



# **INDIA'S ROAD TO A \$ 5 TRILLION ECONOMY**

## **REDUCING REGULATORY CHOLESTEROL**



## SUMMARY







The road to a \$5 trillion economy will only be built by raising productivity in India. One of the main factors weighing down our productivity is the heavy compliance burden that businesses struggle with daily. India's regulatory and statutory universe is highly complex, with businesses grappling with 1,000+ Acts and 3,000+ possible filings annually. It is also extremely fluid, changing 2,500+ times a year. Identifying the regulations applicable to a business and then keeping updated with the frequent changes makes for a heavy compliance burden. Ever since the Companies Act 2013 made the boards and managements liable for non-compliance, it has become critical for senior management to get higher visibility and greater control over compliance operations within the company. The global trend towards greater transparency and accountability has

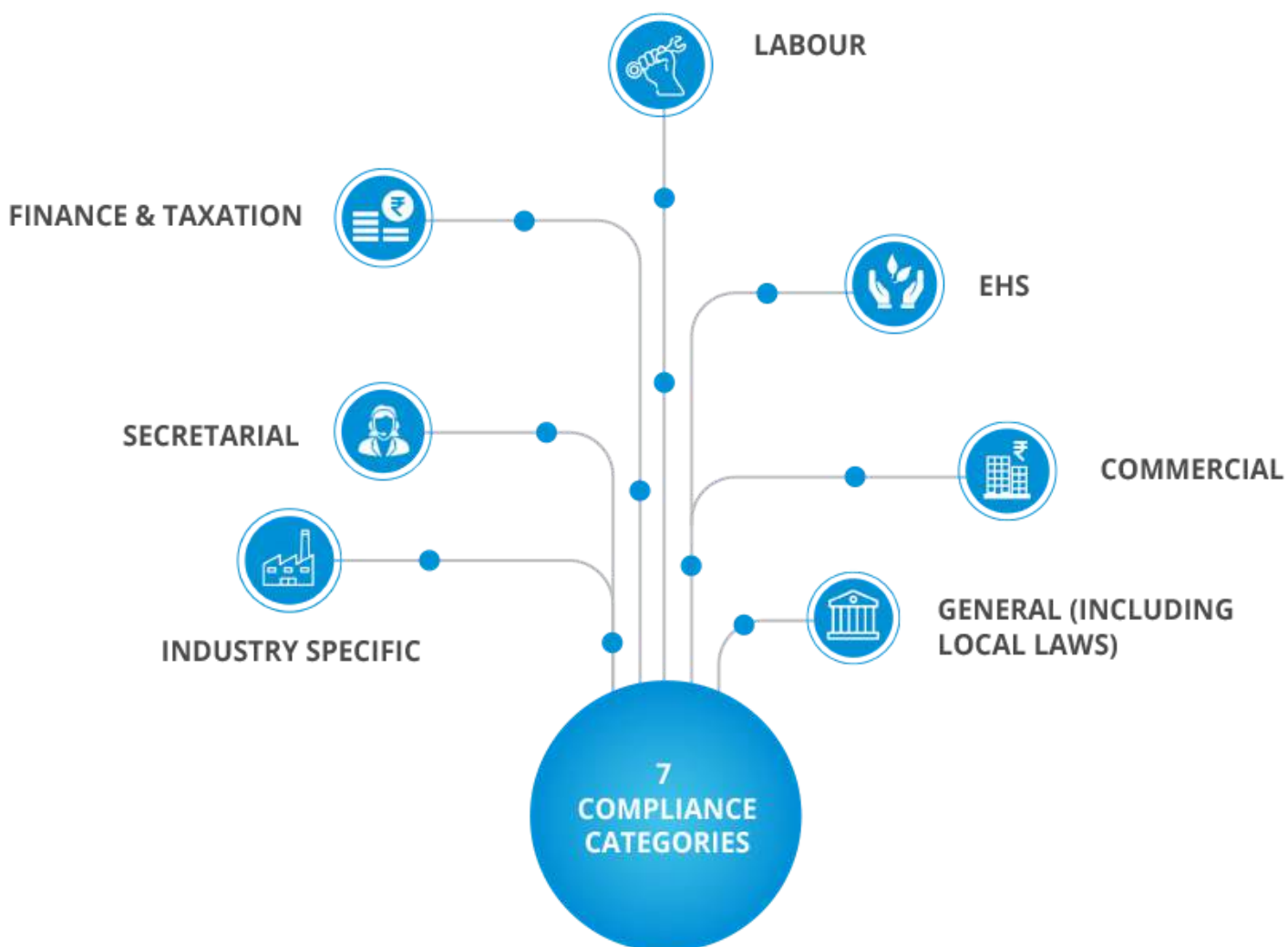
also echoed in India, with increased scrutinies and higher penalties. The traditional model of compliance management through manual tracking has become a key constraint, leading to increased sins of omission (missed compliances) and sins of commission (incorrect compliances). The complexity and administrative overheads increase exponentially as an organization grows and becomes geographically diverse. For a small company with only one manufacturing facility, the number of required licenses, registrations, acts, compliances and filings are mind numbing. A mid-sized manufacturing company spread across 6 different states is regulated by over 5,000 compliances, approximately 100 licenses and registrations and an average of 2 filings a day.

