TeamLease® RegTech
Helping India Comply

Simplifying Compliance Management for THE RETAIL INDUSTRY

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EXECUTIVE SUMMARY

In recent years, the retail industry has emerged as one of the most dynamic and fast-paced industries. Department stores, bookstores, grocery stores, and a wide range of other businesses that sell products to the general public for home or personal use are included in the industry. It accounts for more than 10% of the country's GDP with a market size of $1.3 trillion and approximately 8% of employment. There are more than 35 million people employed in the industry with an expected addition of 25 million jobs by 2030. Furthermore, India is the world's fourth-largest retail destination. The retail industry is expected to grow at a 9% CAGR by 2030. Its market value will cross $2 trillion by the end of the decade. FMCG, apparel & footwear, and consumer electronics are the largest retail segments, constituting 65%, 10% and 9% respectively. In 2022, the grocery and food retail segment grew to $529 billion followed by the jewellery and watches segment at $72 billion and the apparel and accessories segment at $66 billion, and consumer electronics at $59 billion to name a few. The retail industry has a broad scope extending across both the manufacturing and service sectors. The width of the industry can be classified into 4 major segments comprising both traditional and new-age services, namely, Pharmaceutical, Food, Apparel, and Others.

The Indian retail industry has to abide by hundreds of compliance obligations. To begin with, forming a company involves several approvals spread over the course of four stages. First, in the 'setting-up stage', all procedures for incorporation of the legal entity (i.e. the company) must be completed. This is followed by the 'pre-commissioning stage', which involves land allotment approvals, project approvals, electricity approvals, labour safety and health approvals and tax-related registrations, among others. Thereafter, in the 'post-commissioning stage', utility and support facility approvals and industry-specific approvals must be obtained. Lastly, the 'post-production stage' entails all compliances pertaining to the commencement of operations.

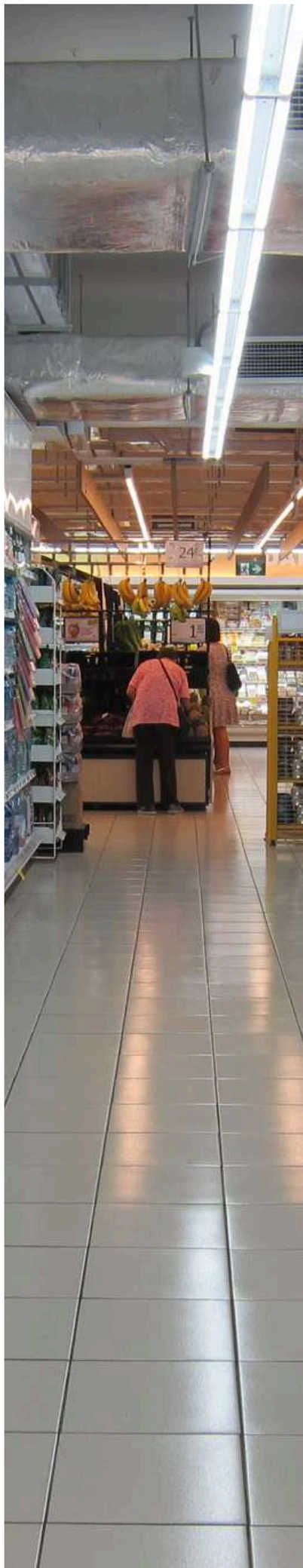
Once a company is up and running, it is confronted with a wide range of compliances having varied frequencies. For instance, a retail company with a single corporate office and a single retail outlet in just one city must comply with at least 185 checklisted compliances. It must also fulfil certain compliances on a recurring basis, which can be monthly, quarterly, half-yearly or annually. A retail chain with a presence in six cities and across two states needs to keep track of 3,182 compliances. Of these, 2,108 are checklisted compliances, 948 are function-based compliances and 126 are time-based compliances. This division of law-making authority across various levels of government has created three levels of compliance - union, state and municipal. On average, a retail store faces a total of 490 compliances, of which 53% are at the union level, 44% are at the state level and the rest 3% are at the municipal level.

Apart from the different levels and categories, the compliances for a Retail company can also be classified according to their types. These include Audits and Accounts, Certificates and Licences, Display Requirements, Employee Safety and Welfare, Examination, Inspection and Testing, Registers and Records, Return Filing, Disclosures and Intimations, and Statutory Payments.

The report also takes a look into the state of criminalisation in the industry. A retail chain with multiple retail establishments having operations across six cities and two states and a corporate office in a single state deals with 3,182 compliances in a year. Among them, 1192 (or 37%) compliances contain imprisonment clauses. Approximately 43% of these clauses are contained in state laws while the rest are within Union laws. Labour laws account for as high as 54% of all the clauses.

While the compliance framework has been put in place to safeguard the customers, it has also raised the regulatory complexity faced by employers. The introduction of policies vehicles related to offline retail trade, e-commerce, and FDI has made it easier for businesses to thrive and the regulators to adapt to the demands of a digital modern economy. Implementation of schemes such as the Open Network for Digital Commerce has given sellers direct access to customers and removed the technological barriers faced by small businesses that has prevented them from entering the online retail space.

While discussing the complexities of compliance, we also need to discuss the challenges faced by enterprises. These challenges include the lack of an accurate list of applicable compliances; fluid regulatory environment; poor tracking and management of applicable licences, even-based compliances, and ongoing compliances; lack of awareness at the management level; manual, paper-based & people-dependent compliance processes; and anecdotal compliance certification. This report also suggests actionable recommendations that will allow an enterprise to transform its compliance management and build a culture of compliance within the organisation. The report ends with a three vector policy recommendations of rationalisation, digitisation, and decriminalisation that will promote ease of doing business in the country for the entrepreneurs.



INTRODUCTION

In recent years, the retail industry has emerged as one of the most dynamic and fast-paced industries. Department stores, bookstores, grocery stores, and a wide range of other businesses that sell products to the general public for home or personal use are included in the industry. It accounts for more than 10% of the country's GDP with a market size of $1.3 trillion and approximately 8% of employment. There are more than 35 million people employed in the industry with an expected addition of 25 million jobs by 2030. Furthermore, India is the world's fourth-largest retail destination. The retail industry is expected to grow at a 9% CAGR by 2030. Its market value will cross $2 trillion by the end of the decade. FMCG, apparel & footwear, and consumer electronics are the largest retail segments, constituting 65%, 10% and 9% respectively. In 2022, the grocery and food retail segment grew to $529 billion followed by the jewellery and watches segment at $72 billion and the apparel and accessories segment at $66 billion, and consumer electronics at $59 billion to name a few. An important takeaway for the readers is that only 12% of the industry is organised.

