



THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

MSMEs: The Growth Engine of the Nation





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Advancing India's Growth through MSME Empowerment

A nation's economic resilience is a direct reflection of the trust it invests in its citizens and their commercial ventures. In recent years, MSMEs have undergone a profound transformation, evolving from localised entities into a formidable pillar of the country's economic architecture. This structural shift is fortified by progressive reforms and strategic interventions for growing entrepreneurs, and has promoted a vibrant ecosystem driven by innovation and significant capital infusion. Today, the sector stands as a cornerstone of inclusive growth, commanding nearly 31% of the national GDP, accounting for approximately 48% of exports, and serving as a vital social anchor by providing livelihoods to over 32 crore people.

The Government's sustained policy interventions and structural reforms have become a catalyst and have significantly reshaped the MSME ecosystem in India. Through a focused approach centred on equity support, liquidity enhancement, digital formalisation, and ease of compliance, MSMEs are steadily transforming into globally competitive enterprises. Initiatives such as the ₹10,000 crore SME Growth Fund, expansion of the Self-Reliant India Fund, and the strengthening of the TReDS platform have improved access to finance and working capital for small businesses. Simultaneously, the Udyam Registration Portal and Udyam Assist Platform have accelerated formalisation, with over 7.3 crore enterprises brought into the organised framework. Furthermore, schemes such as PMEGP, PM Vishwakarma, and the MSME Champions Scheme have encouraged entrepreneurship, skill development, innovation, and quality enhancement across sectors. The Government's emphasis on digital commerce through ONDC, coupled with labour reforms and online dispute resolution mechanisms, has strengthened market access and reduced operational bottlenecks.

As this transformative journey gathers momentum, the role of trusted financial and strategic advisors becomes increasingly indispensable. While visionary entrepreneurs and progressive government policies together shape the foundation of economic growth, it is the Chartered Accountancy profession that acts as the vital bridge connecting ideas with execution, compliance with credibility, and growth with sustainability. CA professionals, often working behind the scenes, have emerged as silent enablers of India's MSME success story by strengthening financial discipline, ensuring transparency, facilitating access to credit, and guiding enterprises through an evolving regulatory and technological landscape.

Today's Chartered Accountants are not merely an auditor or compliance expert, but a strategic partner and catalyst for growth who supports businesses in areas such as digital transformation, sustainability reporting, risk management, startup mentoring, and global expansion. The profession is playing a pivotal role in helping MSMEs adopt greener practices, leverage emerging technologies, and build resilient and future-ready business models.

It is evident that India is steadily advancing on the path of inclusive development, with a well-defined vision for strengthening the backbone of its economy — the MSME sector. The approach of the government and the efforts of the MSME will surely contribute towards paving the way for the country to once again be called 'Sone ki Chidiya'. The journey ahead requires a strong institutional and professional support system that can empower MSMEs to realise their full potential. The profession is evolving as a key catalyst in implementing the Government's vision of transparent, digitised, and trust-based compliance systems to promote value creation amongst MSMEs.

ICAI, through its continuous engagement with policymakers, provides technical recommendations and policy inputs on taxation, financial reporting standards, digital compliance, and financial governance, thereby contributing to the development of a more efficient and business-friendly regulatory environment. The ICAI is working shoulder to shoulder with the stakeholders to build a strong MSME ecosystem wherein Bharat achieves the vision of inclusive growth across the country, creating employment and enabling development, fuelling the vision of prosperity in diversity.

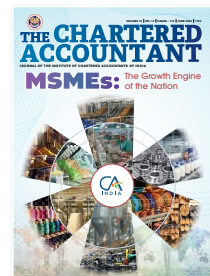
The new India being envisioned today is being shaped by the transformative forces of MSMEs, which will generate employment, innovation, and grassroots economic strength, and Chartered Accountants, who are reinforcing the pillars of trust, transparency, and financial discipline. The vision of self-reliant India will be realised by transforming aspirations into sustainable economic progress, where individual ambition and entrepreneurial spirit supported by a cohesive policy framework shall become the primary catalyst for national prosperity.

-Editorial Board ICAI

Partner in Nation Building

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From the President



CA. Prasanna Kumar D
President, ICAI

Dear Professional Colleagues,

“India’s growth story will be written not only in boardrooms and balance sheets, but in the aspirations of its entrepreneurs, the resilience of its MSMEs and the integrity of its professionals.”

As I reflect upon India’s transformative journey towards becoming a self-reliant and developed nation, I find our growing entrepreneurial landscape to be a powerful reflection of this national resurgence. India is redefining its identity by transforming its populace and human capital into a powerhouse of innovation, entrepreneurship, and global expansion. Our growing entrepreneurial landscape is a vivid reflection of this evolution, with nearly 8 crores registered MSMEs energizing and strengthening India’s position in the global economic arena. MSMEs today are generating employment for nearly 33 crore people- the second largest source of employment after agriculture. They have transitioned from small business entities to key enablers of our industrial growth, driving export competitiveness, generating massive employment, and ensuring inclusive regional prosperity.

The Indian MSME sector accounts for nearly 35% of manufacturing, 49% of exports and 31% of GDP in India.

These figures translate much beyond metrics & statistics; they are rather a hallmark of the resilient spirit of millions of Indians. The sector significantly contributes towards poverty reduction, employment generation and socio-economic empowerment, particularly in rural and semi-urban areas, thereby strengthening the larger goal of inclusive development and nation- building.

This intrinsic ability to transform localized ingenuity into scalable, global ventures has strengthened our economic resilience, cementing India’s status as a global entrepreneurial hub. Supported by a reform-centric policy framework as unleashed in the last Union Budget, these ambitions are no longer mere possibilities but tangible and achievable realities.

India and the MSME Sector

It is evident that India is meticulously developing an enabling ecosystem where entrepreneurial aspirations can flourish and contribute substantively toward the overarching vision of Viksit Bharat @ 2047, marking 100 years of India’s independence to achieve a fully developed nation status by empowering four main pillars i.e. *Yuva* (Youth), *Garib* (Poor), *Mahila* (Women) and *Annadata* (Farmers) driving inclusive socio-economic growth and governance.

Recognising MSMEs as the backbone of inclusive economic growth, both the Central and State Governments are undertaking concerted efforts to strengthen the entrepreneurial ecosystem nationwide. The Government is focusing on technology integration, digital governance, financial assistance, and industrial expansion. Initiatives such as Nivesh Mitra, MSME One Connect, and the One District One Product (ODOP) programme are enabling enterprises to access streamlined approvals, wider market access, and improved competitiveness.

In this transformative journey, Chartered Accountants and the accountancy profession have a vital role to play as trusted advisors and partners in strengthening MSMEs through financial discipline, governance, and compliance for sustainable growth. By supporting enterprises in their formalisation and digital transformation journey, the profession continues to contribute meaningfully towards building a resilient and globally competitive economy.

ICAI and the CA Profession: Partners in MSME Growth

Recognising MSMEs as the backbone of India's economic growth and entrepreneurship ecosystem, the Institute has undertaken several impactful initiatives to strengthen MSMEs and Startups across the country. With the formation of a dedicated committee for MSME and Startup, the ICAI, continues to promote capacity building, mentorship, and professional handholding for entrepreneurs across India. The launch of the ICAI MSME Clinic initiative marks a significant step towards providing structured advisory support in areas such as finance, compliance, taxation, digital transformation and business sustainability. Further, initiatives such as MSME Mentorship Programme, MSME Pathshala Series, Startup and MSME Knowledge Sessions, GST & MSME Facilitation Centres and specialised workshops for MSME consultants are equipping entrepreneurs and professionals with practical guidance on financial and tax literacy, and strategic insights. The ICAI MSME & Start-up Yatra, a nationwide outreach initiative, travelled across the country to provide mentorship and awareness support to small businesses and emerging entrepreneurs. Further strengthening its commitment towards the MSME sector, ICAI has also earned recognition in the World Book of Records (UK) and the Asia Book of Records for conducting the highest number of MSME mentorship felicitations in a single day by mentoring 19,355 MSMEs on International MSME Day.

At the same time, as MSMEs navigate challenges related to credit accessibility, regulatory complexities and global market volatility, the Chartered Accountancy profession has evolved as strategic advisors and trusted partners in enterprise growth by supporting MSMEs in areas such as financial discipline, risk mitigation, business restructuring, taxation strategy, and access to institutional credit. By providing all these services, the profession continues to play a critical role in transforming MSMEs from informal, localised entities to resilient, sustainable and globally competitive enterprises.

ICAI's continued efforts in this direction reaffirm the profession's commitment towards fostering grassroots entrepreneurship, inclusive economic growth and the vision of Viksit Bharat.

Let us look at the pivotal developments and initiatives that have taken place during the month.

ICAI Facilitates Dialogue on 16th Finance Commission and Local Governance

Aligned with India's vision of strengthening local governance, inclusive growth and transparent public

financial management, the Institute continues to contribute actively towards strengthening the country's public finance ecosystem.

In this spirit, the Institute and the Indian Institute of Public Administration (IIPA), New Delhi, jointly organized a One-Day Conference on "16th Finance Commission and Local Public Finance", on 21st May, 2026. The conference brought together policymakers, regulators, academicians, finance experts, and professionals who deliberated on important issues relating to fiscal autonomy of local bodies, strengthening revenue systems, digital transformation in governance, transparency and sustainable financing for urban and rural development.

MoU With Nagpur Metropolitan Region Development Authority (NMRDA)

ICAI signed an MoU with the Nagpur Metropolitan Region Development Authority (NMRDA) to provide advisory support for the Integrated Digital Platform/Single Window Clearance System under the Naveen Nagpur Project on 21st May, 2026.

ICAI's MSME Manthan Meet 2026

In furtherance of our commitment to MSME Capacity building, the MSME & Start-up Committee of ICAI organised the ICAI-DFO-Stakeholders Residential Meet titled "MSME Manthan Meet 2026" at Shimla, Himachal Pradesh, which brought together more than 55 Development and Facilitation Officers (DFOs) from the Ministry of MSME, Government of India. The event also witnessed participation from key ecosystem partners, including Khadi and Village Industries Commission, National Small Industries Corporation, and Laghu Udyog Bharati. It was also enriched by a virtual address from the Hon'ble Union Minister of MSME, Shri Jitan Ram Manjhi, who appreciated ICAI's contribution towards strengthening the MSME ecosystem and acknowledged the Institute's role in advancing the national dialogue on MSME growth.

Capacity Building for Cooperatives: Advancing Inclusive Rural Development

ICAI continues to strengthen the capacity of stakeholders in the cooperative and non-profit sectors in alignment with the Government of India's vision of सहकार से समृद्धि (Sehkar Se Samridhi).

In this direction, ICAI, in association with the National Bank for Agriculture and Rural Development (NABARD), the Office of the Registrar of Cooperative Societies, and APSCAB, recently organized a two-day

Capacity Building Program for officials of Large Area Multipurpose Cooperative Societies (LAMPS) and Arunachal Pradesh State Cooperative Apex Bank Ltd. at Naharlagun on 11th & 12th May, 2026. The program was attended by over 60 participants, including bank officials, auditors, and representatives of cooperative societies, and focused on key areas such as financial reporting, accounting, auditing, taxation, and governance.

Exposure Draft of SSA-5000

As sustainability reporting continues to gain global prominence, the Institute remains committed to equipping the profession with robust and globally aligned assurance frameworks. In this direction, the Sustainability Reporting Standards Board (SRSB) of ICAI has issued the Exposure Drafts on the Standard on Sustainability Assurance (SSA-5000) – “General Requirements for Sustainability Assurance Engagements” and the “Framework for Sustainability Assurance Engagements” for public comments, with the last date for submission of comments being 19th June 2026. These Exposure Drafts are aligned with the International Auditing and Assurance Standards Board’s ISSA 5000.

Members are encouraged to review the Exposure Drafts and share their valuable suggestions and professional insights, which will further strengthen India’s sustainability assurance framework.

WOFA 2026

The Institute of Chartered Accountants of India is proud to announce the World Forum of Accountants (WOFA) 2026 on the theme “*Redefining Excellence: Technology | Trust | Transformation*” at Visakhapatnam from 16th to 18th December 2026. As one of the largest gatherings of the global accountancy fraternity, the next edition of WOFA will further strengthen India’s growing leadership in the international professional landscape. WOFA aims to promote meaningful dialogue on the future of the profession, emerging technologies, sustainability, governance, and global collaboration. The landmark global event will bring together thought leaders, policymakers, regulators, academicians and finance professionals from across the world. Registrations for this prestigious event are now live, and I warmly invite members and stakeholders across the world to be a part of this global engagement.

