

DIGITIZATION : RECENT INITIATIVES IN INDIA FOR BOOSTING INTERNATIONAL TRADE

RashmiTaneja

Research Scholar, Indian Institute of Foreign Trade, New Delhi

Prof (Dr.) R K Wadhwa

Director, Global Business Consultants, Export Import Business Consultant former Director, IBM, GLA University, Mathura

Abstract

Operational inefficiencies in terms of complicated and time consuming process for obtaining licenses, claiming incentives, preparing and submitting documents have been the major bottlenecks for India to realize its utmost trade potential. These operational inefficiencies majorly persist because of not adopting or upgrading the technology by different departments of the government timely and effectively. This left Indian business community to lag behind in using the contemporary technology based business practices and doing their trade smoothly and widely. While, in the present times the government is making rigorous efforts in the direction of digitizing its various processes and systems. To mention a few, filling of application for issuance of IEC, advance license etc. is initiated, use of electronic bank realization certificate system (eBRC) is extended, design of the concerned websites is made user friendly and so on. This digitization process is aimed at improving ease of doing business for Indian business community and enhancing its competitiveness in the international markets. At this backdrop the objective of the paper is i. to highlight the policy initiatives which have undertaken by the Government to improvise ease of doing business through IT initiatives and ii. to analyze its role and adequacy in the light of the present needs of the economy. To conduct this study, secondary data was gathered from various authentic sources and further analysed in the light of the stated objectives.

Keywords: Digitisation, IEC, eBRC

Introduction

Information and Communication technology (ICT) is considered to be a miracle of modern times which has revolutionized all the sphere of our lives. Today, it takes a minute to send a message/information to any corner of the world through various electronic medium viz. e-mail, Electronic Data Interchange (EDI), customized software etc. Besides, sharing of information ICT revolution has eventually changed the ways of doing business across the globe. Conventional brick and mortar business houses are replaced with virtual markets, manual operational methods are replaced with automated systems and scope of businesses is extended from local to global. The diffusion of personal computers, fax machines, Windows, dial up modems connected to global telephone network, all came together in the late 1980s and early 1990s to create the basic platform that started information revolution. Incidentally, the entire world economy that time was on the path of globalization and economic integration, thus received a major

impetus for enhancing global trade and businesses through various IT channels. It may be stated that reducing trade barriers through the multilateral agreements and organization has made globalization of markets a theoretical possibility, while information and Communication Technology (ICT) has made it a practical reality.

This was the beginning of new business era which pushed all the economies to change their methods and processes of doing businesses within/across the borders in the wake of globalization. India was no exception to it. India undertook several initiatives pertaining to adopting ICT tools and practices in almost all the segments of the country. Electronic Governance (e-Governance) in this direction is a major initiative of Indian Government which primarily aims at supporting and simplifying governance for all parties, government, citizens and businesses by using electronic means. E-districts, e-procurement, e-courts, e-Biz are few of the projects of e-governance in India which connect all the three parties and

support processes and activities. Recently the Government, taking a step further launched the Digital India Programme with a vision to transform India into a digitally empowered society and knowledge economy so as to promote inclusive growth in the country.

Despite undertaking various IT initiatives by the Government, Indian businesses especially the international traders are still grappled with the challenges of procedural and administrative complications and high transaction cost. This has resulted in India's relatively low trade competitiveness in the international market. This is manifest in India's global competitiveness Index which is very low at 55th rank of the 140 countries and India's share in global exports is also observed to be insignificant at meager 1.6%.

The Central Government under the Foreign Trade Policy (2015-20) envisions to make India a significant participant in world trade by the year 2020 and to enable the country to assume a position of leadership in the

international trade discourse. Furthermore, the Government has set an objective of increasing India's exports of merchandise and services from US\$466 billion in 2013-14 to approximately US\$900 billion by 2019-20 and to raise India's share in world exports from 2% to 3.5%.