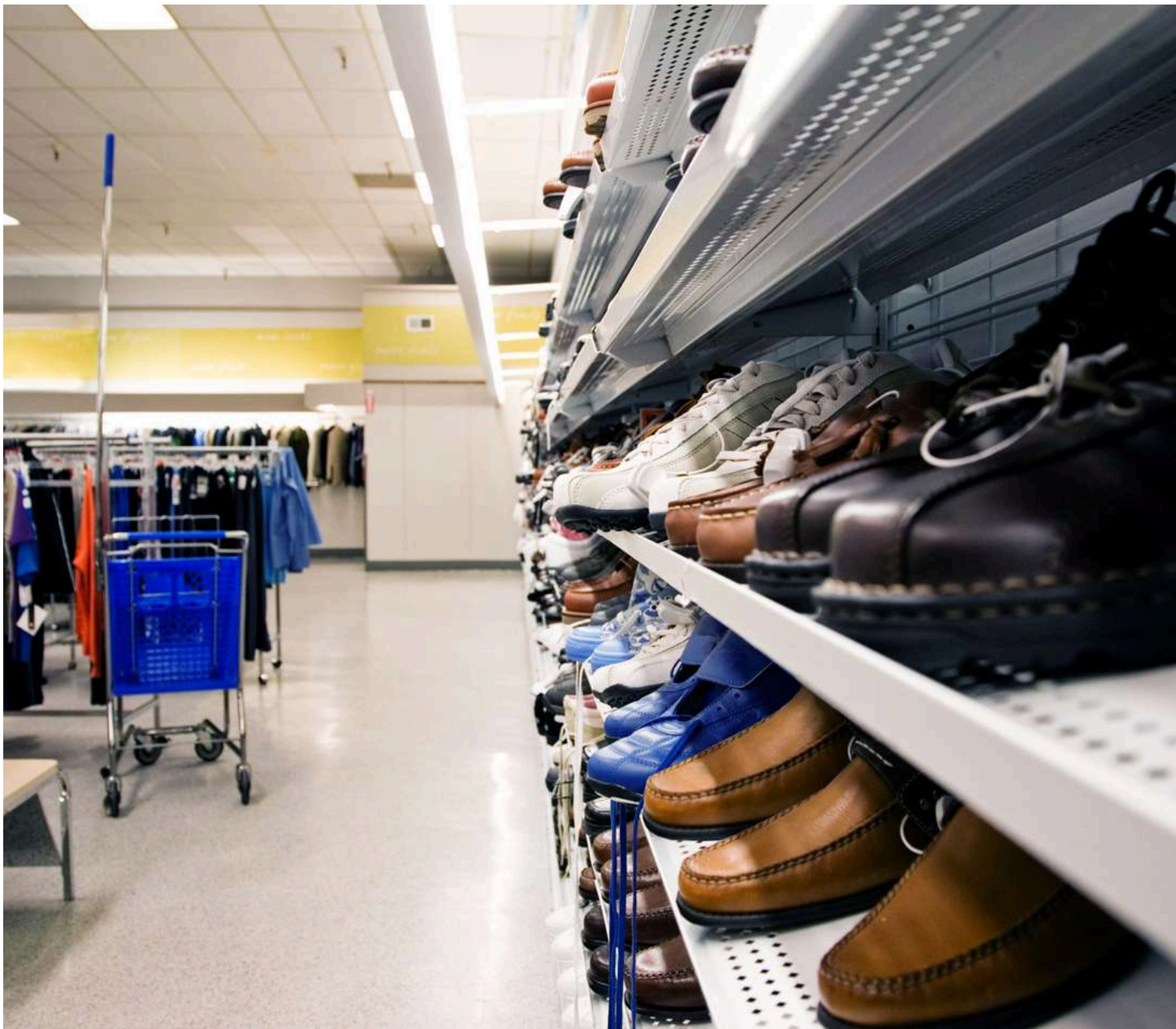
The affluent middle class and the virtually untapped retail market in tier 2 and tier 3 cities/towns are the main attractions for multinational retail corporations. India ranks 3rd in terms of PPP (purchasing power parity). The purchasing power of the average consumer is on the rise and branded goods are experiencing an ever-increasing demand beyond the metropolitan areas. Household consumption in India has crossed the $1.75 trillion mark and is driven by accessibility, economic prosperity, and outlook. The country is home to the 3rd highest e-Commerce consumer base, behind only China and USA. By the end of the decade, a total of 2.5 billion Direct-to-Consumer (D2C) shipments are expected thanks to the innovations and disruptions in e-Commerce and fast-commerce segments. The country will see an addition of 140 million middle-income and 21 million high-income households contributing to a significant increase in the middle class.

With the entry of e-Commerce giants, there is a big splash in the retail industry. International competition has compelled homegrown businesses to adopt technological innovations to keep up. In addition, the COVID-19 pandemic fundamentally altered the way consumers across the world shop. Online shopping has now become the norm instead of a trend. The e-Commerce sector saw a boom during the pandemic and is expected to grow at a CAGR of 25-30% to US$ 120-140 billion by FY26. It is now worth over $55 billion and is set to cross $350 billion in the next 5-7 years. Over 350 million users are conducting online transactions with over 140 million actively using online shopping sites. This growth is further fuelled by the fact that close to 100% of the pin codes in India are now covered by e-Commerce service providers with the number of online shoppers expected to touch 500 million this decade. Companies have realised the massive potential of tier-2 cities and towns with average order values close to that of tier-1/metro cities. Shoppers from tier-2 and tier-3 cities were responsible for over 61% of the retail market share in FY22.

The growth in rural per capita income is forecasted to grow by 4.3 times as opposed to a 3.5x increase in urban areas.

In 2022, the union government approved a production-linked incentive scheme (PLI) for textile products to enhance domestic manufacturing capabilities. It is also expected to boost textile exports and received an outlay of $1.37 billion over 5 years. The digitalisation of the economy has led to retail tech companies coming up with disruptive innovations such as digital ledgers, inventory management, payments solutions, and tools for logistics and fulfilment among others.

In this report, we take a look at the compliance obligations and compliance management challenges faced by a retail chain business with multiple store locations across state borders. The report then recommends steps that can be taken by enterprises to transform their compliance processes and suggests policy changes that can further improve the ease of doing business.



CLASSIFICATION OF RETAIL INDUSTRY

The retail industry has a broad scope extending across both the manufacturing and service sectors. The width of the industry can be classified into 4 major segments comprising both traditional and new-age services. These are outlined below.

Category	Sub-Category	Description
Pharmaceutical	Local	These are local chemist and druggist shops that sell medicine
	Single outlet	Larger than local chemist shops with a higher concentration of a wide range of medications
	Retail chain	These are pharmacy chains operated in multiple states and multiple locations within a single city
Food	Local	These include Kirana stores, general stores, and local vegetable marts that provide quick access to select food items
	Single outlet	These are food business operators that sell packaged and non-packaged food articles. These operations are generally owned by a single proprietor but can also be a partnership
	Retail chain	Retail stores selling branded commodities under either single-brand or multi-brand retailing across multiple states and cities. These stores are owned and operated by a corporation
Apparel	Local	Local apparel and hosiery stores that are owned and operated by an individual with some support staff
	Single outlet	Boutique stores/large readymade clothing outlets
	Retail chain	Retail stores selling branded commodities under either single-brand or multi-brand retailing across multiple states and cities. These stores are owned and operated by a corporation
Others	Automobile Showrooms	Automobile showroom that sells vehicles. These showrooms can either be owned and operated by an individual or a chain of showrooms operated under a corporate structure
	Single outlet	Single outlets are owned and operated by individuals selling electronics and appliances
	Retail chain	Retail chains selling electronics and appliances

Local stores

These include all mom & pop shops/kirana stores, and vegetable marts.

Single outlets

These include supermarkets that are owned by a sole proprietor and run mostly as a family business.

Retail chains

These are multi-state, retail outlets all part of the same corporate ownership.

Single-brand retail

Single Brand Retail Trading (SBRT) refers to shops wherein the business can only sell products from a single brand. These enterprises are operated either by companies directly or on a franchisee basis wherein the products are directly sold to the end consumer.

Multi-brand retail

Multi-Brand Retail Trading (MBRT) refers to stores that sell multiple brands of all the product segments it offers. Multi-brand retailing allows the business owner to keep up with market trends of various categories of commodities. They also offer a wide range of brands of varying quality to meet consumer needs.

OVERVIEW OF COMPLIANCES

The Indian retail industry has to abide by hundreds of compliance obligations. To begin with, forming a company involves several approvals spread over the course of four stages. First, in the 'setting-up stage', all procedures for incorporation of the legal entity (i.e. the company) must be completed. This is followed by the 'pre-commissioning stage', which involves land allotment approvals, project approvals, electricity approvals, labour safety and health approvals and tax-related registrations, among others. Thereafter, in the 'post-commissioning stage', utility and support facility approvals and industry-specific approvals must be obtained. Lastly, the 'post-production stage' entails all compliances pertaining to the commencement of operations.

Once a company is up and running, it is confronted with a wide range of compliances having varied frequencies. For instance, a retail company with a single corporate office and a single retail outlet in just one city must comply with at least 185 checklisted compliances. It must also fulfil certain compliances on a recurring basis, which can be monthly, quarterly, half-yearly or annually. Furthermore, it must follow all ongoing compliances, which constitute 9 out of every 10 compliances applicable to the retail industry.

A retail chain with a presence in six cities and across two states needs to keep track of 3,182 compliances. Of these, 2,108 are checklisted compliances, 948 are function-based compliances and 126 are time-based compliances.

In addition to the aforementioned stages and frequencies, the nature of compliances also differs depending on their levels, categories and types. These are explained below.

