

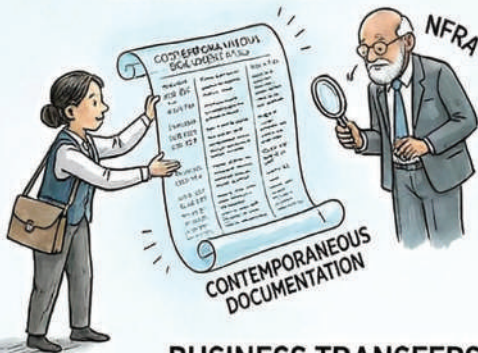
THE BOMBAY CHARTERED ACCOUNTANT JOURNAL

VOLUME 58 | ISSUE 1 | ENGLISH - MONTHLY | MUMBAI APRIL 2026 | PAGES 120 | PRICE: ₹100

From Compliance to Conscience

The era of "checking boxes" is over; we have entered the age of "demonstrated governance" where evidence and intent are the only defenses.

THE DNA OF
AUDIT EVIDENCE



FROM SAFETY NETS
TO TRAMPOLINES



NAVIGATING THE FRAUD
REPORTING MAZE



BUSINESS TRANSFERS:
THE NEUTRALITY TEST



BEYOND THE BUSINESS CARD



CHATTING UP ABOUT INDIA: PART II

STATINS, STENTS AND LIFESTYLE CHANGES TO UNBLOCK THE ARTERIES OF REGULATIONS

RAMAN JOKHAKAR
Chartered Accountant

India's pursuit of **Ease of Doing Business** and **Ease of Living** is severely choked by "regulatory cholesterol". To unblock economic growth, India must transition from reliance on foreign standards to building **home-grown domestic frameworks**. Policymakers must focus on **process reforms** to eliminate systemic frictions, transforming regulations into **enabling "trampolines"** rather than restrictive safety nets. Key solutions include decriminalizing civil omissions, ensuring perpetual registrations, minimizing duplicative reporting, and enforcing strict timelines with a "silence is consent" rule. Ultimately, achieving true economic freedom requires a comprehensive **civil services reform** rather than mere superficial tweaks.

It doesn't matter if a cat is black or white, so long as it catches mice – Deng Xiaoping

In the previous article (BCAJ, March 2026), we examined a "lipid profile" of regulations affecting Ease of Doing Business (EoDB) and Ease of Living (EoL). In this part, we consider certain causes, effects and ways to reduce regulatory cholesterol.

1. STRATEGIC

There are **order-setting regulations and there are directional ones**. EAM of India talks of Strategic Autonomy. There are many areas where we have none. Consider **sovereign rating agencies**: We largely depend on global agencies such as S&Ps. We don't have our own **standards**¹, we depend on western reports, they rank us and we abide by those norms. China has changed this. A recent image circulating in terms basic things used by India and China demonstrated this - our dependence on external. In areas such as social media platforms (we let KOO die), operating systems, financial messaging systems (like SWIFT), and quality standards (ISO), we rely significantly on external frameworks. Even indices such as the SENSEX carry external branding S&P.

We need domestic, home-grown, home governed, home rooted entities to do work much of what happens in India

¹ Say Digitisation of medical records, how can we analyse this massive data of reports now available to prepare for prevention, care and predictive analytics

and see it from Indian lenses. **Dependence, identity and confidence go hand in hand and therefore must evolve together**. Encouragingly, in capital markets, the dependence on foreign institutional investors has reduced relative to domestic SIP flows. Similar shifts are required across sectors.

We need more changes like this and build our turf on our terms. Regulations, therefore, must enable the creation of domestic institutions, standards, technologies, and services—rooted in Indian conditions and perspectives. This is the strategic dimension of regulation: laws that enable the development of Bharat in a sustained and accelerated manner.

2. STRUCTURAL VS. PROCESS REFORMS

This is already underway, especially we have heard from Shri Sanjeev Sanyal of EAC to the PM, about structural reforms (GST, IBC, Tax, and so on) already undertaken, and now we need more of process reforms to **even out frictions** in the system.