In the light of the above stated major goals, it is crucial for the Government to undertake stringent measures so as to enhance exports in coming times. Recognizing the importance of smooth and seamless business operations in today's dynamic global business environment the Government has undertaken several measures for improvising the ease of doing business through introducing IT initiatives. These initiatives are incorporated in various concerned systems in the economy viz. customs, banks, taxation and license authorities among others. These measures are aimed at addressing the procedural and administrative hurdles and enhancing India's trade competitiveness in the international market. In this paper, we are making an attempt i. to highlight the policy initiatives which have undertaken by the Government to improvise ease of doing business through IT initiatives and ii. to analyze its role and adequacy in the light of the present needs of the economy.

Research Methodology

In order to conduct this study, secondary data and information has been collected from various national and international reports viz. EXIM databank, Directorate General of Foreign trade, World Trade Organization, Global Competitiveness Index report, Ease of Doing Business and so on and so forth. Further, data is compiled and analyzed in order to draw inferences pertaining to the stated objectives of the study in hand. The study is divided into 4 sections. Section 1 discusses India's exports and its position in relation to global exports. Section 2 includes the analysis of India's global competitiveness especially related to technology so as to indicate adoption of IT practices in Indian

business and government system. Section 3 highlights the various IT initiatives undertaken by the Government especially during the recent past few years. Sections 4 describes the present gap in India's position on ease of doing business w.r.t trading across borders and suggestions and conclusions.

Section - 1

2. India's exports performance : Domestic vis-à-vis global level

The post economic reforms of 1991 witnessed an upward and steady growth in India's exports resulting from undertaking several structural foreign trade reforms in terms of reduction in peak tariff rates, unified exchange rate system, current account convertibility and so on. As a result, during the first decade of reforms India's exports increased from US\$18 billion in FY1991 to US\$38 billion in FY2000 and during the second decade of reforms, country's exports increased significantly from US\$44 billion in FY2001 to US\$163 billion in FY2008 (before the onset of US financial crisis), Refer Figure-1. Nonetheless, the US financial crisis coupled with collapsing of Lehman Brothers adversely impacted India's exports. Annual export growth which was registered at record high level of 29% in FY2008 declined to around 14% in FY2009 and turned negative at (-) 3.5% in FY2010. Ensuing the government's immediate remedial policy measures and strategies, declining trend of India's exports was arrested but its performance remained almost sluggish in subsequent years. This is apparent from the period from December 2014 to March 2016 when export growth was recorded a continuous deceleration and finally reported a decline of (-) 16% from US\$310 billion in FY2014-2015 to US\$262 billion in FY2015-16.

India's overall export performance, despite showing an upward growth during the post liberalization period is still dismal at the global level. This is apparent from table-1 that India's share in global exports is only 1.6% and accordingly the country is ranked at 19th, while China with 13.8%, is the leading exporter in the world economy (Refer –Table -1).

Section 2

3.0 India's Global Competitiveness

India's global position in terms of exports poses a question, why after twenty five year of economic reforms India's position in world's exports is not significant? Various causes are identified by the experts which have been deep rooted in Indian economic system since long and accountable for low performance of India in the global market. To mention a few, lack of adequate and cheap funds, poor infrastructure, multiple taxation system, lack of promotional facilities are domestic bottlenecks which hinders India's exports to grow exponentially. Complicated and time consuming procedures at various government authorities viz. customs, banks, seaports, airports, dry ports and lack of technology advancement is also reported as one of the major challenges for India exporters. All these challenges combined together lead to high transaction cost and low trade competitiveness of India's exports in global market which is really an area to be highly focused upon.