Parameter	SMALL 1 Plant Up to 500 Employees	MEDIUM 6 Plants Up to 5,000 Employees	LARGE 11 Plants Up to 10,000 Employees
# Licenses / Registrations	23	98	163
# Applicable Acts (& Rules)	60+	135+	210+
# Applicable Compliances	750+	5,500+	9,500+
# Filings per year	120+	530+	940+

*Above table is actual Compliance data of Pvt. Ltd. clients of Avantis RegTech in manufacturing*

# INDIA'S REGULATORY UNIVERSE FOR FIRMS

	ACTS		COMPLIANCES		FILINGS	
	1,074		58,726		3,069	
	CENTRAL	STATE / UT	CENTRAL	STATE / UT	CENTRAL	STATE / UT
 Labour	44	387	674	26,484	67	1,333
 Finance & Taxation	43	60	899	8,362	104	588
 EHS	41	20	1,907	212	87	11
 Secretarial	54	-	2,112	-	86	-
 Commercial	27	75	989	3,369	54	247
 Industry Specific	239	35	10,179	1,916	357	28
 General (Including Local Laws)	9	40	107	1,516	19	88
<b>TOTAL</b>	<b>457</b>	<b>617</b>	<b>16,867</b>	<b>41,859</b>	<b>774</b>	<b>2,295</b>





## DID YOU KNOW



A large pharma firm operating in six states has 140+ applicable Acts, 6000+ compliances.



An engineering firm with two dozen factories across five states has more than 8000 compliances, averaging 2 filings per day.



A food-processing firm with 5 plants deals with 73 applicable Acts, close to 2000 compliances, averaging 15 filings monthly.