Levels of Compliances

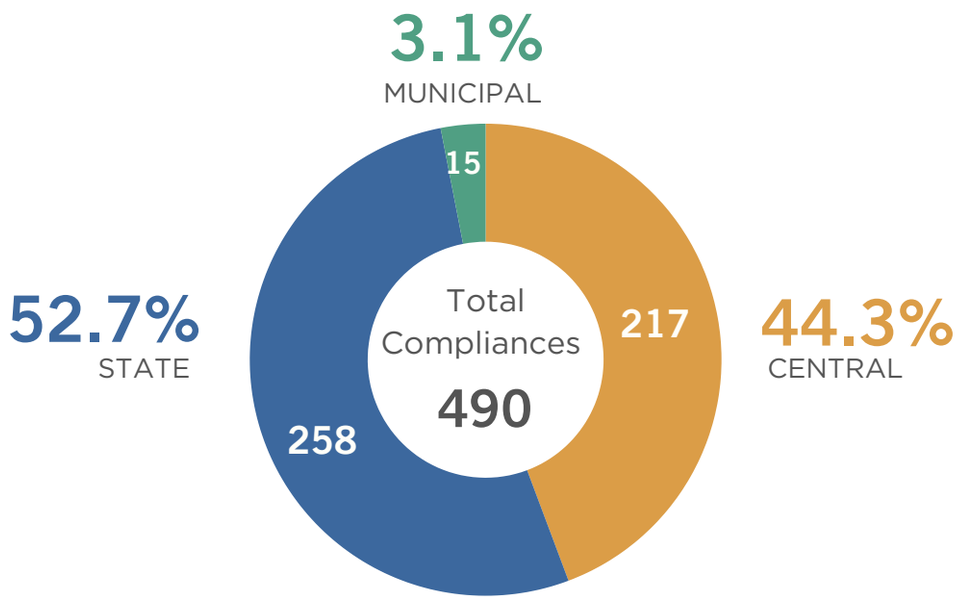
The overlapping distribution of legislative powers among the union and the states have added a layer of complexity to the regulatory framework. For instance, subjects such as 'labour' and 'electricity' fall under the concurrent list, allowing both the union and states to legislate on it. Hence, a company must comply with not only Union laws but also the laws of the state in which it operates. Similarly, 'land' is a state subject but 'transfer of property excluding agricultural land' falls under the concurrent list.

Yet another example is 'taxation'.

In India, the power to impose and collect taxes on different matters has been spread across the union, state and concurrent lists.Thus, some taxes (such as corporate tax) are payable to the union government while others (such as stamp duty) are payable to the state government. Some taxation powers (such as property tax) have also been devolved to municipal bodies.

This division of law-making authority across various levels of government has created three levels of compliance - union, state and municipal. On average, a retail store faces a total of 490 compliances, of which 53% are at the union level, 44% are at the state level and the rest 3% are at the municipal level.

Compliances at the union, state and municipal levels for a single retail store and single corporate office in a single state



Source: Teamlease Regtech

Categories of Compliances

The extent of the compliance burden for a Retail company can be broadly classified across seven categories. Each of these categories contains a variety of laws, rules and regulations with varying degrees of applicability depending on the size, nature and operations of the company. These categories are explained below.

Labour

This category includes 29 union laws that have now been consolidated into four labour codes. Since labour is a subject in the concurrent list, it is legislated upon by the union government and each of these laws is accompanied by a host of state legislations. There are also various delegated legislations such as rules and regulations both at the union and state levels. Some examples include:

- Apprentices Act, 1961 and Apprenticeship Rules, 1992
- Child and Adolescent Labour (Prohibition and Regulation) Act, 1986
- Contract Labour (Regulation and Abolition) Act, 1970
- Employees' Compensation Act, 1923
- Employees' State Insurance Act, 1948
- Employees' State Insurance (General) Regulations, 1950 and Employees' State Insurance (Central) Rules, 1950
- Industrial Disputes Act, 1947
- Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- Maternity Benefit Act, 1961
- Minimum Wages Act, 1948
- Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975
- Payment of Gratuity Act, 1972
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules 2013

Secretarial

It covers all laws on corporate governance and risk management. The main legislation is the Companies Act, 2013, accompanied by various rules such as:

- Companies (Acceptance of Deposits) Rules, 2014
- Companies (Accounts) Rules, 2014
- Companies (Appointment and Qualification of Directors) Rules, 2014
- Companies (Audit and Auditors) Rules, 2014
- Companies (Corporate Social Responsibility) Rules, 2014
- Companies (Incorporation) Rules, 2014
- Companies (Management and Administration) Rules, 2014
- Companies (Meetings of Board and its Powers) Rules, 2014
- Companies (Registration of Charges) Rules, 2014
- Companies (Share Capital and Debentures) Rules, 2014 and Companies (Significant Beneficial Owners) Rules, 2018

Finance and Taxation

This category includes laws on direct taxes such as income tax, property tax and corporate tax and on indirect taxes such as goods and services tax (GST) and customs duty. Some key legislations are Income Tax Act, 1961 and Income Tax Rules, 1962, Central GST Act, 2017 and Central GST Rules, 2017 and state laws for taxes on professions, trades, callings and employment.

Environment, Health and Safety (EHS)

It covers all aspects related to the environment, including pollution, waste management and discharge of hazardous substances, among others. A majority of the compliances are contained in the Environment (Protection) Act, 1986 and its allied rules such as:

- Battery Waste Management Rules, 2022
- E-Waste (Management) Rules, 2016
- Environment (Protection) Rules, 1986
- Noise Pollution (Regulation And Control) Rules, 2000
- Plastic Waste Management Rules 2016
- Solid Waste Management Rules, 2016

Retail stores are required to display a framed plan showing the location of fire extinguishers and other useful information near the entrance of the premises under the Indian Standard - Selection, Installation and Maintenance of First-Aid Fire Extinguishers - Code of Practice. In addition, the fire extinguishers must be inspected annually. They are also required to segregate sanitary waste into dry or non-biodegradable waste under the Solid Waste Management Rules. Failure to comply for over a year carries a penalty of imprisonment for up to 7 years.

Commercial

This category includes all laws overseeing the production and trade of goods and services. Some examples include:

- Collection of Statistics Act, 2008 and Collection of Statistics (Central) Rules, 1959,
- The Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989
- State legislation on electricity consumption

General

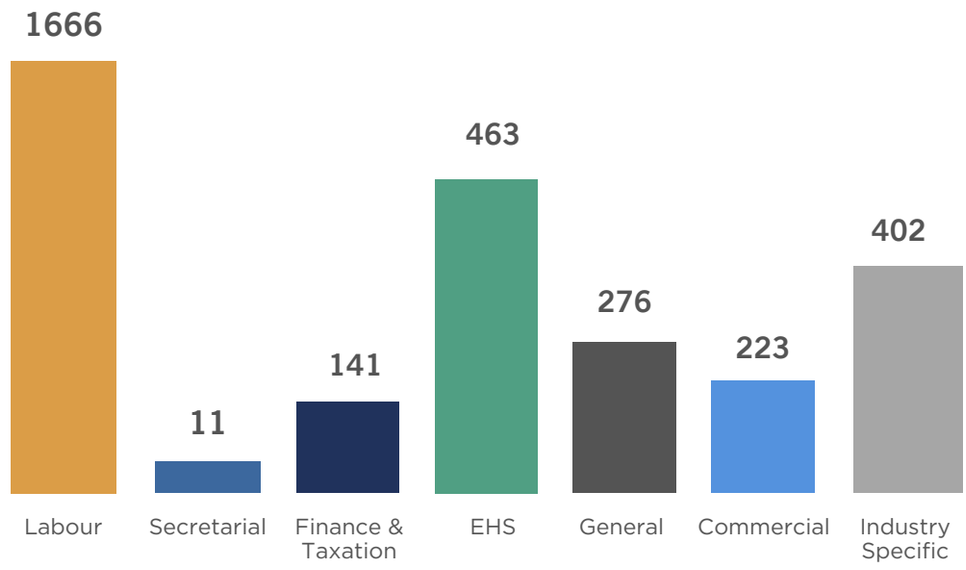
It includes compliances pertaining to specific laws such as the Cigarette and Other Tobacco Products (Prohibition of Advertisement and the Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Prohibition of Smoking in Public Places Rules, 2008, Information Technology Act, 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011. It also includes state-specific legislation on municipal corporations and public safety measures, among others.

Industry Specific

This category contains all the industry-specific legislations and compliances that are applicable to the Retail industry. These specific regulations are discussed at some length in the section below. Predominantly, the overarching legislation for the food retail segment is the Food Safety & Standards Act, 2006 and Food Safety & Standard Rules, 2011. Food Safety & Standards Act, 2006 & Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011 and Food Safety and Standards Act, 2006, Food Safety and Standards (Packaging) Regulations, 2018, and among others. In addition, they also need to abide by the compliances under the Insecticides Act, 1968 and Insecticides Rules, 1971.