According to the Global Competitiveness report 2015 of World Economic Forum (WEF), with a score of 4.31 is ranked at 55th on the global competitiveness index. This is after five years of decline, India jumps 16

ranks to this position (Refer - Table-2). The report suggests that the quality of India's institutions is increased at 60th, up 10, India's performance in the macroeconomic stability pillar is improved at 91st, up 10, and infrastructure is improved at 81st, up six but remains a major bottleneck. While, technological readiness has reported the lowest score of 2.7 with a 120th rank amongst all the stated pillars by the WEF. This indicates that India is one of the least digitally connected countries in the world fewer than one in five Indians access the Internet on a regular basis, and fewer than two in five are estimated to own even a basic cell phone.

Furthermore, while, comparing India's technology readiness in relation to BRICS countries the table-3 shows that on almost all indicators of technology readiness viz. availability of latest technologies, firm level technology absorption, Foreign Direct Investment (FDI) and technology transfer, individuals using internet, internet and mobile subscriptions and bandwidth India's rank is the lowest which is very disappointing at the time when India is highly ambitious to put India on the global map. Since, technology is a major driver of a country's competitiveness and growth, this generates an urgent need of putting rigorous efforts towards making India digital in all the sectors of the economy including the external sector.

Section 3

4.0 Government reforms measures w.r.t IT initiatives

Indian Government has set an ambitious target of raising merchandise and services exports from US\$466 billion in 2013-14 to approximately US\$900 billion by 2019-20 and to raise India's share in world exports from 2% to

3.5%. As discussed in previous section India's international players are facing several global, domestic and product specific challenges including global slowdown, high cost of finance, poor infrastructure, lack of promotional support, low quality products and so on. Complicated and time consuming procedures pertaining to issuing of licenses, availing incentives, and customs are amongst the major bottlenecks which adversely affects our trade competitiveness and performance in the global market.

The Government has undertaken various measures relating to policy simplification, reducing cost of capital, document reduction and IT initiatives among others. All these measures are aimed at improving overall ease of doing business in India and enhancing its trade competitiveness in global market. Various initiatives especially the IT initiatives are described briefly here below:

4.1 IT initiatives undertaken till 2013 - Central Board of Excise and Customs (CBEC) has been an early starter in introducing reforms and substantial reforms have already been carried out in the Central Excise laws and procedures since 1994. The objective of these reforms was to repose a greater trust in the tax-payers and bring about a substantial improvement in the delivery system and compliance through automation and trade facilitation measures. CBEC has also undertaken a number of e-governance initiatives with the objective of improving tax-payer services, transparency, accountability and efficiency in the indirect tax administration in India. These applications have automated all major processes in Customs, Central Excise and Service Tax through web-based and workflow-based systems, reducing the physical

interface between the tax payers and the departmental officers, thereby reducing discretion and opportunity for corrupt practices. Details of the important trade facilitation measures undertaken by CBEC are as below:

- CBEC had modified the Indian Customs EDI System (ICES) in 2009, which has been launched in 109 Customs locations in the country. The Indian Customs EDI Gateway (ICEGATE), the gateway portal hosts a number of services for the EDI partners and provides facilities for e-filing of documents from anywhere at any time (24/7).
- The Board started providing various online services to the tax payers including E-filing of Bills of Entry, Shipping Bills, Import General Fest (IGM)/ Export General Fest (EGM) with electronic acknowledgements, connectivity with 17 types of Stakeholders such Custodian, Port Authorities, Shipping Lines, Airlines, Custom Brokers, Directorate General of Foreign Trade (DGFT), Banks and other Government Agencies, through electronic messages; this eliminates the need for paper movement across agencies and across locations, facility of electronic payment of duties, transferring drawback directly to exporter's bank accounts, Electronic Refund of Service Tax paid on exports, electronic transmission of Shipping Bills to DGFT and online receipt of licences has reduced physical interface with the departments and has also reduced time and cost of transaction.
- Indian Customs has developed a user friendly interactive website to enable importers / exporters to know tariff classification, applicable rate of Customs duty and other regulatory requirements for clearance of goods.