Process reforms address frictions that, while seemingly small, have large cumulative effects. For instance, closing a company still takes months or years. Similarly, certain public sector entities continue despite

diminished relevance, while sectors that are more critical remain understaffed. Process reforms aim to remove these inefficiencies and improve system responsiveness.

He calls these **nuts and bolts reforms**².

3. ENABLING

Regulations must enable the very objectives they seek to regulate – growth, quality, employment, and so on. They should remove peripheral burdens and allow focus on core activity. Regulations should create orbits and facilitate shifts in them—not destroy or constrain them. The emphasis must be on enabling transformation rather than constraining activity.

Enabling means removing dross around the core and keeping the main thing the main thing.

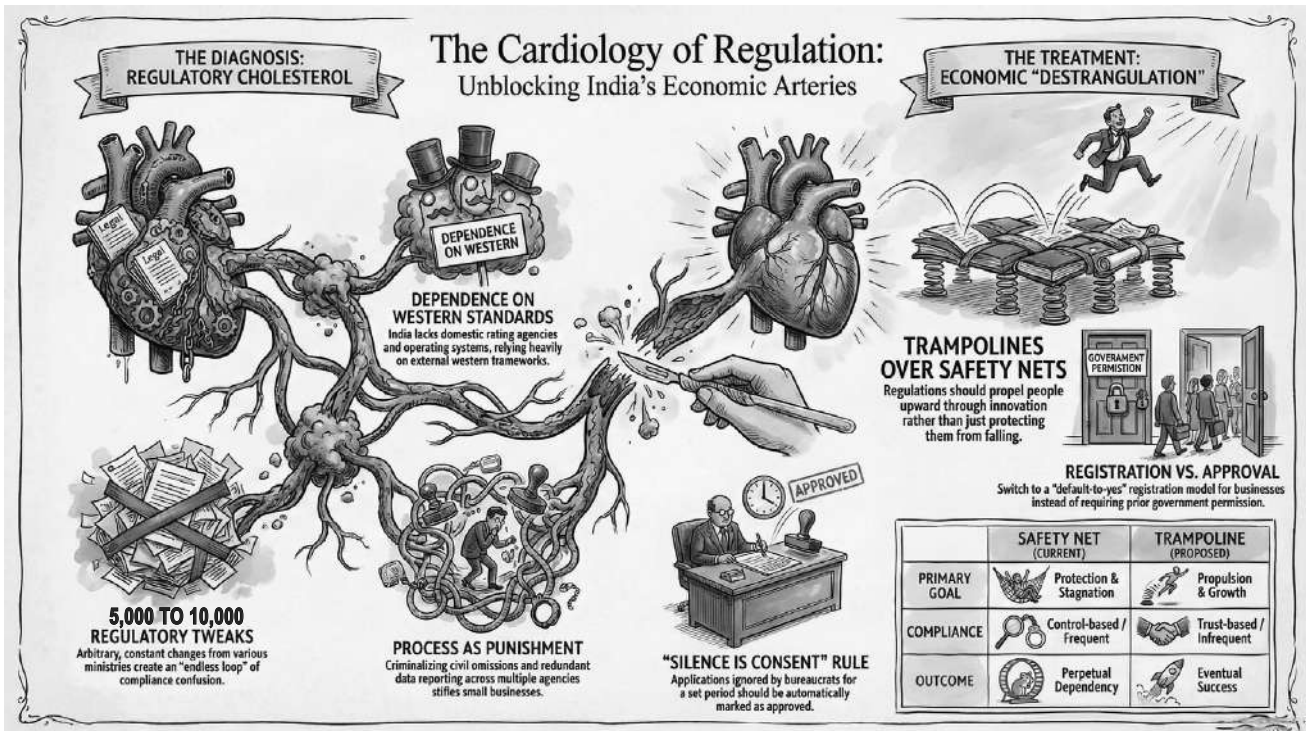
Regulation should rapidly take market inputs, and become the greatest facilitator of free enterprise, which is an expression of freedom and liberty. They should be tested on this question: What can they impede vs. what can they serve. At times, impedance is itself justified as serving a purpose, leading to a self-reinforcing cycle.