The industry players also need to follow the industry-specific regulations under the Electricity Act, 2003 and Electricity Rules, 2005, and specific state shops and establishments legislations and rules among others.

Category-wise compliances for a retail chain with multiple stores in multiple cities across 2 states



Source: Teamlease Regtech

Types of Compliances

Apart from the different levels and categories, the compliances for a Retail company can also be classified according to their types. The main types of compliances are detailed below with relevant examples.

Audit and Accounts

There are different compliances for audits and accounts under different laws. Under the Companies Act, 2013, all listed companies and certain unlisted and private companies must appoint an internal auditor or firm of internal auditors to conduct internal audits of the functions and activities of the company.

As per the Secretarial Standard on General Meetings (SS-2) approved by the Central Government, any adverse qualifications, observations or comments on the financial transactions that are mentioned in the auditor's report must be read out at the Annual General Meeting.

Under the Information Technology Act, 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011, a company must ensure annual auditing of reasonable security practices and procedures

Certificates and Licences

Most of the requirements pertaining to certification and licencing are contained in the state and municipal laws. For instance, a Retail company in the state of Karnataka is required to obtain a trade licence and renew it on an annual basis in accordance with the Karnataka Municipal Corporations Act, 1976. It must also apply for the necessary permissions to display any outdoor self-advertisement. Additionally, the Karnataka Shops and Commercial Establishments Act, 1961 requires an establishment to obtain a registration certificate and renew it every 5 years. Under the Karnataka Fire Forces Act, 1964, it is mandatory to obtain a Fire Safety Certificate and renew it once every 2 years.

Apart from these, there are certain compliances at the union level. Under the Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989, an establishment must obtain a registration certificate and insurance policy for any motor vehicles owned by it. It must also obtain a 'pollution under control' certificate every 6 months. Enterprises are required to obtain registrations and certificates under the Contract Labour (Regulation and Abolition) Act, 1970 and consequent State rules such as the Maharashtra Contract Labour (Regulation and Abolition) Rules, 1971; Employees State Insurance Act, 1948 & Employees State Insurance (General) Regulations, 1950 & Employees State Insurance (Central) Rules, 1950; Central Goods and Services Tax Act, 2017 and Central Goods and Services Tax Rules, 2017; Maharashtra Goods and Services Tax Act, 2017 and Maharashtra Goods and Services Tax Rules, 2017. In addition, a PPL/ ISRA/ IPRS licence is required for stores to play music inside the premises under the Copyright Act, 1957 and Copyright Rules, 2013.

Display requirements

A majority of the display requirements are contained under labour laws. For example, laws such as the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986, Employees Compensation Act, 1923, Maternity Benefit Act, 1961, Minimum Wages Act, 1948 and Payment of Gratuity Act, 1972 make it mandatory for an employer to display an abstract of the Act and Rules within the establishment. The Minimum Wages Act, 1948 and Contract Labour (Regulation and Abolition) Act, 1970 impose additional requirements such as displaying notice regarding the rates of wages, dates of payment of wages and rest days.

The Rights of Persons with Disabilities Act, 2016 requires employers to display an equal opportunity policy for disabled persons. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 mandates the display of a flow chart of the sexual harassment complaint redressal process and the names and contact details of the members of the Internal Committee. Under the Cigarette and Other Tobacco Products (Prohibition of Advertisement and the Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 & Prohibition of Smoking in Public Places Rules, 2008, stores are required to display a "No Smoking Area" sign at the public entrance.

Certain display requirements are also contained in the Central Goods and Services Tax Act, 2017. These include displaying the certificate of registration at a prominent location on the business premises and the Goods and Services Tax Identification Number (GSTIN) on the name board at the entrance of the business premises.

Employee Safety & Welfare

Several provisions have been made under the Minimum Wages Act, 1948 such as providing explanations about proposed fines or deductions, intimating the amount of fines or deductions and giving wages for rest days in case the employee was given a substituted rest day.

Under the Maternity Benefit Act, 1961, a company employing 50 or more employees must provide crèche facilities with all necessary arrangements and supplies and allow 4 crèche visits per day to women employees. It must also permit 2 nursing breaks of 5-15 minutes until the child attains the age of 15 months.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 makes provisions regarding skill-building programmes and seminars for the Internal Committee members, dissemination of internal policy for promoting gender-sensitive safe spaces and awareness workshops for employees.

Examination, Inspection and Testing

Certain requirements for examination, inspection and testing have been prescribed under the Bureau of Indian Standards Act, 2016. These include monthly inspections and testing of all mechanical parts, extinguishing media and expelling means of fire extinguishers to be carried out by properly trained and competent personnel. In premises where Diesel Generator (DG) sets are used, the Environment (Protection) Act, 1986 mandates a proper routine to be set to prevent the deterioration of noise levels.

Registers and Records

There are a variety of compliances for registers and records under labour laws. The Contract Labour (Regulation and Abolition) Act, 1970 requires employers to maintain a register of contractors.

The Payment of Bonus Act, 1965 requires maintaining a register showing the computation of allocable surplus, set-on and set-off of allocable surplus and bonus payable. The Minimum Wages Act, 1948 lays down compliances for maintaining an inspection book and a register of wages, fines and overtime. Under the Employees' State Insurance Act, 1948, an employer must maintain a register of employees, accident book, inspection book, and identity cards of employees.

Besides the foregoing, it is mandatory to maintain records of the inspection and testing of fire extinguishers including their operational history under the Bureau of Indian Standards Act, 2016.

Return Filing, Disclosures and Intimations

The compliances for return filing, disclosures and intimations are primarily contained in the labour laws. For instance, annual returns must be filed under the Employees' Compensation Act, 1923, Maternity Benefit Act, 1961, Minimum Wages Act, 1948 Payment of Bonus Act, 1965, Contract Labour (Regulation and Abolition) Act, 1970 and quarterly returns under the Employment Exchange (Compulsory Notification of Vacancies) Act, 1959.

The Rights of Persons with Disabilities Act, 2016 requires registration of a copy of the equal opportunity policy with the Chief Commissioner or the State Commissioner. As per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Internal Committee must prepare and submit a report to the employer and district officer. The Contract Labour (Regulation and Abolition) Act, 1970 requires the employer to submit a Unified Annual Return. Under the Industrial Dispute Act, 1947, it is compulsory to submit a half-yearly report on the constitution and functioning of the Works Committee to the Labour Officer.

Among the non-labour compliances, the Collection of Statistics Act, 2008 and Collection of Statistics (Central) Rules, 1959 mandate furnishing returns in the prescribed format to the Statistics Authority.

Statutory Payments

Under the Employees' State Insurance Act, 1948, an employer must make monthly contributions in respect of an employee to the Employees' State Insurance Corporation via electronic mode. Certain statutory payments are also prescribed under the Minimum Wages Act, 1948, Payments of Bonus Act, 1965 and Apprentices Act, 1961.

Various municipal and state laws also prescribe statutory payments to be made for property tax, advertising permit fees, Labour Welfare Board contributions and electricity consumption tax, among others.

Industry-Specific Compliances for Retail Companies

Outside of the general compliances outlined above, retail outlets and companies are also subject to a host of Industry-Specific compliance requirements. The majority of regulations for the industry come from the Food Safety & Standards Act, 2006 and Food Safety & Standard Rules, 2011, Food Safety & Standards Act, 2006 & Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011 and Food Safety and Standards Act, 2006, Food Safety and Standards (Packaging) Regulations, 2018, among others. They also need to abide by the compliances under the Insecticides Act, 1968 and Insecticides Rules, 1971.

Furthermore, retail companies also need to comply with state-level legislation and regulations such as the Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017 and Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Rules, 2018, Maharashtra State Tax on Professions, Trades, Callings and Employments Act,1975 and Maharashtra State Tax on Professions, Trades, Callings and Employments Rules, 1975 among others.