CA Day 2026

I am pleased to inform that Hon’ble Vice-President of India, Shri C.P. Radhakrishnan, has graciously consented to be the Chief Guest for the forthcoming 78th Foundation Day of ICAI, i.e. CA Day on 1st July,

2026. The celebrations will be held at Vigyan Bhawan, New Delhi, to commemorate this proud occasion in the illustrious journey of the profession.

Engaging with Stakeholders Globally

The increasingly interconnected global economy has transformed the accountancy profession into a truly global profession, and in the institute, it has been our consistent endeavour to broaden the horizons for Indian professionals through collaboration with international forums and global accountancy bodies, enabling the profession to stay ahead of the curve and strengthen the global value and recognition of the brand ‘CA India’. The following engagements were held recently:

■ AFA Council Meet

I, along with CA. Satish Kumar Gupta, Central Council Member, ICAI, participated in the 142nd ASEAN Federation of Accountants (AFA) Council Meeting on 8th May, 2026, at Singapore, and active dialogue and engagement reinforced ICAI’s position as a key global partner in the region.

■ Meeting with ISCA, Singapore

Alongside the AFA Council, discussions were held with the Institute of Singapore Chartered Accountants (ISCA) to initiate the dialogue of qualification reciprocity between the two Institutes to create newer potential pathways for the Indian Chartered Accountants.

During the said visit, I met Dr. Shilpak Ambule, High Commissioner of India to Singapore and discussed the expansion and strengthening of Brand ‘CA India’ and avenues of global professional opportunities for Indian Chartered Accountants in Singapore.

■ MoU With ICPAC, Cyprus

I am elated to inform you that coinciding with the state visit of the President of Cyprus to India, the Institute has entered into an MoU with the Institute of Certified Public Accountants of Cyprus (ICPAC) towards strengthening professional cooperation between India and Cyprus. The MoU was exchanged on 22nd May, 2026, in the presence of ICAI leadership and Mr. Chrysilios Pelekanos, President, Cyprus-India Business Association. The MoU aims to promote collaboration in professional education, technical knowledge sharing, capacity building, research, and the exchange of best practices for the mutual benefit of both institutions.

On behalf of the profession, I express my sincere gratitude to Mr. Manish, Hon’ble High Commissioner of India, Nicosia, Cyprus, for supporting this initiative as well as actively facilitating the MoU with ICPAC.

■ ICAI Delegation to UK & Accountex London, 2026

ICAI has been actively working to showcase India's professional services capabilities and strengthen engagement with global stakeholders. The Institute participated and exhibited in Accountex London, 2026, along with 25 members from across India and the UK. The occasion also witnessed the joint ICAI-ICAEW Global Summit on the theme "Borderless Profession: India-UK Pathways for Global Chartered Accountants". The summit focused on professional mobility, mutual recognition, cross-border services, and opportunities emerging under the India-UK FTA. The Summit was graced by Ms. Nidhi Mani Tripathi, Minister (Economic), High Commission of India, UK, and Mr. David Franklin, Deputy CEO, ICAEW, as Guests of Honour, along with other eminent speakers.

Digital Transformation Finance Summit (DxFS) 2026

The Digital Transformation Finance Summit (DxFS) 2026, organised by the Digital Accounting and Assurance Board (DAAB) of ICAI on 22nd and 23rd May 2026 at Hyderabad, reflected ICAI's commitment towards preparing the profession for the challenges and opportunities emerging in a rapidly evolving digital economy. With participation from more than 1,200 members and stakeholders, including regulators, enforcement agencies, industry leaders, technology experts, and academicians, the Summit served as a significant platform for deliberations on Digital Transformation, Cybersecurity, Artificial Intelligence, Digital Personal Data Protection, Forensic Accounting, Information Systems Audit, Digital Trust, and technology-driven assurance. The inaugural session was graced by Shri Duddilla Sridhar Babu, Hon'ble Minister for Information Technology, Electronics & Communications, Industries & Commerce and Legislative Affairs, Government of Telangana. The Summit also featured addresses by Shri Anand Mohan Bajaj, Hon'ble Deputy Comptroller & Auditor General, and Shri Vinayak Godse, CEO of Data Security Council of India, along with participation from institutions including I4C, RBI, SEBI, CAG, CERT-In, NFSU, NSE, and ACFE (USA), reaffirming ICAI's growing leadership role in digital governance, assurance, and trust.

Convocation - May, 2026

As I reflect upon the ICAI Convocation 2026 held across 23 centres, my heart is filled with immense happiness at witnessing young professionals becoming part of our admired profession that is built on trust, integrity, and excellence.

The Convocation ceremony was further enriched by the gracious presence of Shri Challa Sreenivasulu Setty, Chairman, State Bank of India, as the Chief Guest, whose inspiring address motivated the newly qualified members to uphold professional excellence and contribute meaningfully towards nation building.

To each newly qualified Chartered Accountant, I would like to convey that though this moment marks the end of an academic journey towards getting membership, it is also the beginning of a larger responsibility towards society, the economy, and the nation.

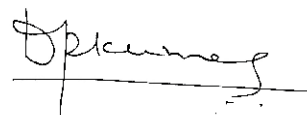
I firmly believe in the timeless words, "Success is not about how fast you reach the destination, but about how honestly and consistently you walk the path." Let this thought guide you throughout your professional and personal journey. Continue to learn, adapt, and grow with humility, while upholding the values and ethics that define our profession. I extend my heartfelt congratulations and best wishes to all the new members embarking on this exciting chapter of life.

Concluding Thoughts

I am reminded of a profound sentiment that resonates deeply with our current national spirit: "All dreams are within reach; all you have to do is keep moving towards them". This simple yet powerful adage encapsulates our collective pursuit of a developed India.

This vision of a self-reliant India is not a distant mirage but a destination we are steadily approaching, propelled by our human capital and the industrious spirit of our entrepreneurs, fuelled by professional expertise.

In this journey of national resurgence, our commitment remains resolute; to empower the engines of our economy, the MSMEs, with precision of our expertise and the sanctity of our ethics towards enhanced governance, sustainability and scalability to drive growth with inclusion.



CA. Prasanna Kumar D
President, ICAI
New Delhi, 29th May, 2026



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)



Welcomes

SHRI C. P. RADHAKRISHNAN
Hon'ble Vice-President of India



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Wednesday, 1st July 2026 | Vigyan Bhawan, New Delhi

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CA. Prasanna Kumar D, President, ICAI | CA. Mangesh Kinare, Vice-President, ICAI

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1. Meeting with Comptroller & Auditor General of India



CA. Prasanna Kumar D, President, ICAI & CA. Mangesh Kinare, Vice-President, ICAI along with CA. Abhay Chhajed, Central Council Member met Shri K. Sanjay Murthy, Comptroller & Auditor General of India & CA. Anand Mohan Bajaj, Deputy C&AG on May 14, 2026.

2. MoU with National Academy of Direct Taxes (NADT), Nagpur



CA. Prasanna Kumar D, President, ICAI and Dr. Sibichen K. Mathew (IRS), DG, NADT signed MoU between ICAI and National Academy of Direct Taxes (NADT), Nagpur on May 7, 2026, in the presence of CA. Mangesh Kinare, Vice-President, ICAI, Central Council Members & CA. (Dr.) Jai Kumar Batra, & Secretary, ICAI.

3. MoU with Nagpur Metropolitan Region Development Authority (NMRDA)



CA. Prasanna Kumar D, President, ICAI and Shri.Sanjay Meena, IAS- Metropolitan Commissioner, Nagpur Metropolitan Region Development Authority (NMRDA) exchanged MoU on May 21, 2026, in the presence of ICAI Central Council Members- CA. Hansraj Chugh, CA. Arpit Kabra, CA. (Dr.) Anuj Goyal & CA. Navya Malhotra, Chairman, NIRC of ICAI.

4. MoU with The Institute of Certified Public Accountants of Cyprus (ICPAC)



ICAI leadership lead by Central Council Members- CA. (Dr.) Sanjeev Kumar Singhal, CA. (Dr.) Anuj Goyal, CA. Rajesh Sharma & CA. Hansraj Chugh exchanged MoU with Mr. Chrysilios Pelekanos, President, Cyprus-India Business Association on May 22, 2026 in the presence of CA. (Dr.) Jai Kumar Batra, Secretary, ICAI.

5. Meeting with High Commissioner of India, Nicosia, Cyprus



CA. Prasanna Kumar D, President, ICAI greeting Mr. Manish, Hon'ble High Commissioner of India, Nicosia, Cyprus on May 22, 2026, in the presence of CA. Mangesh Kinare, Vice-President, ICAI, CA. Sridhar Muppala, Central Council Member and CA. (Dr.) Jai Kumar Batra, Secretary, ICAI.

6. Accounting Standards Day



ICAI celebrated Accounting Standards Day lead by ICAI leadership on April 25, 2026, at multiple locations, including Delhi NCR- Gurugram, WIRC-Mumbai & Pune, EIRC-Kolkata and SIRC-Chennai. The occasion was graced by distinguished speakers and Regulators, including Shri Anand Mohan Bajaj, Deputy C&AG, Shri P. Daniel, Full-time Member NFRA, Shri Rajay Kumar Sinha, Member (F&I) IRDAI, Ms. Preeti Chandrashekhar, President, Institute of Actuaries of India (IAI) and Ms. Asha Murali, Secretary & Council Member, IAI.

7. Conference on “16th Finance Commission and Local Public Finance” jointly with Indian Institute of Public Administration (IIPA)



CA. Prasanna Kumar D, President, ICAI, Shri.Sanjay Meena, IAS-Metropolitan Commissioner, Nagpur Metropolitan Region Development Authority (NMRDA) along with ICAI Central Council Members - CA. Hansraj Chugh, CA. Arpit Kabra, CA.(Dr.) Anuj Goyal & CA. Navya Malhotra, Chairman, NIRC of ICAI and other dignitaries, at the inauguration of One Day Conference on “16th Finance Commission and Local Public Finance”, organized on May 21, 2026 jointly with Indian Institute of Public Administration (IIPA), New Delhi.

8. 7th Annual Conference of ICAI- Melbourne (Australia) Chapter



CA. Prasanna Kumar D, President, ICAI, Dr. Keith Kendall, Chair and Executive Officer, Australian Accounting Standards Board (AASB), Professor Dale Pinto, President and Chair of the Board, CPA Australia, Ms. Taryn Rulton, Deputy President, IFAC along with CA. (Dr.) Anuj Goyal, Central Council Member, ICAI and important dignitaries during the 7th Annual Conference of ICAI- Melbourne (Australia) Chapter organized on May 16, 2026.

9. 142nd ASEAN Federation of Accountants (AFA) Council Meeting



CA. Prasanna Kumar D, President, ICAI along with CA. Satish Kumar Gupta, Central Council Member, ICAI participated in the 142nd ASEAN Federation of Accountants (AFA) Council Meeting held on May 8, 2026, in Singapore.

10. Elevate 2.0 CFO Forum



CA. Prasanna Kumar D, President, ICAI along with ICAI Central Council Members- CA. (Dr.) Anuj Goyal, CA. Rajesh Sharma, CA. Hansraj Chugh and CA. Navya Malhotra, Chairman, NIRC of ICAI and other dignitaries during the ELEVATE 2.0: ICAI CFO Forum, organized on May 1, 2026 in New Delhi.

11. Commerce Educator’s Conclave



CA. Arpit Kabra, ICAI Central Council Member along with Dr. Amarpal Singh, Chairman, Punjab School Education Board (PSEB) during the ‘Commerce Educators’ Conclave 2026 – Career Udaan for Punjab organised on May 19, 2026, in Mohali.

12. Digital Transformation (Dx) Finance Summit 2026



Shri Duddilla Sridhar Babu, Minister for Information Technology, Electronics & Communications (ITE&C), Industries & Commerce, and Legislative Affairs, Government of Telangana along with CA. Charanjot Singh Nanda, Immediate Past President, ICAI; CA. Devaraja Reddy, Past President, ICAI and ICAI Central Council Members- CA. Dayaniwas Sharma, CA. Arpit Kabra & Justice (Former) Shashi Kant Gupta, Allahabad High Court, during the inauguration of Digital Transformation (Dx) Finance Summit 2026 organised on May 22 & 23, 2026 in Hyderabad.