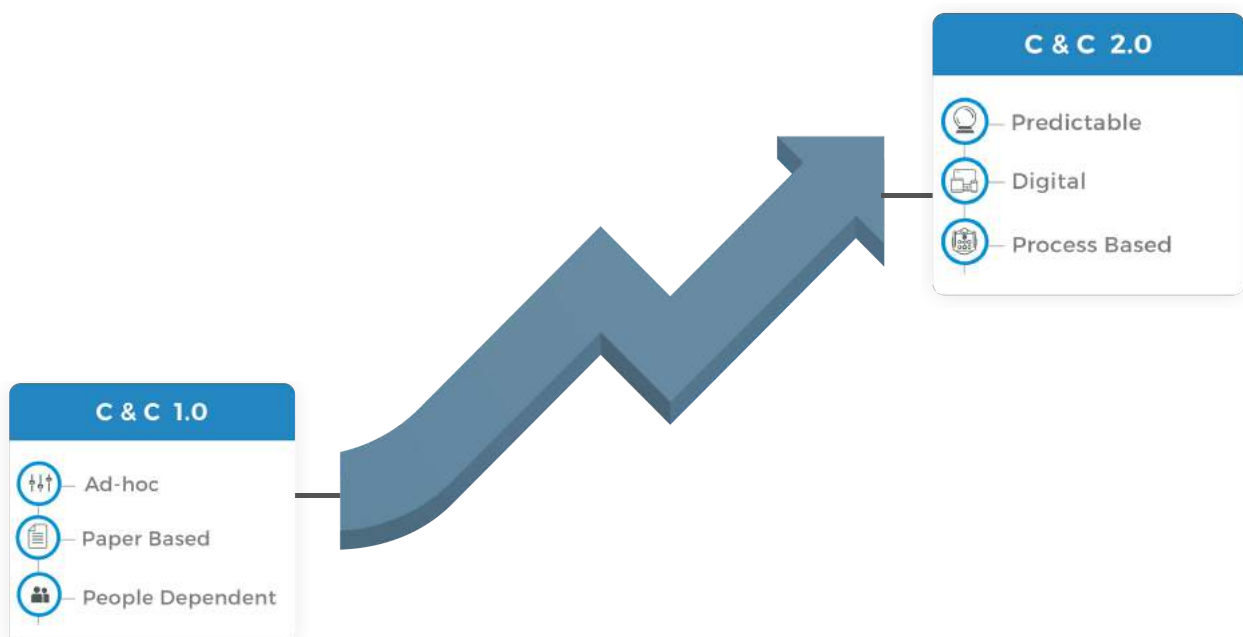


A chemical firm with just 1 factory has 72 applicable Acts, more than 1000 compliances, averaging 10 filings monthly.



A plastics manufacturing company with 3 factories deals with 53 applicable Acts and close to 2000 compliances.

***The conventional mode of compliance management, call it Control and Comply 1.0, is ad-hoc, paper-based and people-dependent. For an entrepreneur, the time and costs spent in this mode bring down productivity and restrict growth and scale. Companies should be transitioning to Control and Comply 2.0 mode of compliance management, which is predictable, digital and process-based. This transition is facilitated through TeamLeaseCompliance.com and RuleZBook App.***



# THE REGULATORY UNIVERSE OF ACTS, COMPLIANCES AND FILINGS

Indian enterprises are regulated through more than 1000 Acts laid down by Central, State and local governments. These can be classified under seven categories:

## Labour

Laws in this category cover both white collared and blue collared employees, defining guidelines covering all aspects of employment like wages, employee welfare, working environment, working days including holidays and leaves, women employment, child labour, etc.

## Finance and Taxation

Laws in this category cover direct taxes (income tax, property tax, corporate tax, etc.) and indirect taxes (GST, customs duty, etc.).

## Environment, Health and Safety (EHS)

Laws in this category cover aspects regulating the impact of the activity on pollution through usage of specific items like batteries, biomedical waste, hazardous chemicals, solid/e-wastes, etc., building/employee safety (fire, handling of hazardous substances etc.)

## Secretarial

Laws in this category regulate aspects like corporate governance practices, risk management policies / practices, Board constitution and code of conduct of directors and senior management, remuneration of senior management, etc.

## Commercial

Laws in this category cover the trade/sale of goods. For instance, legal metrology regulations come under a commercial act regulating the units and methods of weighment and measurement. Other examples of commercial laws can be food safety and standards, electricity duty, motor vehicles etc.

## Industry Specific

Laws in this category regulate specific industries only and are not applicable to other industries. For instance, Drugs and Cosmetics Act, Poison act, etc. are applicable to the pharmaceutical industry.