When it comes to a retail outlet, some of the applicable regulations are presented below:

- Retail outlets must not make misleading or deceiving advertisements
- They must not store, sell, or distribute any unsafe, misbranded, or sub-standard food article
- Annual returns to the Food Safety Commissioner
- A Food Safety Display Board must be placed at a prominent place in the retail store and the storage area
- Vegetable, milk, and meat retailers are required to display a Food Safety Display Board in a prominent place
- Metal or metal alloys used for storing food products must be of appropriate quality
- Newspaper or similar material cannot be used for wrapping or storing food articles
- A licence must be acquired to sell, stock or distribute insecticides
- Licensing authorities must be informed of the person in charge of the retail outlet
- Any person suffering from an infectious, contagious, or loathsome disease cannot be employed
- Separate licenses must be taken for if food articles are stored, sold, or exhibited in different premises not falling within the same area

There are also one-time industry-specific approvals that a retail chain must acquire. These include the Import Export Code (IEC) Certificate under the Foreign Trade (Development and Regulation) Act, 1992 & Foreign Trade (Regulation) Rules, 1993, registration as a packer under the Legal Metrology (Packaged Commodities) Rules, 2011 and approvals related to labour safety and health among others.

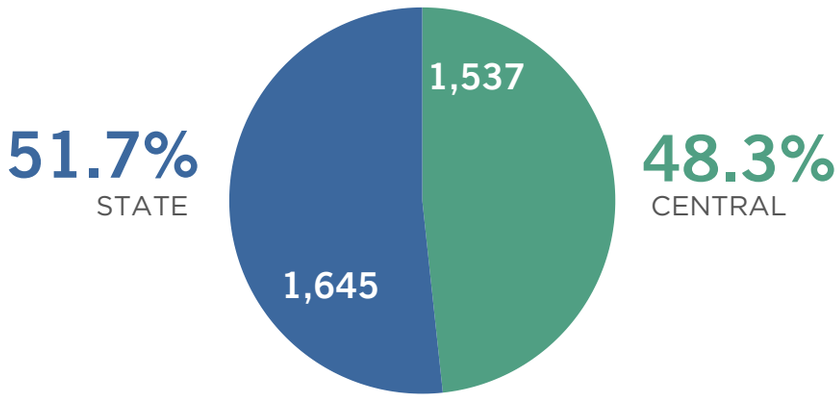
There are several other laws that affect a non-food retail trading business. Traditionally, these establishments have been complying with the regulations under the state-specific shops and establishment act, and 29 labour laws among others. Retail outlets need to deal with duplication, overlap, and redundancies in filings, reports, and maintenance of registers under the current framework. There are more than 40 registers that need to be maintained in different formats under several acts, regulations, and rules. Stores are required to make half-yearly filings to the local police for using CCTV under state laws such as the Karnataka Public Safety (Measures) Enforcement Act, 2017. They are also required to follow the regulations under the Indecent Representation of Women (Prohibition) Act, 1986 and the local municipal compliances in advertisements. Shops using weights and measures need to keep up with the labelling and licensing requirements. Furthermore, there are state-specific regulations for using lifts, and escalators, along with consent forms required for using Diesel Generator sets.

Companies are also required to take environmental clearance approvals, infrastructure and construction approvals, as well as electricity-related approvals from appropriate authorities. Furthermore, specific schemes, policies and laws are being implemented by the government to promote services such as ONDC in the retail industry. To avail of the benefits under these schemes, retail operators companies must follow certain compliances.

STATE OF CRIMINALISATION IN THE RETAIL COMPANIES

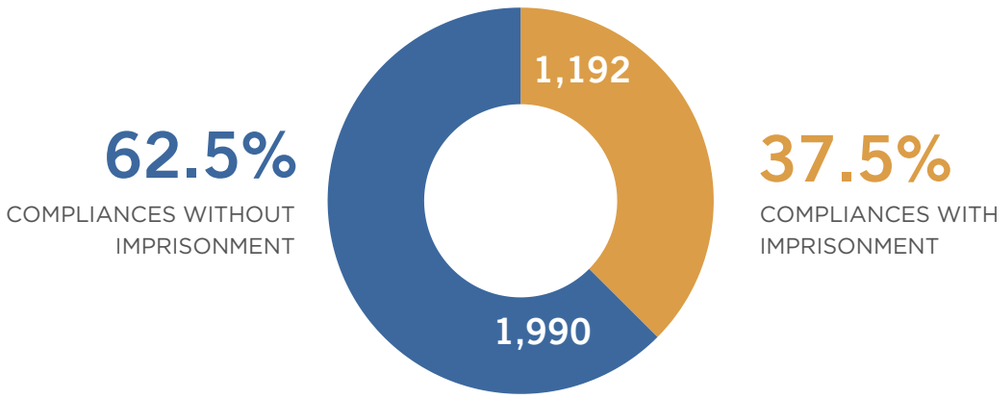
A thorough review of India's business laws reveals that imprisonment has been used as a tool of control against entrepreneurs over the years. The monograph titled Jailed for Doing Business, co-authored by Gautam Chikermane and Rishi Agrawal, uncovers the nature and extent of the risks of imprisonment faced by entrepreneurs in the country. Of the 1,536 laws that govern doing business in India, more than half (54.9%) carry imprisonment clauses. Among the 69,233 compliances contained in these laws, two out of every five (37.7%) prescribe jail terms for non-compliance. The monograph highlights that a sizable portion of these clauses criminalises procedural violations and technical lapses rather than serious offences involving willful harm. It illustrates that in many cases, there is an equivalence between punishment for minor errors by entrepreneurs and for death due to negligence under the Indian Penal Code, 1860. Resultantly, the current business environment reflects a sense of distrust and hostility towards companies and raises barriers to the seamless flow of innovation, wealth and jobs in the economy.

Compliances at Central and state levels for retail chain with multiple stores in multiple cities across 2 states



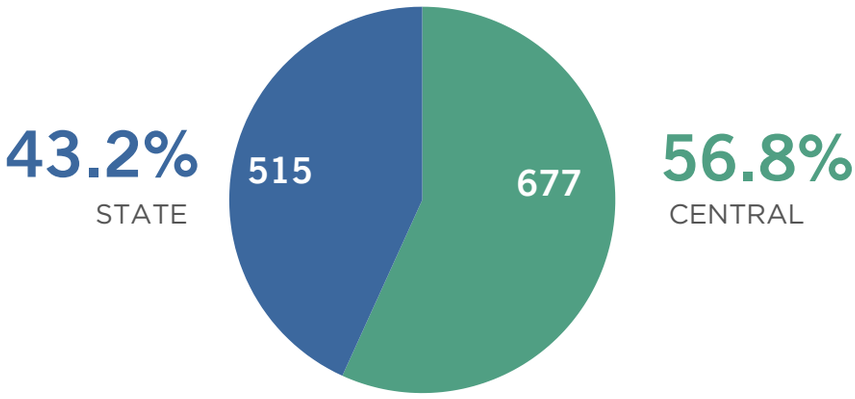
Source: Teamlease Regtech

Imprisonment clauses as a share of total compliances for a retail chain with multiple stores in multiple cities across 2 states



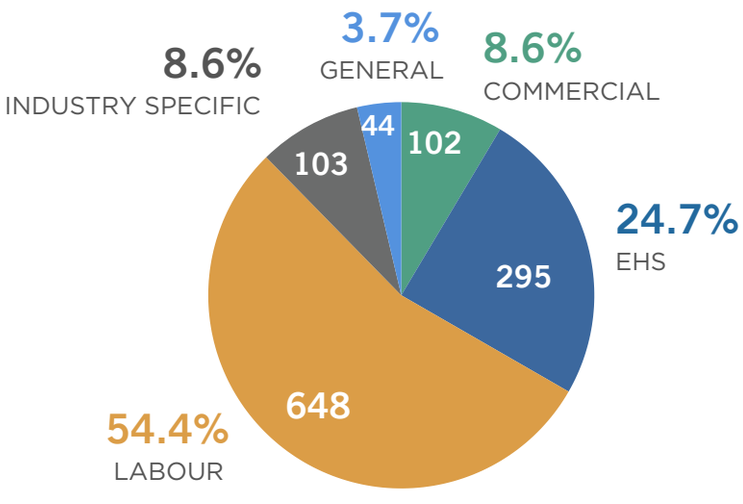
Source: Teamlease Regtech

Compliances with imprisonment clauses at central and state levels for retail chains with multiple stores in multiple cities across 2 states



Source: Teamlease Regtech

Imprisonment clauses across the categories of compliance for a retail chain with multiple stores in multiple cities across 2 states



Source: Teamlease Regtech

As evidenced by the data, the implications of non-compliance can be severe. Hence, Retail companies must focus on establishing strong control over their compliance obligations. Staying on top of the regulatory changes, filings, permissions, and approvals, among others, must assume priority in the company

POLICY OUTLOOK OF THE RETAIL SECTOR

The population of Indian cities will reach 570 million in the next 8 years, exceeding the population of the USA. This will bring in an increased growth in demand which will end up fuelling the retail industry. As such, it is imperative that suitable policy vehicles must be introduced to create a thriving domestic trade and economy.