ICAI Convocation - May 23, 2026

WESTERN REGION



Mumbai

Shri C.S. Setty, Chairman, SBI graced the Convocation, in the presence of CA. Prasanna Kumar D, President, ICAI, CA. Mangesh Kinare, Vice-President, ICAI, CA. Prafulla Chhajed, Past President, ICAI and ICAI Central Council Members- CA. Arpit Kabra, CA. Durgesh Kabra, CA. Priti Savla, CA. Piyush Chhajed, CA. Vishnu Kumar Agarwal and CA. Sourabh Ajmera, Chairperson, WIRC of ICAI.



Ahmedabad

CA. Aniket Sunil Talati, Past President, ICAI graced the Convocation in the presence of ICAI Central Council Members- CA. Vishal Doshi, CA. Jay Chhaira, CA. Purushottamlal Khandelwal and Regional Council Members.



Shri Pradeep Bhargava, Director and Chairman, MCCA Electronic Cluster Foundation, Pune and CA. Chandrashekhar Vasant Chitale, Central Council Member, ICAI graced the Convocation.



Nagpur

CA. Ashok K. Chandak, Past President, ICAI and CA. Umesh Sharma, Central Council Member, ICAI graced the Convocation.

Chennai

SOUTHERN REGION



ICAI Central Council Members- CA. Rajendra Kumar P. & CA. Sripriya K graced the Convocation.



Coimbatore

CA. G. Ramaswamy, Past President, ICAI graced the Convocation along with Regional Council Members.

Ernakulam



A.P.M. Mohammed Hanish, Additional Chief Secretary, Industries Department (Government of Kerala) graced the Convocation in the presence of CA. Babu Abraham Kallivayalil, Central Council Member, ICAI and Regional Council Member.

CONVOCATION ● THE CHARTERED ACCOUNTANT



Hyderabad

K. T. Rama Rao, MLA, Telangana Legislative Assembly graced the Convocation in the presence of ICAI Central Council Members- Justice (Former) Shashi Kant Gupta, Allahabad High Court, CA. Sridhar Muppala, CA. Dayaniwas Sharma and Regional Council Members.



Bengaluru

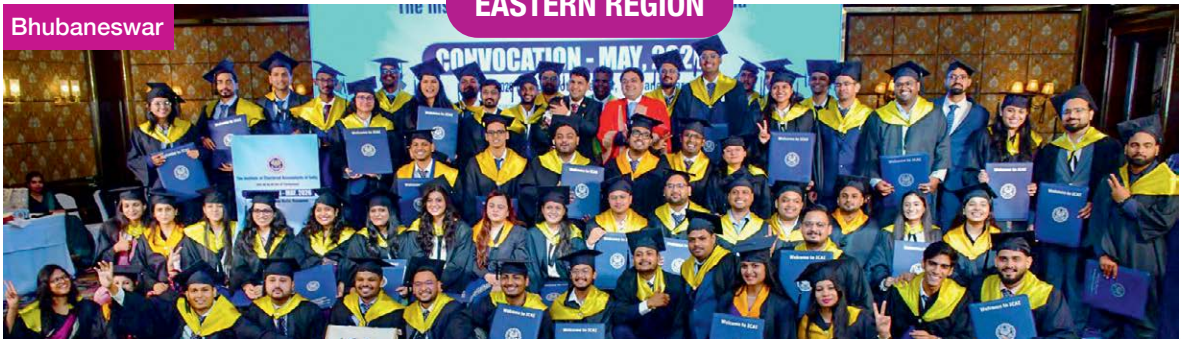
CA. Madhukar Narayan Hiregange, Central Council Member, ICAI member graced the Convocation.



Vijayawada

CA. Devaraja Reddy, Past President, ICAI graced the Convocation in the presence of CA. Subba Rao Muppala, Chairman, SIRC of ICAI and Regional Council Members.

EASTERN REGION



Bhubaneswar

CA. Ranjeet Kumar Agarwal, Past President, ICAI graced the Convocation along with Regional Council Member.



Kolkata

23rd May, 2026 | Venue: JW Marriott Kolkata

ICAI Central Council Members- CA. Sanjib Sanghi, and CA. Ravi Kumar Patwa graced the Convocation in the presence of Regional Council Member.



Guwahati

CA. (Dr.) Debashis Mitra, Past President, ICAI graced the Convocation.

CENTRAL REGION



Bhopal

Shri Inder Singh Parmar, Minister of Higher Education, Technical Education, and AYUSH, Government of Madhya Pradesh graced the Convocation in the presence of CA. Abhay Chhajed, Central Council Member, ICAI.



Ghaziabad

CA. (Dr.) Anuj Goyal, Central Council Member, ICAI graced the Convocation.



Indore

CA. Pankaj Shah, Central Council Member, ICAI graced the Convocation in the presence of Regional Council Member.



Lucknow

CA. Gyan Chandra Misra, Central Council Member, ICAI graced the Convocation.



Ranchi

CA. Pawan Kumar Mishra, Director (Finance), Central Coalfields Limited (CCL) graced the Convocation in the presence of Regional Council Member.



Jaipur

Shri Avinash Gehlot, Cabinet Minister of Social Justice & Empowerment Department, Government of Rajasthan graced the Convocation in the presence of CA. Satish Kumar Gupta, Central Council Member, ICAI.



Raipur

CA. Manoj Fadnis, Past President, ICAI graced the Convocation in the presence of Regional Council Member.



New Delhi

NORTHERN REGION

CA. Charanjot Singh Nanda, Past President, ICAI graced the Convocation in the presence of ICAI Central Council Members- CA. (Dr.) Sanjeev Kumar Singhal, CA. Rajesh Sharma, CA. Navya Malhotra, Chairman, NIRC of ICAI



Chandigarh

CA. Sanjay Kumar Agarwal, Central Council Member, ICAI graced the Convocation in the presence of Regional Council Member.



Ludhiana

CA. Hansraj Chugh, Central Council Member, ICAI graced the Convocation in the presence of Regional Council Member.



CA. Mukul Lamba
Member of the Institute

The MSME Growth Engine: Navigating Opportunities, Challenges, and the Role of CA in the Era of AI and Viksit Bharat 2047

India's MSME sector plays a crucial role as an impetus behind the economic development of the nation on its journey towards becoming Viksit Bharat@2047. With the seamless integration of Artificial Intelligence and contribution of Chartered Accountants in

strategic advisory, MSMEs are rapidly transitioning into globally competing "micro-multinationals", contributing over 31% of GDP and employing millions. It highlights the expanding role of CAs, shifting from compliance professionals to strategic growth advisors, facilitating data-centric decision-making, ESG conformity, and AI governance. Although there exist several opportunities such as improved credit availability, government incentives, and overseas expansion which are substantial, obstacles such as technological divide, funding gaps, and digital vulnerabilities still remain. The article highlights the role of MSMEs as engines of growth while also discussing the synergism of AI, policy support, and professional proficiency that will metamorphize MSMEs into a paramount force in India's vision of a \$30–35 trillion economy.

The Strategic Paradigm of India's MSME Sector in 2026

Consider a manufacturer of hosiery based out of Ludhiana, Punjab, a skilled fabric knitter from Coimbatore, and a small-batch tea estate in Upper Assam. During the times of the old economy, these businesses were home-grown players striving to survive against exorbitant costs and intermediaries.

In the era of Viksit Bharat 2047, the concept of "small" businesses no longer exists. They are now referred to as Micro-Multinationals. Any business with a revenue of ₹100 crore in a Tier-2 city now boasts of international reach and data insights, driven by Artificial Intelligence (AI) and steered by strategic CA advisory, that was previously only reserved for high-value powerhouse corporations.

The path traversed by the Indian economy in the year 2026 is principally defined by the strength of the Micro, Small, and Medium Enterprises (MSME) sector. As India advances towards the 100th year of its independence under the ideology of Viksit Bharat@2047, the MSME sector has transformed itself from a reinforcing auxiliary to the buttress of industrial propulsion. In the present fiscal year 2025-26, the sector is instrumental in contributing approximately 31.1% of the national GDP and 35.4% of the combined manufacturing yield. With over 7.47 crore enterprises in its network, enabling employment for nearly 38.82 crore individuals, it continues to be the second-largest employer following agriculture.

India's real GDP is projected to grow at 7.4% in FY26, with a

manufacturing GVA surge of 9.13% in recent quarters. This growth is mirrored in the rising prosperity of the average citizen, with per capita net national income expected to rise from ₹1.89 lakh in FY24 to ₹2.20 lakh by FY26.

Viksit Bharat 2047: Ideological Pillars and the MSME Mandate

The ideology of Viksit Bharat 2047 is a national mission to transform India into a developed, self-reliant nation. It is built on four fundamental pillars: *Yuva* (Youth), *Garib* (Poor), *Mahilayen* (Women), and *Annadata* (Farmers).

1. **Youth:** MSMEs serve as the laboratory for entrepreneurship, absorbing the demographic dividend into high-tech manufacturing.

2. **Poor:** The sector offers social mobility through localized employment at low capital cost, targeting zero poverty.
3. **Women:** The 2025-26 budget targets 70% participation of women in economic activities. Credit guarantee covers for women-led units have been enhanced to 90% to bridge gender disparities.
4. **Farmers:** MSMEs in food processing (supported by a ₹10,900 crore PLI outlay) facilitate value addition, aiming to make India the “food basket of the world”.

As India advances through the year 2026, the layout for Viksit Bharat 2047 no longer remains an unimaginable vision; it is a live financial mission. At the core of this metamorphosis lies the Micro, Small, and Medium Enterprises (MSME) sector. Historically referred to as the “backbone” of the economy, the MSME sector has progressed into its fast-moving engine in 2026.

With India aiming to become a \$30 trillion to \$35 trillion economy by its centenary of independence, MSMEs are entrusted with a pivotal breakthrough. Today, the sector contributes approximately 31% to India’s GDP and nearly 48.5% of its exports. These values are expected to surge to 50% of GDP and 60% of exports. This jump is being advanced by the dual forces of Artificial Intelligence and the strategic supervision of Chartered Accountants, who have shifted from conventional auditors to the engineers of progress.

Understanding the Economic Magnitude

To understand the scale of “Viksit Bharat,” one must look at the sheer financial volume MSMEs represent in 2026 and their projected path to 2047.

- **Current GDP Contribution (2026):** With India’s GDP hovering around ₹320 lakh crore

(\$4 trillion), MSMEs contribute roughly ₹100 lakh crore.

- **The Funding Gap:** Despite the push for formalization, the credit gap remains significant at approximately ₹30 lakh crore.
- **Government Allocation:** The Union Budget 2026-27 has earmarked over ₹22,000 crore for the Ministry of MSME, with a dedicated ₹10,000 crore SME Growth Fund designed to create “Global Champions.”
- **The 2047 Vision:** By 2047, the MSME sector is expected to manage an economic value exceeding ₹1,200 lakh crore, necessitating a level of efficiency only achievable through deep technological integration.

The Roadmap to Viksit Bharat 2047

To ensure MSMEs drive the \$35 trillion dream, a four-pillar strategy is being implemented; the projections/estimations are shown below:

| Pillar | Objective | Financial Target (Estimated) |
|-----------------------------|--|--|
| Formalization | Projected to move a greater number of micro-units to the Udyam portal. | Estimated to unlock higher opportunities in formal credit. |
| Technology Hubs | Projected to establish AI-Common Facility Centers across the country. | Estimated reduction of tech-adoption cost by 60%. |
| Export Scaling | Projected to link more number of MSMEs to global e-commerce. | Opportunities and boost to MSMEs doing exports. |
| Skill Transformation | Projected to reskill nearly 10 million workers in AI-collaboration. | Estimated increase labour productivity by 3x. |

“ India’s real GDP is projected to grow at 7.4% in FY26, with a manufacturing GVA surge of 9.13% in recent quarters. This growth is mirrored in the rising prosperity of the average citizen, with per capita net national income expected to rise from ₹1.89 lakh in FY24 to ₹2.20 lakh by FY26. ”

The Regional Powerhouses in INR Terms

The roadmap to a \$30 trillion economy is paved by regional clusters. By 2047, the MSME contribution is projected to hit ₹1,200 lakh crore. Let’s look at the impact on the ground by taking few examples:

- **Punjab’s Manufacturing Might:** For a cycle-part manufacturer in Ludhiana, the cost of downtime is often ₹2 lakh per day. AI-driven predictive maintenance is now saving these units over ₹50 lakh annually in repair costs.
- **Coimbatore’s Textile Tech:** Modern looms in Tamil Nadu are utilizing AI to reduce fabric wastage by 12%, adding nearly ₹1.5 crore to the annual bottom line of medium-scale exporters.
- **Assam’s Tea Renaissance:** Small Tea Growers (STGs) contribute nearly 50% of India’s tea. AI-powered soil analysis and climate forecasting are increasing

yields by 20%, ensuring that the ₹20,000 crore tea industry remains competitive against global rivals.