- E-payment of Customs duty has been made mandatory for importers registered under Accredited Clients Programme(ACP) and importers paying customs duty of one lakh rupees or more per Bill of Entry. Besides expediting the process of payment of duty and clearance of imported goods, the facility of e-payment has resulted in reduction of transaction costs.
- CBEC has implemented the Automation of Central Excise and Service Tax (ACES) project, a Mission Mode Project (MMP) of the Govt. of India under the National e-Governance Plan. Various tax payer services are provided under ACES which includes Electronic filing of claims, permissions, intimations and processing thereof, instant e-acknowledgement of documents with Document Identification Number(DIN) , viewing, filing and tracking the status of documents online, facility of e-Payment and checking status and online filing and processing of Refund Claims among others.
- The board launched SWIFT clearances (Single Window Interface for Facilitating Trade) enabling importers/exporters to file a common electronic 'Integrated Declaration' on the ICEGATE portal. The Integrated Declaration takes care of the requirements of Customs, (Food Safety and Standards Authority of India) FSSAI, Plant Quarantine, Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee and it replaces nine separate forms required by the said 6 different agencies including Customs.

4.2 Recent IT initiatives- The present Government envisages to put India

on a global map and therefore is highly focused upon enhancing trade through improving ease of doing business for Indian businesses. This is witnessed through the following series of measures which have been continuously undertaken by the present Government in the past few years.

- The Foreign trade policy 2015-2020 with emphasis on improving the 'Ease of Doing Business' for export import business consolidated 5 different schemes for rewarding merchandise exports under the earlier policy into a single , namely Merchandise Exports from India Scheme (MEIS). As MEIS incentives were country specific , exporters were required to submit landing certificate as a proof of landing of consignment in the destination country. Of late, the government as a part of ease of doing business and reduction of transaction cost of the exporters, decided to do away with the Landing Certificates required under Merchandise Export from India Scheme (MEIS) with effect from 4th May, 2016.
- Filing of declarations by importers, exporters, Customs brokers and manifests by shipping and airlines through digital signatures with effect from 01-01-2016 is also initiated. Wherever the customs documents are digitally signed, the Customs does not require the user to physically sign the said documents. Around 97% of import and export declarations and manifests are being filed electronically with digital signatures. The balance 3% is being filed through Service Centre.
- India took a leap forward in improving 'Ease of Doing Business' by reducing the mandatory documents required for import and

export of goods to three documents each. Bill of lading/Airway bill, Commercial invoice cum packing list and shipping bill/bill of export are three mandatory documents for exporters and bill of lading/airway bill, commercial invoice cum packing list and bill of entry are three documents for importers to be filed to the concerned departments. Earlier, there were 10 documents for exports and 7 documents for imports that were required to be filed by the exporters and importers which used to be a tedious and time consuming process. Thus, it is a major step in the direction of simplification of procedures and improvising ease of doing business in the country.

- Introduction of an electronic messaging system between Shipping lines and Custodians for Electronic Delivery Order (EDO) instead of a paper based Delivery Order, has been introduced.
- 24X 7 customs clearance facilities extended to 19 sea ports and 17 Air Cargo complexes
- Online registration of new Central Excise and service tax assessee in 2 days, records can be maintained electronically and digitally signed invoices accepted, E-payment of refunds and rebates through Real Time Gross Settlement (RTEGS)/ National Electronic Funds Transfer (NEFT) introduced.
- A major simplification was carried out for the first time exporters who are required to obtain Import Export Code. DGFT did away with the issuance of physical copy of (Importer Exporter Code) IEC and introduced online issuance of IEC w.e.f Apr1, 2016. The application, processing and issuance was completely made online where no physical application was required to be submitted.