The majority of the retail industry is unorganized. The hundreds of applicable laws and regulations end up creating a web of compliance. In addition, there are state-level variations that increase the complexity. For a company with a large enough geographical footprint, there can be more than 10,000 applicable compliances. Simply setting up a retail store in the organised sector needs approvals from more than 40 authorities.

National Retail Trade Policy

A National Retail Trade Policy (NRTP) is currently under development by the Department for Promotion of Industry and Internal Trade (DPIIT). It has sought inputs from 16 departments and ministries over the policy as it will be geared towards the overall development of the retail industry. Furthermore, the department is also formulating a national e-Commerce policy to boost the online retail sector.

The NRTP is expected to make credit affordable and easily available to small traders. The development of physical infrastructure and the promotion of modern technology are key components that will facilitate the modernization and digitization of retail trade in rural and economically backward areas. In addition, it will promote skill development and create an effective grievance redressal mechanism. The retail industry is one of the largest employers of women (25-30 % of the total workforce) and the policy can be a significant tool for their empowerment. The establishment of a National Traders' Welfare Board is also on the cards.

A cohesive retail policy built on the pillars of simplification, standardization, and digitalization will pave the way for significant growth and accelerate a short-term economic recovery.

Open Network for Digital Commerce

The Open Network for Digital Commerce (ONDC) initiative is set to "democratise and integrate" e-Commerce. It will allow sellers to access online buyers on various digital platforms without having to invest in digital marketing. This will transform online retail from a platform-centric model to an open network model. Its distinguishing features include standardisation of operations, digitisation of the value chain, improvement in logistics, supplier inclusion, and increased consumer value.

The network is a measure to rein in the digital monopolies in the online retail sector. This government-backed enterprise will create an equal opportunity platform for all online retailers. It will allow small pop-ups and Kirana stores access to digital commerce infrastructure and improve their online visibility.

E-Commerce Policy

The e-Commerce market in India is expected to cross $120 billion by FY26 driven by the ever-increasing accessibility of the internet and smartphones in India. While a draft of the policy was published in 2019, there have been recent developments. Inter-ministerial consultations have been taking place with the policy expected to put an end to inventory-based sales and offer incentives for using a particular payment service among others.

The 2019 draft addressed 6 broad areas of the e-commerce ecosystem; data, infrastructure development, e-commerce marketplaces, regulatory issues, stimulating the domestic digital economy, and promoting export via e-commerce. The new policy is expected to address the issue of monopolies emerging in the sector and small retail traders facing the loss of business. A national regulator for the sector is also expected to be appointed to maintain a level playing field. The revived policy is expected to check the increasing instances of unfair trade practices mushrooming on e-commerce platforms with false declarations, paid reviews, and violation of display-related compliances among others by sellers.

FDI in the Retail Sector

One of the most important policy changes in the retail sector in recent years has been the introduction of foreign direct investment (FDI) as part of the 1991 economic reforms. Initially, FDI in retail was limited to companies that primarily engaged in export activities. This changed in 2006 when up to 51% FDI was allowed in single-brand retail businesses.

The relaxation opened the gates for the entry of multinational retail companies. These companies brought technology and digital tools for inventory management, logistics and warehousing among others. FDI allowed businesses to invest significantly in back-end infrastructure for collecting, storing, transporting, and preserving cargo. IoT is also being used to manage supply chains and keep track of shipments with real-time updates.

Soon after the relaxation was made, 100% FDI under the government approval route became available in the retail industry for food products. The food and grocery sector accounts for 66% of the total retail revenue and the introduction of FDI gave the farmers easy access to the market.

FDI in the single-brand retail sector is now allowed to be 100% under the automatic route as opposed to the previous cap of 49%. This has attracted foreign investors to infuse capital into manufacturing, marketing, and export of goods from India. The continuous increase in the rising middle class's purchasing power has transformed the retail industry's face.

However, the retail industry, for now, is still largely unorganised and highly decentralised. Small retail trading businesses and some Kirana stores account for a major chunk of the retail trade. India's share of organised retail trade is barely 12%, compared to 80% in the United States and 20% in China.

FDI in multi-brand retail trading is limited to 51% under the government approval route. Even though the term "multi-brand" is not defined under either the FDI policy or the Foreign Exchange Management Act, 1999 (FEMA), the sector refers to the act of selling multiple brands and products to consumers under a single roof.

There are several restrictions on multi-brand retailing. Some of them are listed below:

- It is up to the states to allow multi-brand retailing businesses to start operations within their territory
- The retailer can only sell unbranded fresh agricultural produce and at the same time the retailed needs to bring in a minimum of $100 million in FDI
- Multi-brand retailers need to follow the similar mandatory requirement of local sourcing applicable to single-brand retail trading
- Land and rental expenses will not be counted as expenses on back-end infrastructure

The retail sector is also expected to gain from the National Logistics Policy launched in 2022 and PM Gati Shakti National Master Plan, launched in late 2021. These policies will develop the underlying infrastructure and promote the multi-modal transportation of goods. The integration of road, rail, air, and water transport networks with accelerated infrastructural development will lead to a seamless movement of goods through an integrated, effective, robust, green, and cost-sufficient logistics network. Retail chains and small retailers alike will benefit from the resultant reduction in logistics and warehousing costs.

In addition, the industry will see an increase in demand for better warehousing services, reliable cold storage infrastructure, and enhanced last-mile connectivity. Working in conjunction, there will be a reduction in wastage, and the transportation time between ports, states, cities, and towns along with an improvement in supply chain management. This increase in efficiency will inevitably bring down the cost of logistics as more and more companies will move towards dark stores to lower delivery time and costs.

Payments Policy

The different forms of payment have undergone one of the most recent developments in the retail sector. Because they make transactions simple and are more convenient to use, handheld devices have surpassed all other distribution methods. The government and banks have launched a number of programmes to encourage the use of digital payments in metropolitan areas, hasten their spread into the country's hinterlands, and foster trust among first-time users. A strong foundation for digital payments in India has been established through systems like Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), BHIM Aadhaar, and Bharat Bill Payment System (BBPS), among others, thanks to the combined efforts of the RBI, NPCI, and the government.

Robust security measures across devices are essential to ensure that sensitive data is not compromised in any manner while consumers utilise various digital payment methods. In relation to card data, PCI DSS (Payment Card Industry Data Security Standards) rules guarantee a secure setting for maintaining, processing, or sending cardholder data for card payments. The RBI's PPI (Prepaid Payment-Instruments) guidelines, RBI/DPSS/2017-18/58, Master Direction DPSS.CO.PD.No.1164/02.14.006/2017-18, are followed by wallet applicants. The guidelines outlined by NPCI in the circular NPCI /UPI/OC No. 15B/2017-18 are followed by UPI-enabled payment services.

Six different security domains are covered by the 12 detailed standards in the PCI DSS standard. But only criteria 3 and 4 specifically mention card data, whereas the rest of the standard focuses on protecting the payment environment where card data is handled. It covers everything from setting up a secure firewall to monitoring logs, installing antivirus software, and hardening systems. The same set of controls can be used to secure the identification and authentication data for other types of digital payments, while PCI Requirements 3 and 4 are designed to secure identification and authentication data for card payments during storage and transmission.

In years to come, it is anticipated that India's digital payments market would continue to expand. The adoption of digital wallets and other initiatives like the UPI and BharatQR will likely lead to a rise in the use of digital payments in India. The COVID-19 pandemic has hastened the migration to digital payments as people are avoiding handling currency more and more. The use of cutting-edge technology, like blockchain and artificial intelligence, to improve the security and effectiveness of digital payments is rising in popularity. Through a number of initiatives and laws, the government will also likely increase its focus on boosting digital payments.

Digital Personal Data Protection Bill, 2022

The rise of e-commerce and online retail has raised questions regarding the safety of the personal data of customers. Shopping online involves sharing sensitive financial and personal information with the enterprise for shopping, billing, and delivery purposes. Businesses often use this data to understand the spending and buying habits of the customers as well as fine-tune their products based on customer feedback. The digital personal data protection bill lays down the responsibilities and obligations of these "data fiduciaries" that collect, store, transmit, process, and dispose of personal data.