5. QUANTUM:

A key question is: how much regulatory effort is required merely to remain compliant? Say the number of core regulations to run a business or time spent on compliance vs. to do core work.

Typically, regulatory requirements fall into three categories:

- Registration
- Operations (dos and don'ts)
- Reporting



4. FACILITATING:

Regulations should act as problem-solvers for businesses. Recent GST changes³ demonstrate movement towards trade facilitation. Such responsiveness should become a general principle.

Registrations should ideally be one-time or long-term, without repeated renewals. Instead of frequent re-registration⁴, non-compliant entities can be addressed through targeted enforcement.

² https://dspg.du.ac.in/wp-content/uploads/2023/11/Process-Reforms-Working-Paper-Nov-2023_Final.pdf

³ Referred to as GST 2.0

⁴ Section 80G and 12A – These were withdrawn now brought to life from the grave instead of targeting certain entities involved in anti-national, conversion, illegal activities.

Permissions should be minimal. Regulations should define clear and simple rules of the game, with regulators acting as overseers rather than controllers.

Reporting should be:

- Infrequent
- Consolidated
- Non-duplicative

Currently, reporting often involves duplication across multiple authorities who do not share data effectively. Over time, reporting requirements also tend to expand beyond their original intent a *'Stretching'* of sorts. Take UDIN⁵ when it comes to reporting.

6. VOLUME AND CHANGES IN REGULATIONS

How many Regulations do authorities introduce and tweak each year? In US 3000 come each year⁶. India likely experiences similar numbers or more. The concern is:

- o **how many regulations are introduced,**
- o **how many are amended, and**
- o **how many are repealed?**

Every ministry needs to report this. Look at any sarkari agency's web page—'new' red-coloured announcements pop up as if they were badges of honour. **Arbitrary changes** at any time have become the norm. There is limited institutional incentive for removal of outdated regulations, leading to a cumulative increase. Frequent and sometimes unpredictable changes add to compliance uncertainty.

7. BENEFICIARIES OF REGULATIONS

Regulations often favour incumbents by creating entry barriers. Compliance complexity disproportionately affects small and medium enterprises, both in terms of cost and managerial bandwidth.

In contrast, larger entities may navigate complexity more effectively due to scale and resources. This asymmetry needs to be recognised and addressed.

Biggies flourish from obfuscation, maze of regulation and complexities. **Biggies often write the laws for lawmakers.** Take the example of ICFR. Authorities

⁵ UDIN was meant for authenticity by correlating: **Document – Person – Date**. Now it's asking way too many things specific to the content.

⁶ Nikhil Kamath talking to Ruchir Sharma - <https://www.youtube.com/watch?v=ITCzIDITaac&t=2212s> at 33.50 min

applied it to all entities in year one—crazy stuff. Then they withdrew it and adjusted it to cover only those entities that needed them. Obviously, someone pushed this through and some parties benefitted from it, adding no value to the actual ground situation.

8. SAFETY NET VS. TRAMPOLINE:

Erstwhile Singapore PM⁷ Tharman (now president) gave this example. A BBC reporter asks him about safety nets, obviously trying in a cheeky way to trap him. Tharman said they create Trampoline instead safety nets. **Both are made of the same thing, however, trampoline allows people who fall into it to bounce back, to rise.** Trampoline is meant to propel and accelerate out of the net. Safety net safeguards against setbacks. It prevents and protects. Trampolines amplify trajectory through responsibility, skill development, exposure and innovation.

In India, **we have created many safety nets. We need to tweak them to become trampolines** – where the same net protects against setbacks but doesn't make one dependent. We should not make support perpetual and unconditional, but instead design it to enable a person to earn one's success eventually.

9. POLITICS

Laws pass through the colour of politics (preservation and extension of votes), and are often made/repealed that way so that someone can hijack them – like trade unions where **job preservation is presented as job creation**. Trade unions should rather fight for improvement in ESIC or PF or EPS – for better services and thousands of crores stuck in the so-called 'inoperative accounts'.