The Role of CA in the Era of AI and Viksit Bharat 2047

The role of the Chartered Accountant has undergone its most significant shift since the introduction of GST. In the Viksit Bharat roadmap, the CA is the “General Surgeon” of an MSME’s financial health and it’s “Pilot” in the digital skies.

A. From Compliance to Strategic Advisory

In 1990, a CA filed taxes. In 2026, a CA performs Data-Driven Business Modeling. Using AI tools, CAs provide MSMEs with “What-If” analysis: *“If we increase production of Part X by 20% using a robotic arm, what is the impact on our debt-service coverage ratio over 5 years?”*

B. The ESG Sentinel

As India integrates into global supply chains, MSMEs face strict ESG (Environmental, Social, and Governance) mandates from international buyers. CAs are now the authorized professionals who certify an MSME’s carbon footprint and labour practices, ensuring they aren’t barred from the ₹80 lakh crore global green market.

C. AI Governance and Ethical Audit

With MSMEs adopting AI, there is a risk of algorithmic bias or data leaks. The “CA Mandate” now includes auditing the AI models themselves, ensuring that the financial data fed into these systems is secure and that the outputs are compliant with the Digital Personal Data Protection (DPDP) Act.

The part played by Chartered Accountants in this age has constantly evolved. They are no longer just confined to the role of ‘Tax Filers’ but have become Navigators of Growth.

- **The Valuation Expert:** Chartered Accountants now make use of AI to furnish real-time valuations, assisting business owners in negotiating from a place of power.
 - **The ESG Auditor:** Global customers now insist on ‘green certifications.’ The CA is required to audit the carbon emissions of an MSME, making certain that a tea plantation in Assam can market its ‘Carbon Neutral’ leaves at a 40% premium in international marketplaces.
 - **Financial Shield:** With several online frauds constantly targeting early-stage businesses, Chartered Accountants are conducting digital audits, safeguarding MSMEs from probable damages approximately amounting to ₹25 lakh per incident.
3. **Connect Systems:** Use APIs to link to client ERPs (Tally, SAP, Oracle).
 4. **Build Controls:** Set up the order of approval and automated audit trails.
 5. **Pilot Period:** Carry out a pilot assessment to compare manual vs. automated speeds.
 6. **Train Teams:** Switch employees from “data entry” to “review mode” and anomaly management.
 7. **Expand Scope:** Move to journal and reporting automation.
 8. **Track KPIs:** Evaluate ROI through streamlined and reduced rework.

The ICAI MSME Clinic Initiative

ICAI has launched MSME Clinics across 183 branches nationwide. These clinics provide pro-bono weekly advisory sessions on finance, GST, and technology adoption. They also act as credit matchmakers, connecting collateral-strapped MSMEs with fintech lenders and private equity investors.

Addressing Liquidity: Delayed Payments and Section 43B(h)

Liquidity remains a formidable challenge, with approximately ₹10.7 lakh crore in working capital locked in delayed payments annually. Section 43B(h) of the Income Tax Act, effective April 1, 2024, has become the primary tool for enforcing payment discipline.

The 15/45 Day Rule and Penal Interest

- **Without Written Agreement:** Payment must be made within 15 days of acceptance.
- **With Written Agreement:** Payment as per the agreed date, not exceeding 45 days.

Tax Consequence: If payments are delayed beyond these timelines, the expenditure is disallowed as a deduction for that financial year and is added back to the payer’s taxable income.

The CA as a Strategic Architect in the AI Era

The role of Chartered Accountants has transitioned from mere regulatory overseers to astute experts and farsighted visionaries. The incorporation of AI has started to reform professional working methods, permitting CAs to provide premium services such as Virtual CFO advisory and potential risk mitigation.

Audit Automation: A Roadmap for CA Practices

To enable CAs to assist MSMEs efficiently, they must utilize agentic workflows to automatize the exhausting labour of auditing.

8-Step Rollout Plan for Practice Automation

1. **Pick Workflows:** Begin with areas of high resistance such as AP invoice flow or bank reconciliation.
2. **Standardize Data:** Arrange the account structure and rules for uniformity.

“Effective October 15, 2025, all new delayed payment applications are filed on the Online Dispute Resolution (ODR) Portal. This digital-first mechanism aims for speedy, transparent resolution within 90 to 180 days.”

Penal Interest Calculation: Delayed payments attract compound interest with monthly rates at three times the RBI Bank Rate. With the RBI Bank Rate at 5.50% (as of December 2025), the effective penal interest rate is 16.5% per annum.

The Transition to MSME ODR

Effective October 15, 2025, all new delayed payment applications are filed on the Online Dispute Resolution (ODR) Portal. This digital-first mechanism aims for speedy, transparent resolution within 90 to 180 days.

Government Incentives and Business Support Frameworks

The Union Budget 2026-27 has reinforced the “MSME scale and productivity engine” with targeted outlays.

- Enhanced Credit Guarantee (CGTMSE):** The ceiling for collateral-free guarantee coverage has been raised from ₹5 crore to ₹10 crore as of April 2025.
- Export Promotion Mission (EPM):** A ₹25,060 crore outlay (2025-2031) to consolidate fragmented schemes into a single digital framework for global market access.
- SME Growth Fund:** A dedicated ₹10,000 crore fund to support high-potential enterprises in scaling up.

- Self-Reliant India (SRI) Fund:** Infusing ₹50,000 crore as equity funding; as of late 2025, ₹15,442 crore has already been invested in 682 MSMEs.

AI: The Catalyst for the “Non-Linear” Growth

In the 2047 era, AI is not just a software tool; it is a fundamental factor of production, alongside land, labour, and capital. For an MSME, AI bridges the gap between “small-scale” and “world-class.”

A. Hyper-Efficiency in Manufacturing

Small manufacturing units in clusters are now utilizing AI-driven Predictive Maintenance. By spending a few thousand rupees on IoT sensors, an MSME avoids machinery breakdowns that used to cost ₹5 lakh to ₹10 lakh in lost productivity annually.

B. Democratized Global Marketing

AI-powered language translation and sentiment analysis allow a handicraft MSME in rural Rajasthan to sell directly to a boutique in Paris via the ONDC (Open Network for Digital Commerce). AI handles the localization, pricing optimization, and logistics tracking in real-time.

C. The “Intelligent” Credit Score

The most profound impact of AI is on the ₹30 lakh crore credit gap. Traditional banks required collateral (property/land). In 2026, AI-enabled Cash Flow Lending analyzes GST returns, digital payments, and utility bills to grant “collateral-free” loans up to ₹20 lakh within minutes.

The AI Era: Leapfrogging Traditional Constraints

Artificial Intelligence (AI) is the most significant transformative force for MSMEs in decades. By 2035, AI is estimated to contribute between \$135.6 billion and \$149.9 billion to

the value creation of manufacturing MSMEs. For small businesses, AI acts as a “*de facto co-founder*,” enabling them to compete on design, quality, and speed without the overhead of massive labor forces.

The IMPACT AI Framework for Adoption

The IMPACT AI Framework, introduced by the World Economic Forum (WEF), in its AI Playbook for India’s MSMEs, is a structured roadmap designed to scale AI adoption across small businesses.

It organizes coordinated actions into three core pillars:

1. Awareness (Creating Knowledge & Trust)

This pillar focuses on bridging knowledge gaps and building confidence in AI’s practical value.

- **AI Experience Centres:** Dedicated hubs where entrepreneurs can see live, sector-specific use cases (e.g., textiles in Surat or auto parts in Chennai).
- **AI Sandboxes:** Controlled environments for MSMEs to experiment with tools safely before full implementation.
- **Capability Building:** Education programs and peer-to-peer learning to demystify technology for non-technical founders.

2. Action (Inspiring Implementation)

The action pillar equips MSMEs with practical tools to move from theory to deployment.

- **AI Maturity Index:** A self-assessment tool to help businesses understand their current digital readiness.
- **AI Solutions Marketplace:** A platform of verified, low-cost AI providers to simplify procurement.
- **Alternative Financing:** Credit models that use AI-

“Artificial Intelligence (AI) is the most significant transformative force for MSMEs in decades. By 2035, AI is estimated to contribute between \$135.6 billion and \$149.9 billion to the value creation of manufacturing MSMEs.”

driven alternative data to unlock formal financing for businesses lacking traditional documentation.

3. Recognition (Validating & Scaling)

This pillar ensures that successful adopters are acknowledged to inspire broader ecosystem growth.

- **AI Pioneers:** Identifying and celebrating early adopters to create “blueprints” for other MSMEs to follow.
- **Knowledge Sharing:** Creating a feedback loop where insights from pilot projects are shared to continuously raise industry standards.
- **Incentive Alignment:** Aligning government and industry rewards to sustain long-term digital transformation.

AI: The Silent Partner in Every Workshop

In 2026, AI is the “Digital Co-founder” for MSMEs. It solves the three biggest pain points: *Efficiency, Quality, and Credit.*

A. Breaking the Credit Barrier

Historically, an MSME struggled to get a loan without mortgaging land. Today, AI-enabled Cash

Flow Lending analyzes GST data and digital invoices to sanctioned “collateral-free” loans up to ₹5 crore in hours. The ₹30 lakh crore credit gap is finally closing.

B. Precision Manufacturing

For Example, In Coimbatore’s textile hubs, AI cameras scan thousands of meters of fabric per minute, detecting flaws that the human eye misses. This “Zero Defect” approach ensures Indian MSMEs meet the stringent quality standards of Europe and the US, unlocking an export market worth ₹80 lakh crore by 2047.

Challenges: Navigating the Storm

While the vision is grand, the reality on the ground requires urgent attention.

The path to 2047 has significant hurdles:

- **The Digital Divide:** While urban MSMEs are “AI-first,” nearly 40% of rural units still struggle with consistent high-speed internet and basic digital bookkeeping.
- **Cost of Transition:** Upgrading to AI-ready infrastructure requires an initial capital outlay that many micro-enterprises (with turnover < ₹5 crore) find daunting.
- **Cybersecurity Threats:** As businesses move to the cloud, MSMEs have become prime targets for ransomware. A single breach can cost a small unit ₹50 lakh, often leading to permanent closure.
- **Reskilling:** We need to train over 10 million workers in Punjab and Assam to work alongside AI, rather than fearing it as a replacement for labor.

Conclusion: The Lion Awakens

The passage towards 2047 isn’t confined to just a value on a GDP chart; it is about the enabling of the small business owner. When a cultivator of tea in Assam makes use of AI to maximize his harvest, or an owner of

textiles employs a CA’s approach to go public on the NSE Emerge platform, India surfaces as a winner.

The MSME Growth Engine is now charged by intellect and integrity. The shift from “Small” to “Significant” is far-reaching. By 2047, the world won’t just purchase goods labelled “Made in India” but those “Designed and Perfected by the Indian MSMEs”.

The year 2047 will witness a nation where the contrast between a “small” and “large” business is bleared by technology. A minor unit in a Tier-3 city, powered by AI and steered by a technologically adept CA, will have the same methodical competencies as a multinational today.

The MSME Growth Engine is no longer just about survival; it is about dominance. As the “CA Mandate” evolves and AI matures, the journey to Viksit Bharat is not just an economic target; it is a transformation of the Indian spirit of “Jugaad” into a global standard of “Innovation and Excellence.” The road to Viksit Bharat 2047 is not merely about surviving; it is about scaling through “manufacturing depth” and technological sophistication. AI provides the leverage to escape the low-productivity trap, while regulatory mechanisms like Section 43B(h) and TReDS 2.0 provide the necessary financial discipline and liquidity.

As CAs, our role is to act as the bridge mentoring 7.5 crore MSMEs to navigate the complexities of digital transformation and global compliance. By fusing AI-driven innovation with the spirit of *Atmanirbharta*, the MSME sector will remain the heartbeat of India’s transformation into a global economic powerhouse.

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CA. Neha Agarwal

Member of the Institute

MSMEs as Catalysts of Industrial Growth, Employment, and Innovation in India

MSMEs are the true catalysts of the economy today. They are driving to industrial growth, employment generation, innovation, and regional development in our diverse nation. This article entails contribution and innovation brought in by the top 4 manufacturing industries -

Textiles, Food Processing, Pharmaceuticals, and Auto Components. Collectively, these 4 industries contribute over 48 million jobs in the country. Each sector reflects a growing culture of innovation: from sustainable textile production and millet-based food products to advanced pharmaceutical formulations and EV-ready auto components. These enterprises are increasingly leveraging automation, IoT, and digital systems to sharpen their competitive edge. Government initiatives that are fueling the growth of MSMEs in these industries include SAMARTH, PM MITRA, PMFME, PLI, and FAME II. If the administration continues to provide support to the MSMEs through policy & financial support, technological, infrastructure and skill development, then it will lead India to be the global leader in almost all industries.