India's current data privacy regulatory environment consists of a variety of laws and regulations. The IT (Reasonable Security Practises and Procedures and Sensitive Personal Data or Information) Rules, 2011 (SPDI Rules), IT (The Indian Computer Emergency Response Team and the Manner of Performing Functions and Duties) Rules, 2013 and other rules passed by sectoral regulators such as TRAI, RBI, and SEBI constitute India's data privacy regulatory environment.

The 2022 Bill defines data intermediaries as "Data Fiduciaries" and classifies them into two categories, Data Fiduciaries and Consent Managers. "Data Fiduciaries" are entities responsible for determining the goal and method of Data Processing. Data Processing entails the collection, storage, processing, transmission, and disposition of personally identifiable information. Conversely, "Consent Managers" are Data Fiduciaries registered with the Data Protection Board who act on behalf of Data Principals and are responsible to them. They assist Data Principals with consent management. The Principals' permission is required for Fiduciaries to collect and process their data.

It marks a step in the right direction because it establishes the rights of 'Data Principals,' who own the data, and the obligations and liabilities of 'Data Fiduciaries,' who collect, store, and process the data. Data Fiduciaries who fail to take the necessary precautions to ensure the security of the user's data are subject to severe fines in the hundreds of crores. It seeks to ensure that businesses are mindful of how they collect, use, retain, transfer, and dispose of customers' personal information. The bill has also avoided criminalising lapses and noncompliances in the interest of facilitating business.

COMPLIANCE CHALLENGES FOR RETAIL COMPANIES

Retail companies have to comply with several hundred acts and rules, depending on the size and geographical footprint of the business. These include the Employees State Insurance Act, 1948 & Employees State Insurance (General) Regulations, 1950 & Employees State Insurance (Central) Rules, 1950, Environment (Protection) Act, 1986 and Noise Pollution (Regulation And Control) Rules, 2000, and Food Safety and Standards Act, 2006 and Food Safety and Standards (Packaging) Regulations, 2018, among others. Furthermore, these laws and regulations are implemented variably at the union, state and municipal levels. For some types of retail companies, there is also an added pressure to keep up with the additional compliances contained in the Foreign Trade (Development & Regulation) Act, 1992 and Foreign Trade (Regulation) Rules, 1993.

Outlined below are some of the major compliance challenges faced by the Retail industry. Many of these are in congruence with a larger survey of clients conducted by TeamLease Regtech on regulatory complexity and the Ease of Doing Business in India.

Lack of an Accurate List of Applicable Compliances

A small retail company operating in a single state in India deals with at least 648 compliances in a year. As the company expands its geographical footprint, the number of applicable compliances multiplies significantly. These compliances are at three levels - union, state and municipal. In addition, they are in seven compliance categories - labour, finance and taxation, commercial, secretarial, environment, health and safety (EHS), industry-specific and general. Identification of applicable compliances for a retail company requires deep expertise.

The applicability of compliance changes based on the location of the company (industrial areas, export-oriented units, gram panchayats, special economic zones) and the quantity and privacy pertaining to personal data and sensitive information, given the involvement of multiple stakeholders/IoT users. There are also many challenges with respect to the ever-changing threshold quantity and its notification to the concerned authority. Apart from the applicable laws and regulations, organisations have to keep a keen eye on product liability and consumer protection, especially if the data or software has been compromised or lost or if any IoT device malfunctions.

Due to these foregoing factors, most retail organisations in India find it challenging to track compliance. The lack of a comprehensive and accurate list of applicable compliances adds to the difficulty in keeping up with the compliance requirements.

Fluid Regulatory Environment

India's regulatory environment is fluid. Just in FY23, there were close to 6,000 regulatory updates published on the 2,233 websites of union, state and local government websites via notifications, gazettes, circulars, ordinances, master circulars, and press releases, among others. These updates typically lead to changes in forms, dates, timelines, frequencies, fines, interest rate calculations, applicability threshold values, and letters of the law, among others. Since these changes are often applicable almost immediately, they require a time-sensitive interpretation and implementation. Based on a recent study done by TeamLease Regtech, it was found that there were over 400 regulatory updates that affected a retail outlet in the Retail industry.

Unfortunately, there is no centralised repository of regulatory updates that provides national, real-time, comprehensive and personalised information on all changes that affect the compliance burden. As a result, the compliance officers are often expected to periodically visit literally hundreds of websites to ensure that they are not missing any critical updates.

Poor Tracking and Management of Applicable Licenses

A typical Retail company in India deals with various licences. The Food Safety & Standards Act, 2006 mandates a license for a Food Business Operator. Companies also need to deal with the local Municipal Corporations and Warehouse Act to build and operate warehouses.

In addition, there are other licences including shop and establishment registration, certification and standardisation requirements by the Ministry of Commerce and Industry, consent to operate under various air and water regulations under the environmental laws, fire NOCs and hazardous and biomedical waste authorisation, among many others.

Each licence has several parameters including issue date, expiry date, categorisation of industry, terms and conditions of the licence and renewal date. All these licences, registrations, permissions, consent orders and NOCs need to be tracked meticulously to ensure that they are in good order, failing which there can be serious business consequences. Most organisations lack robust processes that provide adequate assurance for statutory license management.

Poor Tracking of Event-Based Compliances

There are a number of instances where the applicability of licenses and compliances changes based on the occurrence of specific business events. As a result, the compliance officer needs to keep his eyes peeled to identify such occurrences and be ready to interpret and implement their impact on the organisation's compliance obligations.

Industry-specific approvals are needed from the Department for Promotion of Industry and Internal Trade (DPIIT) in case of foreign direct investments. Apart from this, there are various compliances under government schemes that incentivise business operations related to the export of goods. To avail of the benefits under these schemes, retail companies must follow certain compliances including submitting monthly, quarterly and annual progress reports in the prescribed format and obtaining a Foreign Inward Remittance Certificate, Bank Realisation Certificate and Import and Export Certificate.

Most retail companies grapple with the challenge of tracking all these applications and their statuses to stay on the right side of the law.

Poor Tracking of Ongoing Compliances

A typical retail company deals with a large number of compliances that are ongoing in nature. For instance, there is a horde of displays requirements pertaining to licenses, registrations, holiday lists, abstracts of legislations, employee-related social security-based displays, labelling, data storage, emergency planning, no smoking, fire exits, danger signs, GST number, among others.

In addition, the company also needs to maintain a variety of registers which should be current at any given time. These include examples such as leave and attendance, maternity benefits, fines and deductions, muster rolls, wage registers, temperature registers, records of disposal of waste, and seven copies of manifest in form 10, among at least 40 other unique registers in various formats. A retail company also deals with various kinds of safety audits, environmental audits, and fire drills.

These ongoing compliances, when not adhered to, can result in a high cost of poor compliance. The task of creating, maintaining, reviewing and certifying that these registers are in compliance with the law of the land is the responsibility of different people across the organization. Unfortunately, there are no processes to track and maintain the digital copies of these ongoing compliances and to obtain periodic self-certification from relevant stakeholders.

Lack of Awareness at the Management Level

Based on a recent survey conducted by TeamLease Regtech, it was discovered that the key managerial personnel (KMP) in Indian retail companies have a poor understanding of compliance obligations in over 75% of the instances.

As a result, they are often unpleasantly surprised in the event of show-cause notices, instances of financial fines and penalties, cancelled licenses, revoked permissions and leaked revenue. Most executives were found to have a very poor handle on the status of key compliances, dates, documentation and residual risk of non-compliance.

Manual, Paper-Based & People Dependent Compliance

A typical mid-sized retail company deals with a few thousand compliances in a year. There are at least 50-100 people in different departments (human resources, finance and taxation, company secretarial, administration, environment, health and safety, warehouse, research and development, etc.) directly involved in day-to-day compliance functions.

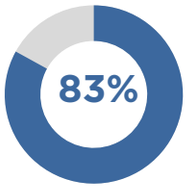
Unfortunately, while compliance is a key binding constraint in an organisation's growth, a number of Indian organisations are yet to adopt technology platforms for transparent and accountable compliance programs. The compliance officers often use spreadsheets to track status manually. As a result, there are several instances where there are inadvertent misses, delays, lapses, defaults, expired licenses and missed legal updates. Therefore, it is not uncommon to see them firefighting and highly stressed during regulatory audits

Anecdotal Compliance Certification

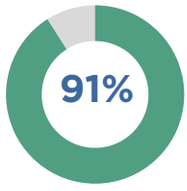
The Companies Act, 2013 requires the issue of compliance certificates to the Board. Since the organization is low on technology-based tracking systems, the compliance officer has no other choice but to prepare the statutory compliance certificates manually. These certificates often miss key information such as the specific data on an instance of non-compliance, delayed filing and the residual risk of poor compliance. In such instances, the board is often flying blind since they do not have a framework to establish the level of compliance in the company.