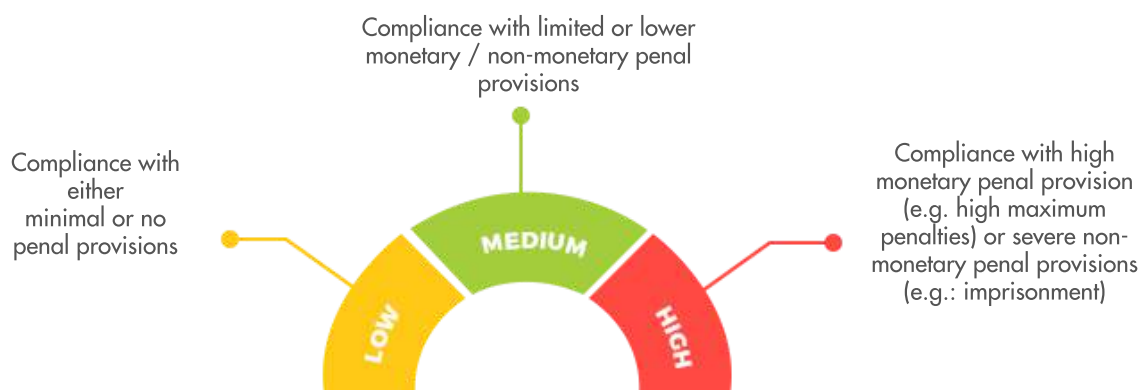
## General

Laws in this category include local laws which are specific to a particular area / location i.e. municipal corporations or gram panchayats

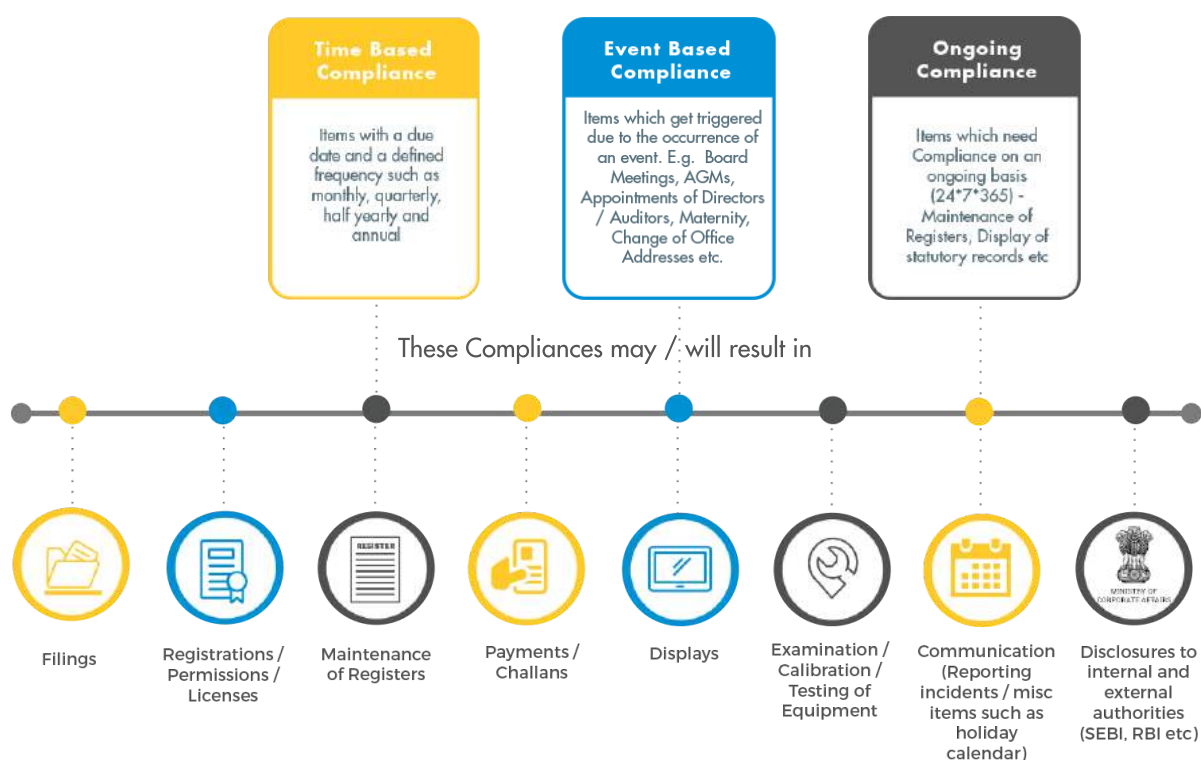
Each Act has its set of compliances that firms must abide with. These compliances come with varying levels of risk, which can be classified in three categories, based on the repercussions of non compliance.