Introduction

The Micro, Small and Medium Enterprises (MSME) sector plays a vital role in India's economic development by contributing to industrial growth, employment generation, innovation, and regional development.

Textiles, Food Processing, Pharmaceuticals, and Auto Components Manufacturing Units are among the top contributors to the economy. The article discusses the contributions of these industries, the innovative practices and technologies implemented across the sectors, and the ongoing government initiatives supporting their growth and development. MSMEs have shown dedicated efforts to improve productivity and competitiveness. If the administration continues to provide support to the MSMEs

through policy & financial support, technological, infrastructure and skill development, then it will lead India to be the global leader in almost all industries.

MSMEs play a pivotal role in India's economic framework by acting as a key driver of industrial growth, employment generation, and even increase in exports. It has been recognized as the backbone of the Indian economy, as MSMEs have been contributing significantly to strengthen the manufacturing sector, encouraging entrepreneurship, and promoting regional development. However, the adequacy and effectiveness of institutional support mechanisms continue to remain areas of discussion.

With 7.94 crore registered MSMEs employing more than 35 crore people

(as on 15 May 2026), these enterprises hold a significant share of the country's economy as depicted in Figure 1.

Contribution, Growth Trends, and Government Schemes in MSME Sectoral Development

MSMEs represent a diverse ecosystem of businesses. Based on business activities, MSMEs are generally classified into three categories - Manufacturing, Service, and Trading sectors.

This classification provides a structured framework for analysing growth trends, investment requirements, employment generation, sector-specific challenges and specialised government schemes available to facilitate its growth.

This article examines some top manufacturing industry contributors

Figure 1.



Source: dashboard.msme.gov.in | *UAP - Udyam Assist Platform

to the economy and how MSMEs are making a difference in that industry.

Manufacturing Units

Manufacturing MSMEs plays a crucial role in industrialization and economic expansion. Industries are the real growth engines of an economy. This sector is also a major source of employment, particularly for semi-skilled and skilled workers. We analyse the impact, innovation and specific wise-industry government incentives and subsidy schemes available for textile manufacturing, food processing manufacturing, pharmaceutical manufacturing and auto components manufacturing units.

Textile Manufacturing Units:

India's textile industry employs over 45 million people and contributes 2.3% to GDP, 13% to industrial production, and 12% to total exports. It is interesting to know that MSMEs dominate this sector, accounting for nearly 80% of textile capacity (especially in handlooms, powerlooms, and garment manufacturing).

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

Some of the Government Initiatives include SAMARTH (Scheme for Capacity Building in Textile Sector) for skill development programs, TUFs (Technology Upgradation Fund Scheme) providing financial assistance for modernizing textile

units, and PM MITRA (Pradhan Mantri Mega Integrated Textile Region and Apparel) Parks creating integrated textile manufacturing hubs.

India is currently a global leader in the textile market and is expected to retain this position, due to the combination of a strong MSME foundation and India's rich heritage in traditional handicrafts, abundant raw material base including cotton and silk, and well-established global supply chains. This industry is one of the biggest contributors to support rural livelihoods.

What Innovations are MSMEs bringing to the Textile Industry?

Textile MSMEs are increasingly adopting GOTS (Global Organic Textile Standard), recycled polyester fibre manufacturing from waste PET (Polyethylene Terephthalate) bottles, eco-friendly dyeing technologies and sustainable fabric production like certified organic cotton or bamboo clothing to promote sustainable manufacturing.

Many manufacturing units are adopting digital printing, automated machines for cutting and stitching, IoT-enabled looms, along with water recycling systems, zero-liquid-discharge technologies and energy efficient machines to improve production efficiency and environmental sustainability. In fact, many MSMEs are also exploring smart fabrics like no iron shirts, customized small-batch

production to cater to specialized and export markets. Moreover, brands recycling old or torn clothes into bags and other accessories are becoming very popular and are generating more employment in rural areas.

These innovations help MSMEs reduce production costs, improve product quality, minimize resource wastage, meet global sustainability standards, and diversify into high-value textile segments. This in turn enhances export competitiveness, increases profits and supports long-term growth of the sector.

Central Government Initiatives for Supporting Textile MSMEs

A. SAMARTH Scheme (Scheme for Capacity Building in Textile Sector)

SAMARTH is a flagship skill development initiative launched by the Ministry of Textiles, Government of India to enhance workforce skills in the textile industry.



Nature of Assistance – Financial assistance is provided for skill development and capacity building in the textile sector through training programs, certification, and placement-linked skilling across organized and traditional textile segments such as handloom, handicrafts, jute, and sericulture.

Who Can Apply – Textile manufacturing units, industry associations, NGOs, training institutes, start-ups, and organizations having training infrastructure and placement ties-ups with textile industries.

How to Apply – Applications are submitted through the Ministry

of Textiles and empanelled implementing agencies as listed in the Table 1 below.

B. PM MITRA (Pradhan Mantri Mega Integrated Textile Region and Apparel) Scheme

This scheme was launched to develop large-scale textile parks with world-class infrastructure to promote textile manufacturing and strengthen the textile value chain.

Nature of Assistance – Financial support is provided for developing large textile parks, infrastructure, and common facilities through state implementing agencies and Special Purpose Vehicles to promote integrated textile manufacturing.

The scheme supports development of world-class industrial textile infrastructure across selected states.

Who Can Apply – State Governments, textile manufacturers, private investors, and industrial units establishing textile units within PM MITRA parks located in Tamil Nadu (Virudhunagar), Telangana (Warangal), Gujarat (Navsari), Karnataka (Kalaburagi), Madhya Pradesh (Dhar), Uttar Pradesh (Lucknow), and Maharashtra (Amravati).

How to Apply – Applications are submitted through the Ministry of Textiles or respective State-level agencies managing PM MITRA parks as listed in the Table 2 below.

Table 1: List of Empanelled implementing agencies and Ministry of Textile website for application submission

| Particulars | Website Link |
|---|---|
| Ministry of Textiles (MoT) | https://www.texmin.gov.in |
| SAMARTH Official Portal (Registration & MIS Platform) | https://samarth-textiles.gov.in |
| Directorate of Handlooms (Ministry of Textiles) | https://handlooms.nic.in |
| Development Commissioner (Handicrafts) | https://handicrafts.nic.in |
| Central Silk Board | https://csb.gov.in |
| Central Wool Development Board | https://woolboard.nic.in |

C. Technology Upgradation Fund Scheme (ATUFS – Amended TUFs)

This scheme supports modernization and technology upgradation of textile units to improve productivity and product quality.

Nature of Assistance – Capital subsidy provided for purchase of new machinery and technology used in textile manufacturing.

Table 2: List of respective State-Level agencies managing PM MITRA parks through Ministry of Textiles

| Particulars | Website Link |
|--|---|
| Ministry of Textiles (Central Authority) | https://www.texmin.gov.in |
| Tamil Nadu – SIPCOT / PM MITRA Park Tamil Nadu Limited (Virudhunagar) | https://sipcotweb.tn.gov.in/pm-mitra/public/ |
| Telangana – Telangana State Industrial Infrastructure Corporation (TSIIC) | https://tsiic.telangana.gov.in/ |
| Gujarat – Gujarat Industrial Development Corporation (GIDC) | https://gidc.gujarat.gov.in |
| Karnataka – Karnataka Industrial Areas Development Board (KIADB) | https://kiadb.in/ |
| Madhya Pradesh – Madhya Pradesh Industrial Development Corporation (MPIDC) | https://invest.mp.gov.in |
| Uttar Pradesh – PM MITRA Park Uttar Pradesh Limited / Invest UP | https://invest.up.gov.in |
| Maharashtra – Maharashtra Industrial Development Corporation (MIDC) | https://www.midcindia.org |

Who Can Apply – Existing textile MSMEs such as spinning, weaving, garment, and processing units.

How to Apply – Applications are submitted through the i-TUFS (ATUFS) Online Portal and through notified lending banks. Major authorities and banks involved include:

Website: <https://itufstxcindia.gov.in/>

Major Lending Banks – State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Union Bank of India, Bank of India, Indian Bank, IDBI Bank, Central Bank of India, Indian Overseas Bank, UCO Bank, Punjab & Sind Bank, and SIDBI.

Food Processing Manufacturing Units

The entire food processing industry of India employs about 1.7 million people directly and MSMEs contribute over 70% of total processing units nationwide. The sector has been continually supporting agriculture's crucial transition to value-addition and to improve farmer incomes through modern supply chain systems. India's exceptionally diverse agricultural base



“India is currently a global leader in the textile market and is expected to retain this position, due to the combination of a strong MSME foundation and India's rich heritage in traditional handicrafts, abundant raw material base including cotton and silk, and well-established global supply chains.”

provides abundant raw materials for both - traditionally processed food products as well as modern packaged food products.

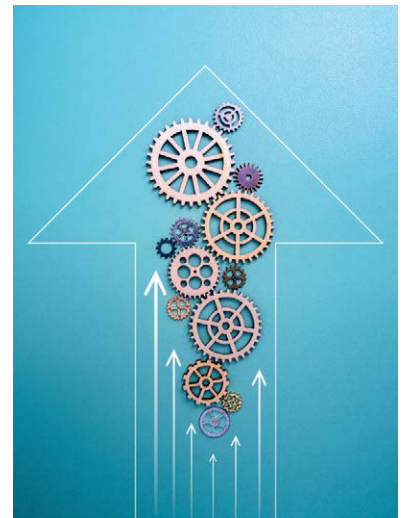
Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

Various Government initiatives in the food processing sector include –

- PM Formalisation of Micro Food Processing Enterprises (PMFME) Scheme facilitating formalization of micro food enterprises,
- Mega Food Parks providing common infrastructure development, and
- Operation Greens supporting perishable produce processing initiatives.

What Innovation are MSMEs bringing to the Food Processing Industry?

Food processing MSMEs are increasingly adopting certified organic sourcing, eco-friendly packaging and modern milling technologies to produce high-quality food products while meeting sustainability and healthy product demand of the next generation. Many units are also implementing cold-chain logistics, automated sorting and grading systems, dehydration and



preservation technologies, millet-based and functional food production, and hygienic processing units to enhance food safety and extend shelf life naturally. Additionally, MSMEs are exploring sustainable packaging, vacuum sealing, and various digital tools for efficiency like supply chain management softwares. This also reduces wastage in this industry as most items are perishable.

These innovations are adding value to the product of MSMEs, reducing post-harvest and processing losses, improving product shelf life and enhancing food quality standards. This in turn is opening premium domestic and export markets for them. Especially some innovations are gaining market attention like –

- dehydrated home cooked meals which are solving the home cooked food issue for Indian students studying abroad.
- millet cookies which are healthier than present packed cookie options.
- the return of traditional food products having low glycaemic index like khapli atta and red rice into the Indian markets.

In fact, to promote “vocal for local initiative” many regional products have got GI tags from DPIIT which is giving recognition to local products and is connecting it to global markets while

safeguarding their authenticity. For example, Indian cheese – Kalari from Udhampur, J&K—has got recognition in big cities in the north for its health benefits and young entrepreneurs are developing supply chains for its expansion.

Central Government Initiatives Supporting Food Processing MSMEs

A. Operation Greens Scheme

Operation Greens is a scheme launched by the Ministry of Food Processing Industries (MoFPI) to strengthen the supply chain of Tomato, Onion & Potato (TOP) and other perishable crops by promoting food processing, storage, and transportation infrastructure.

Nature of Assistance – Financial assistance of 35%–70% subsidy for food processing and storage infrastructure, along with a 50% subsidy on transportation and storage of perishable crops.

Who Can Apply – Farmer Producer Organizations (FPOs), MSMEs, food processing units, cooperatives, logistics operators, and agri-entrepreneurs.

How to Apply – Applications may be submitted online through



“ India’s auto component industry contributes 2.3% to GDP and directly employs over 1.5 million people. In the year 2024 turnover of the industry reached Rs. 6.14 lakh crore (US \$74.1 billion) with domestic OEM supplies comprising 54% and exports accounting for 18%. ”

the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA) Portal of the Ministry of Food Processing Industries (MoFPI) by submitting a Detailed Project Report (DPR). You can find more information at: <https://sampada.gov.in>

B. PM Formalization of Micro Food Processing Enterprises (PMFME) Scheme

PMFME Scheme is a centrally sponsored scheme to support micro food processing units by providing financial, technical, and marketing assistance to promote formalization and growth of the food processing sector.

