC. The cost to the citizen for a hawker’s license varies between Rs 600-900 depending on the category of the license. No part of the process can be done online by the citizen.

Hawkers selling food items also need to get a health license (mandatory). However, very few hawkers get this license because of a lack of awareness about the requirement.

The process of renewal of the license is similar to the issue of a new license.

The hawker’s license issued by the corporation allows the hawker to move only on the street for which the license is issued. If the placement of hawkers on the main street or residential areas is causing any sort of problem, the citizens can file a complaint against the hawker/s

with the ward office, CCC or AMC call center. The Estate department inspector of every zone monitors the hawkers on a regular basis to see that they adhere to the conditions of the license. Violations can lead to confiscation of the cart. The Health department inspector also monitors the street hawkers for cleanliness.

Most of the hawkers operate without a license because they are unaware of the procedure to be followed. The only benefit of obtaining a license is that the hawkers can avoid harassment and payment of bribes to inspectors. Often, the harassment can take place from a policeman, inspector, or a local hooligan irrespective of whether a license has been taken.

10.2 License issuance process for others (Enterprises/entrepreneurs having a fixed location of business)

For e.g.: dairy parlor, stationary shop, tea stall, pan shop, electric shop, garment shop, a self-professional (architect, an advocate) etc.

The MEs need to do two types of registration to obtain the license.

Professional Tax Registration (PTR): The application form can be downloaded from the AMC website for free. The filed form has to be submitted at any of the 52 CCCs. No other documents are required. A registration number is issued to the applicant on payment of a fee of around Rs 2000 per year. The applicant then submits this registration no/ receipt to the professional tax registration department at the zonal office. Documents such as residential/business address proof, ID proof, invoice of business sales/purchase, property tax bill also need to be submitted. The PTR department issues a certificate. With this certificate the applicant goes back to the CCC.

Shop and establishment act/ gumastadhara act: The applicant needs to buy form for Rs 5 and fills in details such as name of the firm, address of the firm, no of employees, commencement date, category of establishment (shop or commercial, hotel or residential eating house), nature of business. The documents to be attached with the form may vary for different CCC. The documents to be attached are: residential proof/ business address proof, property tax bill, photo id, PTR certificate etc. In addition, depending on the nature of business certain licenses need to be attached. For example, a chemist needs to obtain a drug license from the state government office; a security agency needs to obtain a police license and a small restaurant needs to obtain a health license.

However many other types of shops do not need any additional license. In case the business is run from a residence, a clearance for the commercial use of residential space is needed from the property tax department.

Once all the documents (sub-licenses) are attached and submitted at the AMC CCC, the S&E act license for running the enterprise or shop is issued to the applicant in 10-15 minutes. The certificate/ license issued is printed with an embossed logo of the AMC and it specifies the day of the week when the (selected by the firm) enterprise cannot open the shop. The total cost to be paid at the center is around Rs 60. This license is valid and renewed every year on a payment of Rs 30. Thereafter the validity period is 5 yrs.