# COMPLIANCES

Compliance Category	High	Medium	Low	Total
Labour	7,310	582	19,266	27,158
Finance and Taxation	378	1,222	7,661	9,261
EHS	460	228	1,431	2,119
Secretarial	533	200	1,379	2,112
Commercial	491	386	3,481	4,358
Industry Specific	1,462	1,664	8,969	12,095
General (Local)	99	21	1,503	1,623
<b>TOTAL</b>	<b>10,733</b>	<b>4,303</b>	<b>43,690</b>	<b>58,726</b>



## Types of Compliances:



## FILINGS

Compliances are often also associated with statutory returns or filings to the concerned department.

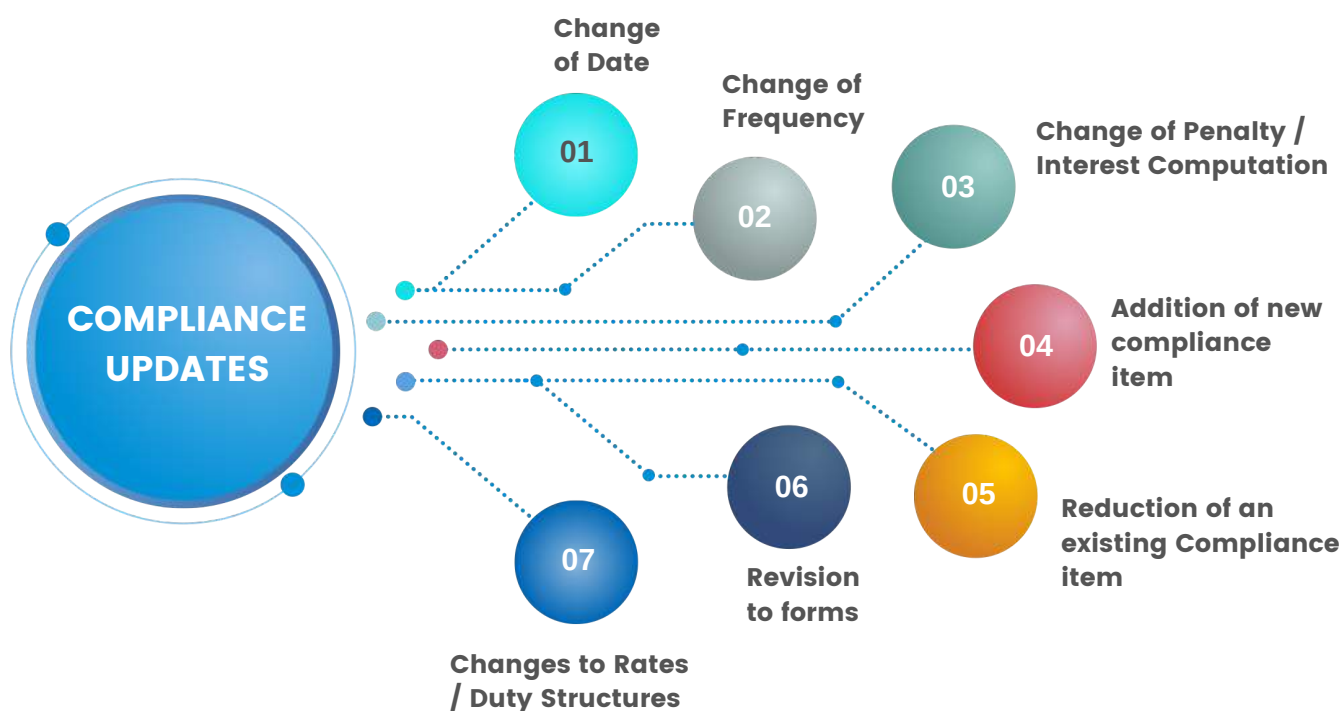
Compliance Category	Centre	State/UT	Total
Labour	67	1,333	1,400
Finance and Taxation	104	588	692
EHS	87	11	98
Secretarial	86	-	86
Commercial	54	247	301
Industry Specific	357	28	385
General (Including Local Laws)	19	88	107
<b>GRAND TOTAL</b>	<b>774</b>	<b>2,295</b>	<b>3,069</b>

## COMPLIANCE UPDATES

There are more than 2500 changes in the compliances every year. The updates are published in Government Notifications and Circulars and are for two types:

- a) actionable that lead to a change in the compliance and
- b) informational that provide additional information / clarification and may not result in any change in process.