INDUSTRY PERSPECTIVE

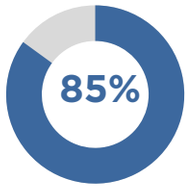
In a recent survey conducted by TeamLease Regtech among compliance officers of major retail companies, the key findings were as follows:



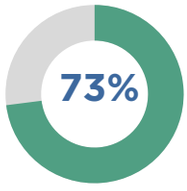
agreed to have missed at least one critical compliance during the 12 month period



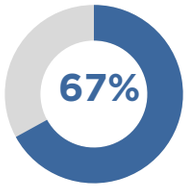
agreed to pay fines and penalties in the 12-month period



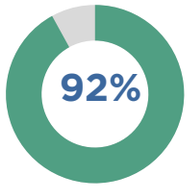
agreed that their compliance needs a serious rethink



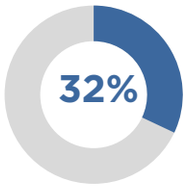
of compliance officers believe that third-party consultants have better liaisoning experience than they have internally



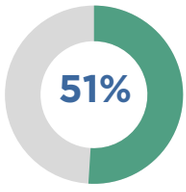
agreed to have poor control over their compliance documents



believed that they do not have the required visibility and control in their organisation's compliance program



The average cost of compliance consultants stood at approximately INR 100,000 per month, of which labour contributed approximately 32% of the cost



believed that keeping track of regulatory updates is challenging

RETHINKING COMPLIANCE MANAGEMENT

Conduct a Baseline Applicability Assessment

An important step in streamlining compliance management within the organisation is to create an accurate list of all applicable compliances. In a fluid regulatory environment, the applicability of compliances changes with the use of specific equipment, input raw materials and end products, among others. Hence, staying on top of all compliances and related updates is key. Engaging with a partner vendor to track and create a consolidated assessment of all applicable acts and compliances is critical to effective compliance management.

The partner vendor must bring the depth and width of its experience to analyse and document the compliance obligations across central, state and local laws. In addition, it should help classify all compliance requirements among seven categories - labour, finance and taxation, environment, health and safety (EHS), secretarial, commercial, industry-specific and general. The list should also be sub-classified by compliance type- licences, registrations, permissions, consent orders, returns, registers, challans, payments, displays, audits and examinations, committees, and exemptions among others.

This checklist should serve as a baseline for the organisation and be periodically reviewed and refreshed based on regulatory changes.

Subscribe to National, Real-time and Personalised Regulatory Updates

It is cumbersome for a compliance office to browse a few hundred government websites periodically to ascertain the applicable compliance changes. Hence, it is advisable that the company subscribe to national, real-time, personalised and comprehensive regulatory updates from a third-party vendor.

These updates should be available on a daily, weekly and monthly basis, categorised by Act, law, union/ state, ministry, regulator, nature of change, date of change and applicability, among others. The update should have search, sort and filter capabilities for easy navigation. Mobile apps (iOS and Android) and email-based updates are highly recommended.

There are industry-leading players such as TeamLease RegTech that can provide personalised updates in daily / weekly / monthly newsletters and mobile apps.

Creating a Central Compliance Document Repository

Compliance management generates a lot of paperwork and documentation. These include various applications, forms, receipts and acknowledgements, along with other ancillary documents. The large amount of paperwork necessitates a proper system to manage the life cycle of these critical documents.

An organisation should go paperless. A central repository should be created with digital, verified, version-managed and tamper-proof copies of each document. All working files can be incorporated into the repository as well.

Digitise Compliance Management

Technology is transforming key business processes. It is making them faster, easier and cheaper. It is also enabling enhanced collaboration and improves human productivity. Data is the new oil and hence, compliance is a key business process that needs to go digital. A preferred software solution should have the features given below:

- Smart Dashboards: Easy to use, real-time, colour-coded with drill-down capabilities
- Native Mobile Apps: iOS and Android-based mobile apps
- Flexible Workflows: Configurable workflows that adapt to the business processes
- Integrated Comprehensive Compliance Database: Extensive and accurate compliance database covering the law of the land
- Strong Analytics and Reporting: Automated and on-demand analytics and reporting capabilities to flag non-compliance and risks
- Integration with office emails: Legal updates/ alerts/ notifications/ reminders/ escalations/ reports on office emails.
- Integrated Document Management System: Manage all compliance documents and working files with version management.
- SAAS Based: Quick and easy to onboard without any additional IT infrastructure and licences.
- Secure and Available: Best-in-class information security with availability when you need it.

Ease of Use

Compliance cuts across an organisation. Employees at various levels of skill, experience and tech-savviness need to feel comfortable using it. It is important to ensure that the software vendor has a product that has a user-friendly interface for easy end-user adoption.

Quick and Easy Deployment

Since retail projects are notorious for time and budget overruns, it is important to ensure that end-to-end onboarding happens in minimal time. If it takes more than a few weeks to go live, chances are the project will lose momentum and cause headaches. In addition, the vendor must have strong capabilities in business discovery, compliance applicability assessment, product configuration and end-user training.

SaaS and cloud-based products are preferable as they do not require any on-premises technology infrastructure (such as virtual machines, network resources, storage, firewalls and load balancing, among others).

Pay-as-you-go Pricing Option

Retail budgets are often stretched. There is a constant tussle between CIO and CFO on additional capital allocation for digitisation projects. Perpetual licensing options can be extremely capital-intensive. Hence, a 'pay-as-you-go' pricing model is recommended, as budgetary allocation and approval might become a breeze. Such price options are typically cheaper than the salary of a junior compliance officer.

Create a Culture of Compliance

Compliance management is a breeze if all the stakeholders hold their end of the stick. While one compliance officer takes responsibility, many key folks within the organisation bring their shoulder to the load. Periodic reviews at the department level, functional level and organisational level can make people accountable.

In addition, reviews help bubble up issues before they become urgent and important. An organisation should work with its human resources team and add compliance goals as a part of goal setting and mid-term and annual assessments. Good compliance behaviour should be rewarded.

POLICY RECOMMENDATIONS FOR ENABLING EASE OF DOING BUSINESS

Employer compliance in India needs a thorough re-imagination. The country's entrepreneurs cannot compete in the 21st century with the 19th and 20th-century regulatory environment. Teamlease Regtech recommends a three-vector framework to undertake policy reforms for facilitating ease of doing business in the country.

Rationalisation

- There is a lot of duplication, redundancy and overlap across compliances. It is recommended that a detailed analysis of such opportunities be conducted. The list should be classified into items that can be executed by executive order and those requiring legislative change. Based on an initial assessment, at least 20 to 30% of the compliances can be reduced without affecting the outcomes

- The current process of inspections is ad-hoc, manual, paper-based and people-dependent. There is limited transparency and accountability. The inspection process should be reviewed and a risk-based, faceless, presence-less, cashless inspection process should be implemented.

- Opportunities for self-certification and third-party inspections should be rolled out.

- Digital interfaces (new licence applications/ renewals/ return filings/ requests for inspection etc) should be identified and developed.

Decriminalisation

- Criminal penalties in business laws should be used with extreme restraint. Misdemeanours such as procedural lapses and technical non-compliances should be punished with financial penalties only whereas criminal penalties should be retained only for serious crimes involving intentional harm.

- A general and indicative set of standards should be adopted to guide lawmakers, executive authorities and regulators in making laws, rules and regulations. Such standards should include principles of necessity and proportionality.

- All imprisonment clauses must go through legislative scrutiny at least once in five years. For this, sunset clauses can be introduced in the legislative process to ensure either the renewal or termination of imprisonment clauses depending on their need and relevance in light of the evolving business climate.

Digitisation

- There should be a single digital portal for centralised publishing of all regulatory updates across various departments and ministries and at all governance levels. The portal should be a technology utility that should be extended to all relevant stakeholders. It should provide the capability to subscribe to automated alerts based on filters such as type, industry, location and compliance category, among others.

- A digital platform to automate the creation of all regulatory records for compliance should be created. It should also facilitate the safe storage and authentication of such records.

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