Nature of Assistance – Credit-linked subsidy of 35% of project cost (up to INR 10 lakh per unit) for setting up or upgrading food processing units, along with support for branding, marketing, and training.

Who Can Apply – Individual micro food processing entrepreneurs, Self-Help Groups (SHGs), FPOs, and cooperatives.

How to Apply – Applications may be submitted online through the PMFME portal or via State Nodal Agencies and District Resource



Persons. Find more information at: <https://pmfme.mofpi.gov.in>

C. Scheme for Technology Upgradation - Credit Linked Capital Subsidy for Technology Upgradation (CLCS-TUS)

This scheme was started with the goal of supporting modernisation and technology upgradation of MSME manufacturing units, including food processing industries.

Nature of Assistance – Capital subsidy of 15% on institutional finance for purchase of machinery and technology.

Who Can Apply – Existing MSME manufacturing units, including food processing industries.

How to Apply – Apply through banks and financial institutions under the CLCS-TUS scheme.

Major Lending Banks – SIDBI, NABARD, State Bank of India, Bank of Baroda, Punjab National Bank, Bank of India, Canara Bank, Indian Bank, Corporation Bank, Andhra Bank, and Tamil Nadu Industrial Investment Corporation Ltd.

Pharmaceuticals Manufacturing Units

The Indian pharmaceutical industry was valued at US\$ 50 billion in FY 2023-24, and it is projected to reach

US\$ 130 billion by 2030. This will position India as the “pharmacy of the world.”

As the 3rd largest producer globally, India supplies 20% of generic medicines worldwide and MSMEs contribute 35-40% of industry output, particularly in APIs, generics, and intermediates.

India hosts over 500 U.S. Food and Drug Administration (USFDA) approved facilities and 2,000+ World Health Organization – Good Manufacturing Practices (WHO-GMP) certified units.

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

What Innovation are MSMEs bringing to the Pharmaceutical Industry?

Pharmaceutical MSMEs are increasingly adopting WHO-GMP compliant manufacturing, advanced formulation technologies, biotechnology-based processes, and contract manufacturing systems to produce complex generics, oncology drugs, and special formulations for regulated domestic and international markets.

They are diversifying into products like vitamin gummy bears, multivitamin patches, rare disease drugs and much



more. Many MSMEs with the support of incubators focusing on genetic disease, autoimmune diseases, cancer, and other rare diseases, drug research and development and stem cell research.

These innovations enable pharmaceutical MSMEs to enter high-value therapeutic segments such as cancer and rare disease treatments, improve product quality, meet global regulatory standards, facilitate expansion of exports and much more. This in turn strengthens revenue generation and enhances India's competitiveness in specialized pharmaceutical manufacturing.

Central Government Initiatives Supporting Pharmaceuticals MSMEs

A. Production Incentive (PLI) Scheme for Pharmaceuticals

A scheme launched to promote domestic manufacturing of pharmaceutical products, including bulk drugs and high-value medicines, and reduce dependence on imports.

Nature of Assistance – Financial incentives are provided to pharmaceutical manufacturers based on incremental sales of eligible pharmaceutical products over a fixed period.

Who Can Apply – Pharmaceutical manufacturing companies, including eligible MSMEs engaged in drug manufacturing and bulk drug production.

How to Apply – Applications are submitted online through the Department of Pharmaceuticals portal as per scheme guidelines at <https://pharma-dept.gov.in>.

B. Credit Linked Capital Subsidy Scheme (CLCS-TUS)

This scheme thrusts to supports technological upgradation of MSME manufacturing units, including pharmaceutical industries,



to improve production quality and efficiency.

Nature of Assistance – Capital subsidy of 15% is provided on investment in eligible plant and machinery.

Who Can Apply – Existing pharmaceutical MSMEs seeking modernization or technology improvement.

How to Apply – Apply through banks and financial institutions under the CLCS-TUS scheme.

Auto Components Manufacturing Units

India's auto component industry contributes 2.3% to GDP and directly employs over 1.5 million people. In the year 2024, turnover of the industry reached Rs. 6.14 lakh crore (US\$74.1 billion) with domestic OEM supplies comprising 54% and exports accounting for 18%. MSMEs are supporting India's comprehensive automotive manufacturing ecosystem by playing a crucial role in forging, casting, machining, and aftermarket auto components.

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

There are various government initiatives that support the automotive industry which includes PLI Scheme for Auto Components providing

advanced technology manufacturing incentives, ASPIRE Scheme promoting innovation and entrepreneurship support, and FAME II which is driving EV adoption.

What Innovation are MSMEs bringing to the Auto Component Industry?

Auto component MSMEs are adopting CNC machining, robotic-assisted manufacturing, 3D printing, and IoT-enabled production systems to manufacture precision components. Many units are also developing electric vehicle (EV) components and export quality lightweight materials, MSMEs are increasingly using quality control softwares, supply chain management softwares and other digital systems to improve efficiency and product accuracy.

These innovations help MSMEs improve production speed, reduce material wastage, enhance component quality, and support entry into EV supply chains. In turn, it leads to market expansion and long-term growth for the sector because continuous innovation is essential for long term competitiveness in the automotive sector, otherwise the industry becomes obsolete.



Central Government Initiatives Supporting Auto component sector

A. ASPIRE Scheme

Launched by the Ministry of MSME to promote innovation, entrepreneurship, and rural industrialization through incubation and skill development.

Nature of Assistance – Financial support for setting up Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs), along with training and innovation grants.

Who Can Apply – Government institutions, NGOs, technical institutes, incubation centers, and MSMEs.

How to Apply – Apply through the Ministry of MSME by submitting incubation project proposals at: <https://aspire.msme.gov.in>

B. FAME II Scheme

Launched by the Ministry of Heavy Industries to promote electric vehicle adoption and EV manufacturing in India.

Nature of Assistance – Financial incentives for electric vehicles, EV components, and charging infrastructure development.

Who Can Apply – EV manufacturers, component manufacturers, transport agencies, and MSMEs in the EV supply chain.

How to Apply – Apply through the Ministry of Heavy Industries as per FAME II guidelines at: <https://fame2.heavyindustries.gov.in>

Conclusion

MSMEs continue to play a vital role in India's economic growth through employment generation, industrial development, innovation, exports, and entrepreneurship. With increasing adoption of technology, sustainable practices, and government support initiatives, the sector holds strong potential for future growth. Continued



policy support, easier access to market & finance, and infrastructure development will further strengthen MSMEs and enhance India's global competitiveness.

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Micro, Small and Medium Enterprises (MSMEs) continue to play a vital role in India's economic and social development. Contributing nearly 30 percent to the country's GDP, over 45% to exports, and generating employment for more than 110 million people, MSMEs form the foundation of India's manufacturing, services, and trade ecosystem. Beyond their economic contribution, MSMEs promote entrepreneurship, support regional development, empower women and disadvantaged communities, and create sustainable livelihood opportunities across the country. As India advances toward becoming a globally competitive

GeM and MSMEs: Catalysing India's Growth Engine through Digital Public Procurement

The article explains the role of the Government e-Marketplace (GeM) in empowering MSMEs through inclusive public procurement, digital transformation, financial access, and initiatives such as #VocalForLocal, Womaniya, Startup Runway, GeM Sahay, and TReDS integration to strengthen Make in India and advance the vision of Aatmanirbhar Viksit Bharat 2047.

and self-reliant economy, the MSME sector is increasingly emerging as a key driver of innovation, resilience, and inclusive growth.

Public Procurement

As per some estimates, normally public procurement accounts for nearly 15-20 % of a nation's Gross Domestic Product (GDP) and therefore, a robust and effective public procurement process is critical to India's economy. A well-designed, developed and 24x7x365 operational public procurement system helps in ensuring the strategic, and efficient allocation and utilization of government expenditure i.e. public procurement.

For a geographically large and politically diverse nation such as India, standardizing public procurement across Central/ State Ministries/ Depts., Public Sector Enterprises (PSE), Autonomous Bodies, Panchayati Raj Institutions, and Cooperative Societies was a monumental task. The prevailing public procurement regime in India was characterized by fragmented processes and policies that operated in silos and required high levels of manual intervention.

The genesis of the Government e-Marketplace (GeM) initiative is

thus driven by the need to deliver a step change in the public procurement process in the country and usher in an era of e-governance by leveraging the power of digitalization.¹

Genesis of Government e-Marketplace

Building on the strategy of the JAM-Trinity (Jan Dhan-Aadhaar-Mobile), the Government was able to ensure the social and financial inclusion of all through the opening of bank accounts via the Jan Dhan Yojana, Aadhaar to provide every citizen with a biometric authenticated unique identity number, and finally mobile phones which ensured the reach of services to the last-mile citizens and monitor the quality of services delivered. The JAM strategy helped the Government to deposit money directly into the individual's bank accounts and authenticate the identity of the recipient by linking bank accounts with a unique ID and mobile phones.

The JAM efforts were further augmented by the roll-out of the "Digital India" initiative, a flagship program of the Government of India to transform the nation into a digitally empowered society and knowledge economy. A robust online infrastructure coupled with enhanced Internet connectivity further ensured the seamless e-delivery

¹ Government e-Marketplace. (2018, July). GeM handbook (p. 7). Government of India. Retrieved from GeM Portal (https://assetsbg.gem.gov.in/resources/pdf/GeM_handbook.pdf), 15th May 2026

of Government services to last-mile citizens across the nation.

By 2016, Government of India decided to reform the existing public procurement processes at Directorate General of Supplies and Disposal (DGS&D), by making it totally transparent, efficient and accountable. Based on the recommendations made by the Group of Secretaries to the Hon'ble Prime Minister, Government of India decided to create Government eMarketplace (GeM), a one-stop Special Purpose Vehicle (SPV), to facilitate online procurement of common use Goods & Services required by various Government departments, organizations and PSUs, sans intermediaries.

On 9th August 2016, Smt. Nirmala Sitharaman, the then Union Minister for Commerce and Industry, Government of India, launched GeM and subsequently Cabinet Secretary, Government of India directed GeM to be developed expeditiously as pilot project with the technical support from National e-Governance Division (NeGD), Ministry of Electronics and Information Technology (MeitY). GeM Special Purpose Vehicle (SPV) is a 100% Government owned Section 8 Company under the Department of Commerce, Government of India.

About Government e-Marketplace (GeM)

GeM is a technology-driven, end-to-end online procurement platform

for goods and services by various government buyers and Rule 149 of GFR 2017 has made procurement mandatory through this platform. Several State governments have also amended their procurement Rules/ Acts to enable procurement through this platform, and this initiative neatly aligns with government's commitment towards ensuring "Minimum Government, Maximum Governance."

Built on the three pillars of efficiency, transparency and inclusiveness, social inclusion is a core value at GeM and the portal is focused on increasing the participation from under-served seller groups such as Micro, and Small Enterprises (MSEs), women and tribal entrepreneurs, Divyangjan, Startups, self-help groups (SHG), artisan and weavers, and craftsmen under the

One-Product, One-District (ODOP) initiative who face challenges in accessing public procurement markets. Since its inception in 2016, the portal has registered 1.46 Lakh Government buyers and 24.96 Lakh+ sellers and service-providers who have listed products in approx. 10.5K product and 330 service categories.

Further, 3.87 Crore orders worth ₹18.94 Lakh Crore in Gross Merchandise Value (GMV) have been fulfilled, as on 18th May 2026 with MSMEs alone contributing to approx. 44.97 % of the total GMV.