Changes include the following:



Category	Compliance Updates in the Last Quarter
Labour	126
Finance & Taxation	110
EHS	89
Secretarial	41
Commercial	97
Industry Specific	321
General (Including Local laws)	7
<b>Total</b>	<b>791</b>

## TEAMLEASECOMPLIANCE.COM

TeamLeaseCompliance.com provides a comprehensive Enterprise Compliance Solution covering all 1000+ Acts, under 7 Categories. Information is sourced from crawling over 2000 regulatory websites daily to analyse and synthesise 2500 changes per year, making a credible real time database. This covers compliances not just under the Central Government, but from all 29 states and 7 union territories, and more than 7000 towns/cities and 2.5 lakh Gram Panchayats. The database incorporates all legal and compliance updates, tracking changes 15 times a day.

Subscribers can get real time, comprehensive updates that can be personalised for the business across various parameters - locations, categories of compliance, regulators and industry, keyword search - and the frequency of updates by email can be set at daily/weekly/monthly to suit the needs of the business. Original government notifications are linked to the news items, for reference.

Free subscription to the service also gives access to hundreds of relevant articles on the website which can be bookmarked for later reading. There is an advanced search option for easy reference to previous articles.

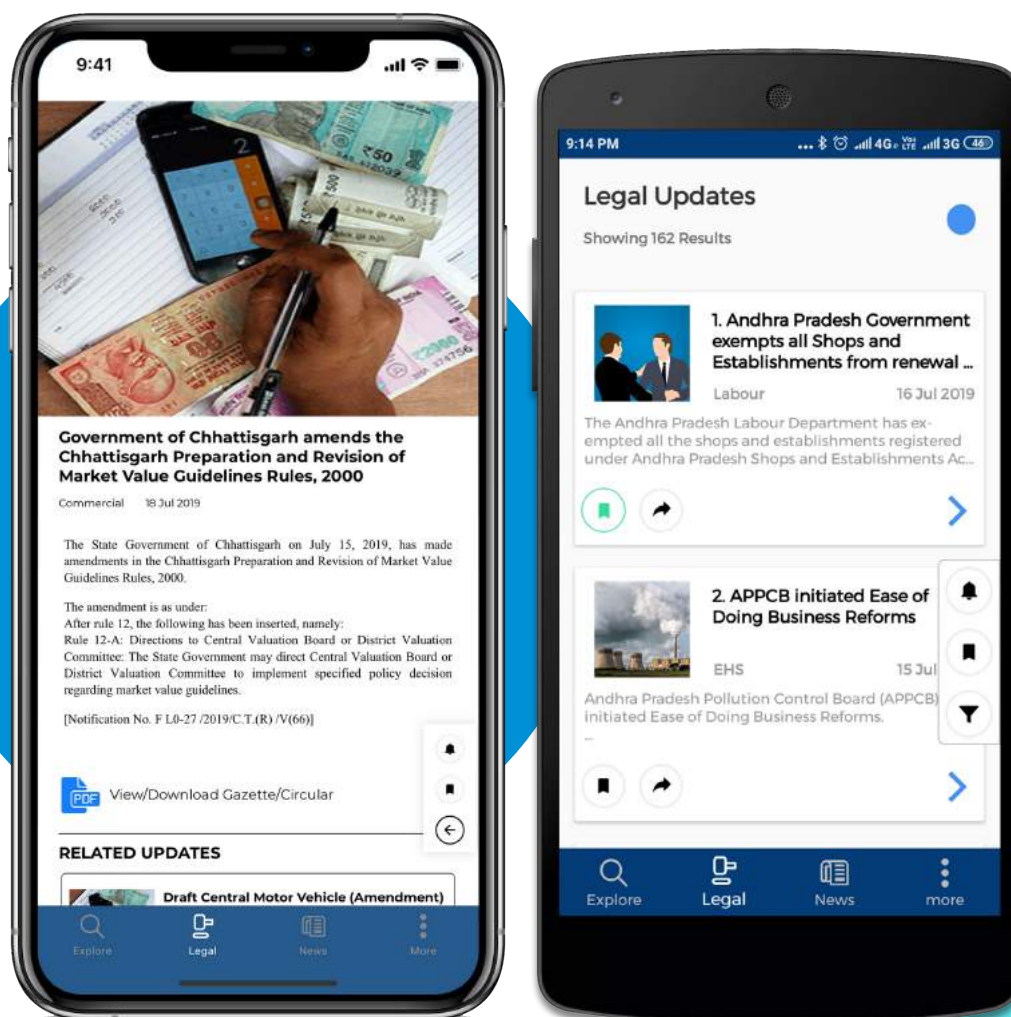


## RULEZBOOK APP

TeamLeaseCompliance.com is also available on native android and iOS platforms, with richer functionality built in through the RuleZBook App. This app has an easy self onboarding module, which allows users to set themselves up within 5 minutes. Mobile numbers can be used for registration and the app can be personalised in just three steps for choice of state, industry, and compliance categories. Based on these selections, the relevant Acts and compliances are automatically assigned to the user profile.

Users can view the relevant Acts, compliances and all regulatory updates based on the configuration. Advanced functionalities such as filters, sort, search with keyword are built in for a more personalised experience. Compliance news is also curated from the media and provided for users for more rounded information.

Both currently serve 7,000 corporate users across 1400 legal entities in 12,000 locations



## POLICY TAKEAWAYS FOR REDUCING REGULATORY CHOLESTEROL

The heavy regulatory cholesterol with complex rules and cumbersome paperwork has made India a country of informal, small units. India's 63 million enterprises are mostly unregistered, 95% hire less than six workers. Worse, just 1.2 million of these contribute towards provident fund and ESI for their employees. The heavy compliance burden on enterprises has in effect created a formalisation tax, one that incentivises companies to stay under the radar, as informal enterprises, with informal employment.