Votes override constitutional fundamentals. Politicians talk about ideas like reservation in the private sector. While reservation, being birth based benefit is a problem and is akin to discrimination based on birth. Laws are made to punish people simply based on a certain person complaining, making acts non bail-able. This is just for political purposes – where objectivity and reason goes missing in favour of outright discrimination. **Politicising is a magic show where self-interest is garbed as national interest.**

⁷ <https://youtu.be/nPZ8Kj1nIAU?si=c2EU4QSRpIAQ2CLE>

10. DECENTRALISE

Greater decentralisation can improve responsiveness. Proximity of decision-making to stakeholders often results in better outcomes.

Keeping power proximate to people is best, instead of situating it in Delhi. Deregulation often means decentralisation.

11. ABSENCE OF TIMELINES

A critical issue is the absence of defined timelines for regulatory approvals.

We need a count of permissions or approvals from administration that lack a timeline whereas every compliance imposes a timeline on the business. These regulations require free citizens to petition the unelected civil servants for permissions. Where timelines are not specified, applicants are effectively dependent on administrative discretion. Introducing enforceable timelines, along with accountability mechanisms, can significantly improve efficiency.

12. THE REGULATED

To be fair, we have to call out the group whose careless disregard fuels this mess. That is **Indians against Indians**. I was at Surat station waiting for the train to come. One man walking up the platform ate the last biscuit and simply threw the wrapper on the platform and kept walking. When I see such people, my hope shatters.

It will be a shame to call for rules for basics, which otherwise needs sensitivity – say how to park near the kerb; where to stop on the road or to walk on the footpath (when there is one) instead of on the road. Careless disregard for others – fellow citizens – is a consistent and pervasive element. However, we have seen that better processes – say at the Metro where there is certain order is possible. It is a pity that our own conduct and lapses, trigger regulatory reprimand.

DESTRAGULATION, REFORM & EFFECTIVENESS

There is a saying: power corrupts, and absolute power corrupts absolutely. In our context this means: **Regulations corrupts, absolute regulations corrupt absolutely**. This often happens (apart from the quantum and excessive severity) **when legislation, execution and adjudication are bundled with one set of civil servants / department**. Here is a partial checklist to accomplish destrangulation:

Registration vs. Approval / Permission – The idea of ‘permissions’ should be terminated except for prohibited sectors like defence. Registration should be default means to kick start something in business sphere. Recent **Charity Trust Re-registration** by income tax department, is asking what is already supplied in previous ITRs and Audit Reports already with the department. Registrations should be perpetual once there is periodic reporting.

Compliances: We should call this reporting. Reporting should be **minimum, non-duplicating, infrequent and easy**. Currently, multiple agencies seek overlapping information, often with strict timelines. A rationalised reporting framework, particularly for SMEs, is necessary.

Decriminalisation: Remember, minor TDS delays led to prosecution! Instead of inventing thousands of ways to prove citizens criminal, let’s be civil again. The state compels the deductor to act as its agent. If the government doubts the deductor’s reliability, it should transfer the responsibility to the payee.

Digitisation: Zero officer interface. Filings flow through automated acceptance and processing as standard practice. Interrelated data sharing eliminates duplication. Once a company enters its CIN or PAN, all other registrations should follow automatically, or any single number (like a consolidated folio) should suffice for all reporting. The same applies to cancellations—companies should be able to opt out of GST online when it’s not applicable. This requires databases and departments to communicate with one another.

Timelines: The legislature must evict laws that let bureaucrats sit on paperwork forever. **Implement** a ‘Silence is Consent’: if authorities ignore a filing beyond the deadline, the system auto-approves it. No ‘No’ in time? We take that as ‘Yes.’ Non-working portals automatically extend compliance timelines.

Regulatory Opacity and Inefficiency without recourse: Implementation fails because citizens have little to no recourse when the government doesn’t enforce laws as required. Authorities routinely auto-close grievances without verifying whether the taxpayer’s problem was actually resolved.