- IEC has been integrated with eBIZ portal of Department of Industrial Policy and Promotion (DIPP) so firms have a choice to use either DGFT or eBiz portal for making an application.
- DGFT exchanges data with Customs, Banks and Export Promotion Councils (EPCs) through EDI message exchange system, reducing physical interface of clients and fraud possibilities.
- Exporter can now file online applications for IEC, Advance License, MEIS, SEIS etc., pay application fee online and check status of their applications.
- Use of electronic bank realization certificate (eBRC) system has been extended. The eBRC system captures details of the foreign exchange received by exporters through the banking channel. This data is shared with 13 state governments who may use it for processing of Value Added Tax (VAT) refunds. DGFT is in discussing with the Goods and Services Tax (GST) team for integrating this information with the GST network.
- DGFT has launched a new look website making it more user-friendly and easy to navigate. It has a large dynamic component whereby the trade community can file applications online for IEC and various other schemes of DGFT. The exporters can also see the status of their electronic Bank realization certificates in almost real-time.
- With a view to ease the process of payment to the shipping lines by the importers/exporters, an association of foreign container shipping lines, operating in India, has confirmed that all their 31 member-lines have implemented e-Payment mode by way of Real Time Gross Settlement

(RTEGS)/National Electronic Funds Transfer (NEFT) for collection of all type of ocean freight charges. This will bring in transparency in ocean freight charged by different service providers.

- Government E-Marketplace (GeM) was launched in August, 2016 and became fully functional by October, 2016. Presently more than 4000 products in 86 categories and hiring of transport service are available on GeM portal. More than 1600 product sellers and service providers and about 1500 Government officials are currently are registered on GeM. Transactions for more than Rs. 45 Crore have already been processed on GeM. Purchases done through GeM so far, have indicated a reduction in prices to the tune of 10-20%, and in some cases even upto 56%. GeM is a tool to promote Maximum Governance Minimum Government, Make in India, Ease of Doing Business and Digital India. By providing timely payment to vendors GeM not only ensures competitive rates but also encourages small business units/ individuals to do business with government organizations.
- DGFT on Oct 27, 2016 signed an Memorandum of Understanding (MoU) with the Goods and Services Network (GSTN) for sharing of foreign exchange realization and Import Export code data. This will strengthen processing of export transactions of taxpayers under GST, increase transparency and reduce human interface.
- The WTO's Trade Facilitation Agreement represents an important milestone by creating an international framework for reducing trade costs. The Trade Facilitation Agreement (TFA) contains provisions for expediting

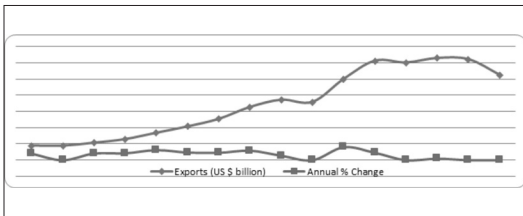
the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective co-operation between customs and other appropriate authorities on trade facilitation and customs compliance issues. These objectives are in consonance with India's "Ease of Doing Business" initiative.

Conclusions and Suggestions

Consistent efforts which are made by the Government towards ease of doing business in India are well recognized by the World Bank. This is reflected in the World Bank's ease of doing business report 2017 which raised India's rank from 131 in 2016 to 130 in the year 2017. Furthermore, the report suggests that during the last year India has been able to successfully improve its position in four of its ten indicators including Trading Across Borders. This indicator assesses the time and cost involved for obtaining, preparing, processing, presenting and submitting documents during port or border handling, customs clearance and inspection procedures. The report highlights that this is due to making exporting and importing easier by launching Customs Electronic Commerce Interchange Gateway portal and simplifying border and documentary compliance procedures, India has been able to improve its position in trading across borders. This is a clear indication of a positive result of various IT initiatives which have been recently undertaken by India. However, we consider that though there is an improvement in ease of doing business pertaining to trading across borders yet there is a long way to go. These reforms are required to be taken to the next level including i. IT initiatives which the Government has started should be implemented at PAN India level; ii. Awareness and training programs pertaining to these reforms should be conducted widely and frequently so as to increase its reach at the grass root level iii. Infrastructure should be built/strengthened so as to support IT

initiatives across various departments of the Government iv. Advanced software and IT tools should be adopted as early as possible v. last but not the least there should be well synchronization between all the concerned departments relating to foreign trade including customs, ports, banks and so on. Effective flow of information is critical for the success of any business, therefore we believe that in the age of globalization concrete reforms pertaining to IT in Indian system can help the Government to achieve its ambitious targets of doubling its exports to US\$900 billion in the coming times.