The three vector framework that the government must pursue to encourage formal enterprises to grow and provide formal employment is :



**Rationalisation** calls for the reduction in the number and complexity of compliances, currently a staggering 58,000+, with 2,500+ changes every year. A critical move from the government that will encourage formalisation of employment and greater productivity is instituting a Single Labour Code. In line with the recommendations of the Second National Commission on Labour, the government is currently introducing four labour codes to cover wages, industrial relations, social security and welfare and occupational safety, health and working conditions by amalgamating and rationalising the relevant provisions of the existing 44 Central labour laws. This rationalisation needs to be taken further to a single code, and be standardised across states.



**Simplification** calls for easing the interaction between the enterprise and the government, and the target should be reduction in the 3,000+ filings annually. In addition, there are a number of measures already taken by the government, which need to become more pervasive across all departments. A simple move initiating a Universal Enterprise Number can make a dramatic difference to the pain of starting a business; currently an enterprise has to register for more than two dozen numbers – with different government departments, each asking for its own set of documentation.



**Digitisation** calls for a paper-less, presence-less, cashless interface between the enterprise and government to ease the process of compliance. The GST template has shown the way to a new definition of compliance digitisation – instead of uploading documents to a government website with passwords, the process uses an API architecture that allows straight-through-processing of filings from external systems. This architecture should be extended to other departments especially Labour.

***The government has recently proposed a National Ease of Doing Business Policy (June 2019), which calls on ministries and departments to estimate the cost and time spent by businesses on meeting compliance requirements. This is a refreshing, revolutionary reform. Viewing compliance within the three-vector framework of Rationalisation, Simplification and Digitisation will facilitate the re-engineering currently being proposed.***



**TeamLease<sup>®</sup>**

Putting India to Work

[www.teamleasecompliance.com](http://www.teamleasecompliance.com)

## OUR OFFICE LOCATIONS