The percentage of products and services GMV to the total GMV is in the ratio of 51.74:48.26 with the procurement value of products at ₹9.80 Lakh Crore and the procurement value of services at

Table 1: GeM GMV Trend by Fiscal Year (Product and Services)

| FISCAL YEAR | PRODUCT GMV (CR) | SERVICE GMV (CR) | GMV GRAND TOTAL (CR) |
|-------------------------|-------------------|-------------------|----------------------|
| FY 16-17 | 420 | - | 420 |
| FY 17-18 | 5,830 | 8 | 5,838 |
| FY 18-19 | 16,611 | 798 | 17,409 |
| FY 19-20 | 19,811 | 3,067 | 22,878 |
| FY 20-21 | 30,030 | 8,511 | 38,541 |
| FY 21-22 | 81,951 | 24,647 | 1,06,598 |
| FY 22-23 | 1,35,218 | 66,099 | 2,01,317 |
| FY 23-24 | 1,95,954 | 2,07,619 | 4,03,573 |
| FY 24-25 | 2,13,094 | 3,28,510 | 5,41,603 |
| FY 25-26 | 2,55,053 | 2,47,552 | 5,02,606 |
| FY 26-27 | 26,547 | 27,638 | 54,185 |
| GRAND TOTAL (CR) | ₹ 9,80,519 | ₹ 9,14,448 | ₹ 18,94,967 |
| PERCENTAGE MIX | 51.74% | 48.26% | |

Source: Compiled by Author

| Aspect | PPP-MSE, 2018 | PPP-MII |
|------------------------------|--|---|
| Full Name | Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 (amended in 2018) | Public Procurement (Preference to Make in India) Order |
| Year | 2018 amendment (original policy issued in 2012) | 2017 |
| Nodal Ministry/ Dept. | Ministry of Micro, Small and Medium Enterprises | Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry |
| Objective | Inclusive procurement | Make in India / self-reliance |
| Legal Basis | Section 11 of the MSMED Act, 2006 | Rule 153(iii) of GFR, 2017 |
| Primary Objective | Promote participation of MSEs in Government procurement | Promote domestic manufacturing and local value addition |
| Target Beneficiaries | Micro and Small Enterprises (MSEs) | Local suppliers/manufacturers |

| Aspect | PPP-MSE, 2018 | PPP-MII |
|--|--|---|
| Core Policy Instrument | Mandatory procurement target | Purchase preference based on local content |
| Procurement Target | Minimum 25% procurement from MSEs | No fixed procurement quota |
| Social Inclusion Provisions | 4% sub-target for SC/ST MSEs; 3% for women-owned MSEs | No specific social-category sub-targets |
| Preference Mechanism | L1 + 15% purchase preference for eligible MSEs | Purchase preference to Class-I Local Suppliers |
| Supplier Classification | MSEs registered under UDYAM/ MSME framework | Class-I, Class-II, and Non-local suppliers based on local content |
| Local Content Requirement | Not the primary criterion | Central feature of the policy |
| EMD/Tender Fee Exemption | Available for eligible MSEs | Not a core feature |
| Focus Area | Inclusion, entrepreneurship, MSME development | Manufacturing, localisation, self-reliance |
| Linkage with National Initiatives | Inclusive growth, MSME promotion | Make in India, Aatmanirbhar Bharat |
| Applicability | Central Ministries/ Departments/ CPSEs | Central Ministries/ Departments/ CPSEs and procuring entities |
| Impact Orientation | Social and economic inclusion | Industrial and manufacturing competitiveness |
| Nature of Preference | Enterprise-category based | Product/local-content based |
| Key Policy Goal | Assured market access for MSEs | Strengthening domestic supply chains and indigenous capability |

Source: Compiled by Author

₹9.14 Lakh Crore. The details of the analysis of the GeM GMV growth is depicted in the Figure 1.

Policy and Marketplace Interventions for MSMEs

Public Procurement Policy for Micro and Small Enterprises (PPP-MSE), 2018 and Public Procurement (Preference to Make in India) Order 2017 (PPP-MII) are two major public procurement frameworks designed to support the Micro and Small Enterprises (MSEs) and promote domestic manufacturing in India.

GeM has implemented the features of PPP-MSE 2018 and PPP-MII on the portal to ensure the benefits of the policy are available to MSEs who are participating in the public procurement markets as depicted in Table 2.

MSMEs have consistently performed throughout the years starting FY16-17 and have exceeded the mandatory 25 (%) procurement target set for all Central/ State Ministries/ Departments, and Central Public Sector Enterprises (CPSE).

Table 2: Year-wise Gen MSE Participation in Total Order Value

| Fiscal Year | Total Order Value (CR) | Gen MSE Order (CR) | % of Gen MSE Order Value to Total Order Value |
|-----------------------|------------------------|--------------------|---|
| FY 16-17 | 422 | 69 | 16.30% |
| FY 17-18 | 5,873 | 2,268 | 38.61% |
| FY 18-19 | 17,420 | 9,200 | 52.81% |
| FY 19-20 | 22,878 | 13,819 | 60.39% |
| FY 20-21 | 38,541 | 22,600 | 58.64% |
| FY 21-22 | 1,06,598 | 59,033 | 55.38% |
| FY 22-23 | 2,01,317 | 97,332 | 48.35% |
| FY 23-24 | 4,03,573 | 1,90,489 | 47.20% |
| FY 24-25 | 5,41,603 | 1,95,979 | 36.18% |
| FY 25-26 | 5,02,606 | 2,37,100 | 47.17% |
| FY 26-27 | 54,185 | 32,176 | 59.38% |
| TOTAL | ₹ 18,40,831 | ₹ 8,27,885 | ₹ 44.97% |
| PPP-MSE TARGET | | | 25.00% |
| VARIANCE(+/-) | | | 19.97% |

Source: Compiled by Author

While the procurement sub-target for Women MSEs are being met, the procurement sub-target for SC/ ST MSEs is a work-in-progress and GeM is closely working with stakeholders in the SC/ ST MSE ecosystem to onboard, handhold and promote resilience among SC/ ST MSEs in public procurement.

GeM has also introduced a series of marketplace interventions to ensure the seamless “access to markets”, “access to finance” and “access to value-addition” for MSMEs and the under-served seller groups. Notable among these structural interventions and procedural reforms are listed below.

Table 3: PPP-MSE Procurement Performance Dashboard (FY16-17 to FY26-27)

| Fiscal Year | Total Order Value (CR) | MSE Order Value (CR) | Women MSE Order Value (CR) | SC/ST MSE Order Value (CR) |
|-------------------------------|------------------------|----------------------|----------------------------|----------------------------|
| FY 16-17 | 422 | 69 | 8 | 0 |
| FY 17-18 | 5,873 | 2,268 | 311 | 19 |
| FY 18-19 | 17,420 | 9,200 | 1,229 | 101 |
| FY 19-20 | 22,878 | 13,816 | 1,722 | 226 |
| FY 20-21 | 38,541 | 22,600 | 2,421 | 423 |
| FY 21-22 | 1,06,598 | 59,033 | 5,230 | 1,198 |
| FY 22-23 | 2,01,317 | 97,332 | 10,765 | 2,689 |
| FY 23-24 | 4,03,573 | 1,90,489 | 16,678 | 4,287 |
| FY 24-25 | 5,41,603 | 1,95,979 | 22,094 | 5,146 |
| FY 25-26 | 5,02,606 | 2,37,100 | 28,167 | 6,588 |
| FY 26-27 | 54,185 | 32,176 | 3,334 | 747 |
| TOTAL (CR) | ₹ 18,40,831 | ₹ 8,60,061 | ₹ 91,960 | ₹ 21,426 |
| PPP-MSE TARGET | | 25.00% | 3.00% | 4.00% |
| % TO TOTAL ORDER VALUE | | 45.39% | 4.85% | 1.13% |
| VARIANCE(+/-) | | 20.39% | 1.85% | -2.87% |

Source: Compiled by Author

GeM #VocalForLocal Outlet Stores

GeM has created 8 digital storefronts to promote the products made by women and tribal entrepreneurs, artisans, weavers and ODOP craftsmen, farmer producer organizations (FPOs), self-help groups (SHGs), DPIIT-recognized Startups and beneficiaries of Govt. schemes which promote domestically manufactured innovative products as well champion the spirit of “Swadeshi”. This effort helps in transforming public procurement into a tool for economic inclusion, promotion of domestic manufacturing through “access to markets” for underserved seller groups, and most importantly strengthens local supply chains. The social impact of these digital outlet stores is visible through the participation of last-mile enterprises in greater numbers, digital market access to buyers across India, local economic development through employment generation and value-addition at source, thereby leading to the visibility of “Make In India” in public procurement.

Womaniya - Gender-inclusive Procurement

Women-owned and led businesses are present in large numbers across the country, and play a major role within the informal markets. GeM launched the “Womaniya” digital storefront to recognize women entrepreneurs in public procurement by showcasing their

products through marketplace filters and product catalogue icons to help buyers procure product from women MSEs thereby ensuring the gender-inclusive procurement. Women MSEs can now list product catalogues, participate in bids, accept/ fulfil and receive payment for successfully delivered orders from the comfort and security of their offices and homes. By facilitating access to institutional buyers and enabling women entrepreneurs to scale their businesses, the initiative contributes meaningfully toward women’s economic empowerment and financial independence while strengthening the participation of women-led MSMEs within the formal economy.

Startup Runway

GeM has created Startup Runway for DPIIT-recognized Startups to promote the listing of innovation and disruptive products under the 14 internationally recognized and nationally-relevant Startup Runway product categories, thereby enabling early-stage enterprises to participate in public procurement ecosystems that were previously difficult to access.² The initiative encourages adoption of indigenous and cutting-edge technologies across sectors such as healthcare, sustainability, mobility, information technology, and smart governance. By bridging the gap

between Startups and institutional demand, Startup Runway supports India’s innovation economy and promotes entrepreneurial risk-taking and technological advancement.

API integration of GeM and UDYAM databases

In order to spur the participation of MSMEs in public procurement, GeM operationalized the integration of its databases with the UDYAM database through application programming interface (API) to ensure a seamless 2-step auto registration of MSMEs signing up for their UDYAM registration. MSMEs seeking to register on GeM portal as sellers and service-providers are prompted for consent in the UDYAM registration form. On issuance of the UDYAM certificate, the details of these MSMEs are shared with GeM for provisional registration, and simultaneously email and SMS messages are triggered to the MSMEs for completing their seller registration on the portal. India’s rapidly expanding digital public infrastructure, including Aadhaar-enabled services, GST systems, digital payments, and e-marketplaces has significantly reduced barriers to market participation and enhanced transparency and operational efficiency for MSMEs.

Access to Finance

GeM has launched GeM Sahay, a “friction-less” access to finance mechanism for MSEs participating in the public procurement markets. MSEs face significant challenges in accessing working capital at competitive rates to fulfil multiple orders. Leveraging transaction history, purchase orders, and order data available on the platform, GeM Sahay facilitates quick and seamless access to working capital financing up to ₹25 Lakh without the need for traditional collateral. This purchase order copy-based lending model significantly improves liquidity and financial resilience for MSMEs, enabling them to fulfil larger orders, manage operational expenses,

² Startup Genome. (2018, April). *All Reports – Startup Genome*. Retrieved May 15, 2018, from (<https://startupgenome.com/report2018/>)

“The future trajectory of the MSME sector will depend on the sustained support in terms of policy, enhance digital infrastructure, enhance ease of doing business, and closer and stronger collaboration between the industry, Government, financial institutions, and Trade/MSME associations/organizations.”

and scale their businesses more effectively.

Further strengthening financial inclusion, the integration of the GeM portal with multiple Trade Receivables Discounting System (TReDS) platform service providers has enabled seamless invoice financing for MSMEs. Through this integration, receivables generated on GeM can be discounted through financiers, thereby improving liquidity and reducing payment cycle delays for sellers. This initiative received further policy impetus in the Union Budget 2026–27, which emphasized expanding digital public procurement linkages with TReDS platforms to enhance timely credit access for MSMEs participating in government procurement ecosystems. Together, GeM Sahay and TReDS integration represent significant innovations in the convergence of procurement and fintech ecosystems, helping bridge long-standing credit gaps faced by small enterprises.

Access to Value-addition

GeM signed an MoU with Common Service Centres (CSC-SPV) in May 2022 to roll-out the seller-onboarding services through its 5 Lakh+ CSC Village-level entrepreneurs (VLE). GeM and CSC databases were integrated and CSC-VLE agents were trained in the GeM seller onboarding processes. The new MoU is being drafted to expand the scope of services and will include value-

added services such as photography of product catalogue images, catalogue upload and management, order acceptance, fulfilment and invoice generation functionality on GeM portal.

Role for Accounting and Finance Professionals

Chartered Accountants, Cost Accountants, and finance professionals at large play a significant role in supporting and shaping the MSME community as they navigate formalization of their businesses, adoption and scaling of digital processes ultimately aligning their businesses closer to regional, national and ultimately global supply chains. Today, the role of professionals has grown beyond the traditional statutory compliance and tax advisory aspect and involves financial planning, cost optimization, working capital management, digital accounting adoption, and business restructuring. They also support enterprises in improving governance practices, maintaining transparent financial records, and enhancing creditworthiness for institutional financing.

In terms of GeM, accountants can play an instrumental role in helping MSMEs to onboard on the platform, ensure compliance with GST, bid documentation, digital accounting systems, and financial reporting, thereby enabling MSMEs to participate more effectively in public procurement ecosystems. Further, professionals can help MSMEs in leveraging initiatives such as GeM Sahay and TReDS financing for improved working capital management and help them align with ESG and sustainability frameworks increasingly demanded by institutional buyers and investors. As trusted advisors, Chartered Accountants contribute significantly toward strengthening enterprise resilience, operational efficiency, and long-term scalability.