Figure-1 India's Exports Growth Trends (FY2001-FY2016)



Source : Ministry of Commerce and Industry, GO

Table – 1 India vis-à-vis global trade scenario

Rank.	Countries	Value (US\$bn)	Share in world merchandise exports (%)
1	China	2275	13.8
2	United States	1505	9.1
3	Germany	1329	8.1
4	Japan	625	3.8
5	Netherlands	567	3.4
6	Korea	527	3.2
7	Republic of Hong Kong, China	511	3.1
8	France	506	3.1
9	United Kingdom	460	2.8
10	Italy	459	2.8
11	Canada	408	2.5
12	Belgium	398	2.4
13	Mexico	381	2.3
14	Singapore	351	2.1
15	Russian Federation	340	2.1
16	Switzerland	290	1.8
17	Chinese Taipei	285	1.7
18	Spain	282	1.7
19	India	267	1.6
20	United Arab Emirates	265	1.6
21	Thailand	214	1.3
22	Kingdom of Saudi Arabia	202	1.2
23	Malaysia	200	1.2
24	Poland	198	1.2
25	Brazil	191	1.2

Source : World Trade Statistical Review 2016, WTO

Table -2 India's Global Competitiveness Index

Parameters	Rank (out of 140)	Score
Basic requirements (60.0%)	80	4.4
1st pillar: Institutions	60	4.1
2nd pillar: Infrastructure	81	3.7
3rd pillar: Macroeconomic environment	91	4.4
4th pillar: Health and primary education	84	5.5
Efficiency enhancers (35.0%)	58	4.2
5th pillar: Higher education and training	90	3.9
6th pillar: Goods market efficiency	91	4.2
7th pillar: Labor market efficiency	103	3.9
8th pillar: Financial market development	53	4.1
9th pillar: Technological readiness	120	2.7
10th pillar: Market size	3	6.4
Innovation and sophistication factors (5.0%)	46	3.9
11th pillar: Business sophistication	52	4.2
12th pillar: Innovation	42	3.6

Source : The Global Competitiveness Report 2015-2016 , World Economic Forum

Table :3 Technology Readiness – India vis-à-vis BRICS

S.No.	Countries	Brazil	Russia	India	China	South Africa
1	Availability of latest technologies	85	100	108	95	41
2	Firm-level technology absorption	57	98	102	66	28
3	FDI and technology transfer	58	115	95	69	64
4	Individuals using Internet	58	40	107	70	71
5	Fixed-broadband Internet subscriptions /100 pop	64	48	104	57	93
6	Int'l Internet bandwidth, kb/s per user	61	72	116	119	19
7	Mobile-broadband subscriptions/100 pop.	24	37	124	71	63

Source : *The Global Competitiveness Report 2015-2016* , World Economic Forum

References

1. World Bank Group , 2017, *Doing Business 2017 – Equal opportunities for all* , 14th edition, www.worldbank.org
2. Export Import Databank, Ministry of Commerce and Industry, Department of Commerce, Government of India www.commerce.nic.in
3. Ministry of Commerce and Industry, Department of Commerce, Directorate General of Foreign Trade, Government of India, 2015 *Foreign Trade Policy 2015-2020*, www.dgft.gov.in
4. World Economic Forum, 2015, *The Global Competitiveness Report 2015-2016*, www.weforum.org
5. World Trade Organization, 2016, *World Trade Statistical Review 2016*, www.wto.org