On the ‘Surprise!’ method of governance: When the government makes abrupt policy U-turns, it shatters

trust and paralyzes risk-takers. It is hard to build a business when the floor can keep turning into lava. The government must disclose upcoming changes well in advance and explain implementation methods clearly. All changes should come in a bundle through a consolidated master circular / directions once a year for business laws. **Predictability** builds the trust that citizens expect from their government.

Process as Punishment: Jail provisions for otherwise civil omissions are **threat-based governance**. Add bureaucratic **discretion** and you get corruption and court congestion. The Jan Vishwas principle rejects micromanagement⁸ in favour of accountability⁹ and prioritises actual harm¹⁰ over paperwork¹¹ variations.

Democracy vs. Economic Growth—A False Choice: Some portray mass prosperity and mass democracy as competing goals. Yet if we can manage mass democracy despite our nation's vast differences, why should mass prosperity prove harder? Obviously, people in power take helicopter view instead of worm's eye view. We still have too many people farming instead of working in other sectors.

⁸ By inspectors breathing down your throat

⁹ Trust based compliance and civil fine for delay

¹⁰ Fraud, poisoning the environment etc.

¹¹ Removes jail time for missing paperwork and saves it for 'harm'

We don't have jobs problem; we have wage problem. Wages stagnate because productivity stagnates. And productivity stagnates because regulations make it so difficult to establish factories that could train college graduates as apprentices.

CONCLUSION: THE HEALTHY RANGE

First, let me clarify **which regulatory cholesterol we're discussing: the harmful kind—Non-HDL cholesterol beyond acceptable biological limits.** Just as Vitamin D affects bone health when deficient but becomes toxic when in excess, regulations require constant monitoring. **For regulatory cholesterol, statins or stents cannot cure or even manage an over-regulated system. We need comprehensive lifestyle change across all levels and sectors.**

Post-1991 liberalization didn't deliver *Poorna Swaraj*. India still waits for crisis-driven transformation. **This doesn't mean abolishing all regulations—or Afghanistan would be a unicorn factory.** We need laws that let our people sprint, not crawl. **EoDB and EoL remain fundamentally civil services reform problems. Deng said it best: "Reform is China's second revolution." In Gandhian terms, Poorna Swaraj remains a distant goal until we achieve genuine EoDB and EoL. ■**

ADVERTISE IN BCA JOURNAL

ADVERTISEMENT RATES

Cover (Multicolor) Fourth Cover	₹ 40,000*
Second Cover	₹ 35,000*
Third Cover	₹ 30,000*
Inside Pages:	
Full (Multicolor)	₹ 20,000*
Full (B&W)	₹ 10,000*
Half (B&W)	₹ 7,000*
Quarter (B&W)	₹ 5,000*

Get benefit of reaching out to **10,000+ subscribers** across the country

*GST will apply at 5% on these tariff rates

10%
Discount for
6 insertions

20%
discount for
12 insertions



For enquiries contact BCAS office at:- **91-22-61377613** or write to us at **km@bcasonline.org**

BCA JOURNAL

58th Year of Monthly Publication

- ◆ BCA Journal is driven by analysis that is independent and balanced
- ◆ Receive in-depth but to the point coverage of developments in Direct Tax, Indirect Taxes, GST, International Tax, Auditing, Accounting, Business, Commercial, Economy, Practice Management, Information Technology, Right to Information, and more
- ◆ Articles curated by specialists
- ◆ Features covering the most relevant themes
- ◆ Series of monthly features dedicated to topics – Practice Management, GST, ICDS, Ind-AS, Transfer Pricing...
- ◆ Contributions from experience professionals
- ◆ Access E-journal, repository of 21 years of Journals in a searchable format
- ◆ Special issues - covers the full spectrum of a subject such as GST
- ◆ Features in Special Issues: Interviews, view and counterview, musings, and more ...

BCA Journal is printed in both paper format and electronic version.
For subscription and access to past issues: www.bcajonline.org