

## The People Are Ready

As we move towards celebrating the anniversary of demonetisation, that was laced with a dose of GST, we notice that no amount of reform or modification ever converted a candle into a light bulb. For that to be possible, advances in technology are needed as also a desire to use it. The absence of any one of these would have resulted in the continuing domination of the candle to the detriment of light bulbs. It is an increase in efficiency, which is the key generator of wealth. In India it becomes worrisome when sensible people say it is not possible for small and medium enterprises (SMEs) to pay taxes and still remain viable — in short, it is impossible for these players to be more efficient.

Such pessimism is unjustified. It is based on two faulty premises: One, Indians are fundamentally corrupt and inefficient. Hence, any attempt to achieve a quick transition to a more organised economy is doomed to fail; and two, Indian businesses have a low turnover and hence prefer cash transactions.

A 2014 survey by CII on the use of information and communication technology (ICT) in the SME sector found that 83 per cent of SMEs use ICT for finance and accounting, 75 per cent use it for HR and administration functions, 68 per cent for marketing and sales, and 64 per cent for production purposes. The same survey also said that IT-enabled SMEs grew on an average 15 per cent faster than others. Normal wisdom would say that people do learn from each other.

Normal wisdom also says if small enterprises are using ICT so much and yet do many of their transactions with cash at the same time, it is not because they feel intimidated by technology. A survey of Delhi and Meerut (urban and rural) by researchers associated with Tufts University in 2014 threw up the finding that 97 per cent of those who used only cash, owned LED/LCD or plasma televisions. Only 8.7 per cent of the cash users perceived themselves to be poor and 90 per cent saw themselves as being from the lower middle class or middle class.

If so many enterprises — the shoe repairman, the cycle repairman, the roadside barber, the local doctor and dentist, the local grocer to list a few — still use cash, the likely reason is that the option to get by with cash is available, because they wish to save on tax and because financial institutions are not perceived to be as friendly as informal credit sources. They would rather not do the paperwork than formalise their business. This sort of jugaad economy is not something of which we should be happy.

What the government needs to focus on now is to increase efficiencies in the tax system so that the paperwork takes less time. So far as farmers and rural areas are concerned, they have merely slipped back to a tradition of working on credit that they have practised for centuries. Here, too, times are changing. We recall a time 20 years ago, living on rent in a house in a five-acre grape farm in a hilly tribal area in the backwoods of Nashik district. The landlord had been missing for some days. So when we saw him again, we inquired with some concern where he had been. He replied happily that he had been selling grapes in Paris. How did he manage this since he was just a matriculate? He explained in a matter-of-fact way that he had hired an accountant for the purpose.

People in India today are willing to move on to a digital world. The government would simply need to lower the costs of digital transactions and inform them of the benefits.

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