The future trajectory of the MSME sector will depend on the sustained support in terms of policy, enhance digital infrastructure, enhance ease of doing business, and closer and stronger collaboration between the industry, Government, financial

institutions, and Trade/MSME associations/organizations. Digital Public Infrastructure (DPI) such as GeM are stellar examples of how technology-driven governance can create inclusive economic opportunities while improving transparency, efficiency, and inclusiveness in public procurement. By integrating “access to markets”, “access to finance” and “access to value-addition” into a unified digital ecosystem, GeM is redefining the role of public procurement in national development.

The MSME sector’s future trajectory will depend on sustained policy support, enhanced digital infrastructure, improved ease of doing business, and stronger collaboration between government, industry, financial institutions, and professional bodies. Platforms like GeM illustrate how technology-driven governance can create inclusive economic opportunities while improving transparency, efficiency, and accountability in public systems. By integrating market access, innovation enablement, and financial inclusion into a unified digital ecosystem, GeM is helping redefine the role of public procurement in national development.

As India moves closer to realizing its long-term vision of a self-reliant Aatmanirbhar Viksit Bharat 2047, MSMEs will remain the vanguard of the country’s economic transformation. Empowered by initiatives such as the GeM #VocalForLocal digital storefronts, gender-inclusive/innovation-enabled procurement initiatives such as Womaniya and Startup Runway, financing mechanism such as the GeM Sahay and TReDS platform, MSMEs are driving growth in manufacturing, generating employment and ushering self-reliance. Supported by progressive policy reforms, digital platforms like GeM, and the expertise of the professional community, India’s MSMEs are well-positioned to lead the journey toward an inclusive, resilient, and globally competitive economy.

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MSMEs in India: Engines of Innovation and Economic Transformation

MSMEs are the cradle of entrepreneurial setup in the country and forms the backbone of the economy. The sector acts as the bridge between agriculture, services, manufacturing and industry, contributing to one-third of India's GDP. The vision of self-reliant India can only become true with efforts of MSMEs and Startups in India. This article examines the progressive policy reforms and regulatory frameworks introduced by the Government to strengthen formalisation, financial inclusion, ease of doing business, and entrepreneurial development. The article further emphasises the indispensable role of Chartered Accountants as strategic advisors who facilitate financial transparency, compliance, governance, taxation, funding access, and sustainable business growth. It focuses on the initiatives undertaken by the MSME & Startup Committee of the Institute of Chartered Accountants of India (ICAI), including MSME Yatras, empowerment drives, incubation support, financing conclaves, stakeholder meets, and awareness programmes, which collectively reinforce ICAI's contribution towards nation-building and the vision of an Atmanirbhar Bharat.

Introduction

The adage perfectly describes Indian businesses: *A skilled sailor doesn't wait for the wind; he creates his own course.* Small dreams that turn into businesses have navigated global uncertainties and difficult situations to strengthen the nation's economy over decades. The businesses have also received measured governmental support. Entrepreneurial resilience and these things have further propelled businesses and contributed to the country's economic stability.

MSMEs stand as the acronym for Micro, Small and Medium Enterprises which form the backbone of the Indian economy, the term which evolved from the early industrial regulatory framework under the Industries (Development and Regulation) Act and was later crystallised through the MSME Development Act, 2006. Recently, the government redefined MSMEs by updating investment and turnover thresholds, reflecting the sector's transformation and its growing integration with digital markets.

Today, the numbers speak compellingly for Indian enterprise. MSMEs contribute roughly 30% of India's GDP, account for nearly 45% of manufacturing output, contribute close to 46–48% of India's total exports and employ over 37.50 crore people, making them the largest employment generator in the country after agriculture. As of 27th May 2026, 8.47 Cr enterprises have registered on the Udyam Registration Portal (URP) and the initiative of Udyam Assist Platform (UAP) launched by government is a testament to the ease of doing business and the formalisation of India's informal economy. Parallel to this, India's startup ecosystem has surged to approximately 230,000 DPIIT-recognised startups with 23.36 lacs approx. job creation as of May 2026, with over 130 unicorns, third globally, demonstrating world-class innovation and attracting substantial foreign investment.

Indian businesses are increasingly adopting best trading practices, accounting standards compliance,

e-invoicing, GST-driven transparency, and supply-chain digitisation, making the ecosystem investor-ready. Indeed, investors are choosing India for its macro-stability, large domestic market, policy predictability, and a startup culture that blends frugality with ambition. Moreover, the sector is pivoting toward green practices: solar-powered units, energy-efficient production, and circular-economy models are becoming the norm. Digitalisation under initiatives like Digital India, TReDS, the Udyam Assist Platform, and the Open Network for Digital Commerce (ONDC) has democratised market access, enabling even the smallest enterprises to trade nationally and globally. The initiative of Make in India launched in 2014, the "Vocal for Local" movement, India is manufacturing everything from smartphones and electronics to defence equipment and renewable-energy components, reducing import dependence while boosting exports. Complementing this, the Production Linked Incentive Scheme (PLI) provides performance-

based incentives to boost large-scale manufacturing, enhance exports, and strengthen India's competitiveness in global supply chains. The renaissance of the modernity, rooted in civilisational commerce and propelled by technology and sustainability, affirming India's position as a global manufacturing and trading powerhouse.

With its vast demographic dividend, India is harnessing its population, particularly its youth and skilled professionals, at peak efficiency. The nation has emerged as a premier outsourcing hub, driven by IT and IT-enabled services, business process management, accounting services, engineering R&D, knowledge process outsourcing, and increasingly, cloud services, digital marketing, and back-office operations. What sets India apart are the practices it has adopted: globally standardised service delivery models, ISO-certified quality processes, strong data security frameworks, seamless digital infrastructure, and a talent

pool fluent in multiple languages and global business norms. These practices, combined with cost competitiveness, 24/7 service delivery, and a strong IP protection regime, have made India the preferred destination for foreign multinationals seeking reliable, high-quality services.

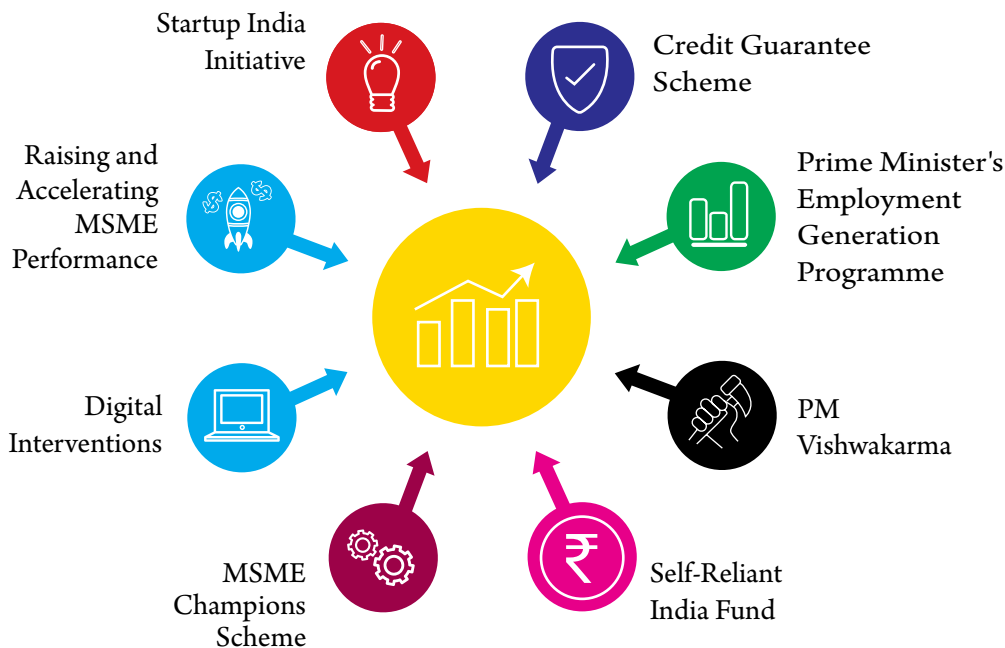
Fortune favours the bold, but it would not be wrong to admit that the sweet fruit which is favouring India's economic ecosystem is the relentless effort by both the government and entrepreneurs who are burning the midnight oil in making it achievable. These schemes are proof that the challenges in India shall be faced with a more power-backed approach. Recognising MSMEs as the backbone of India's economic fabric, the government has rolled out a comprehensive ecosystem of schemes designed to fuel entrepreneurship. The Credit Guarantee Scheme for Micro and Small Enterprises (CGS) now offer guarantee coverage up to 90% for loans

“The nation has emerged as a premier outsourcing hub, driven by IT and IT-enabled services, business process management, accounting services, engineering R&D, knowledge process outsourcing, and increasingly, cloud services, digital marketing, and back-office operations.”

up to ₹10 crore, enabling an additional credit of ₹2 lakh crore at reduced cost. This would not only provide financial help to the budding entrepreneurs but would also give them the confidence to boost their businesses.

Schemes favouring the Entrepreneur Ecosystem in India

Government Initiatives to Support MSMEs and Startups



The Prime Minister's Employment Generation Programme (PMEGP) provides credit-linked subsidies (up to 35%) for setting up new micro-enterprises in the non-farm sector, creating self-employment opportunities with low-interest loans for rural and urban youth. PM Vishwakarma offers holistic support to 18 traditional artisanal trades, including formal recognition, skill upgradation with stipends, ₹15,000 toolkit e-vouchers, collateral-free loans up to ₹3 lakh at 5% (8% interest subvention), ₹1 per digital transaction incentive, and market linkage support for branding and exhibitions, which would integrate artisans into domestic and global value chains. The Self-Reliant India (SRI) Fund infuses ₹50,000 crore equity into MSMEs, and the MSME Champions Scheme, along with the MSE-Cluster Development Programme, which drives technology upgradation and common facility centres. Digital interventions like the SAMADHAAN Portal and the newly launched Online Dispute Resolution (ODR) Portal ensure timely payment settlements, while the Trade Receivables Discounting System (TReDS) facilitates electronic financing of trade receivables to address the working capital liquidity gaps.

In addition, the Government of India, with World Bank partnership, launched the Raising and Accelerating MSME Performance (RAMP) programme in June 2022 to strengthen MSME competitiveness and resilience. Backed by a total outlay of ₹6,062.45 crore, the RAMP initiative (2022–27) targets approximately 5.55 lakh beneficiaries by expanding access to finance, markets, technology, and green practices.

Parallely, the Startup India initiative has built an innovation ecosystem through flagship schemes. The Fund of Funds for Startups (FFS) provides ₹10,000 crore equity via SEBI-registered AIFs; the Startup India Seed Fund Scheme (SISFS) offers financial support for proof-of-concept, prototype development and market entry; and the Credit Guarantee

“Fortune favours the bold, but it would not be wrong to admit that the sweet fruit which is favouring India's economic ecosystem is the relentless effort by both the government and entrepreneurs who are burning the midnight oil in making it achievable.”

Scheme for Startups (CGSS) enables collateral-free loans, thus providing a financial support to the dreams of a common man. Additional support includes tax exemptions for three years, fast-tracked IPR registration, and easier compliance norms. This confluence of policy support, financial access, and institutional guidance is nurturing a pool of skilled professionals and ambitiously positioning India to generate its own Big 4, making the dream of globally competitive Indian multinationals not so distant.

Legal and Policy Framework Strengthening Indian Business

The strategy laid down by the government is also backed up by laws and regulations that make it firmer and investor ready. The MSME Development Act, 2006, provides the legal backbone for the sector, offering priority sector lending mandates, delayed payment protection under the MSMED Act, and the legal framework for Udyam registration. The Goods and Services Tax (GST) regime, with its composition scheme for MSMEs, QRMP return schemes and threshold exemptions, has simplified compliance and formalised the informal economy. For startups, the Startup India Recognition Framework grants legal identity through DPIIT recognition, enabling eligibility for tax exemptions under Section 80-IAC, three-year income

tax holidays, and exemption from angel tax for eligible startups. India's SME listing platforms, particularly NSE EMERGE and BSE SME, have become important avenues for growth capital, with over 1,400 SMEs listed collectively and thousands of crores raised to support expansion, innovation, and employment generation. The Companies (Amendment) Act, 2020, and SEBI (ICDR) Regulations, 2021, have eased exit norms and enabled easier listing on the NSE and BSE Startups Board.

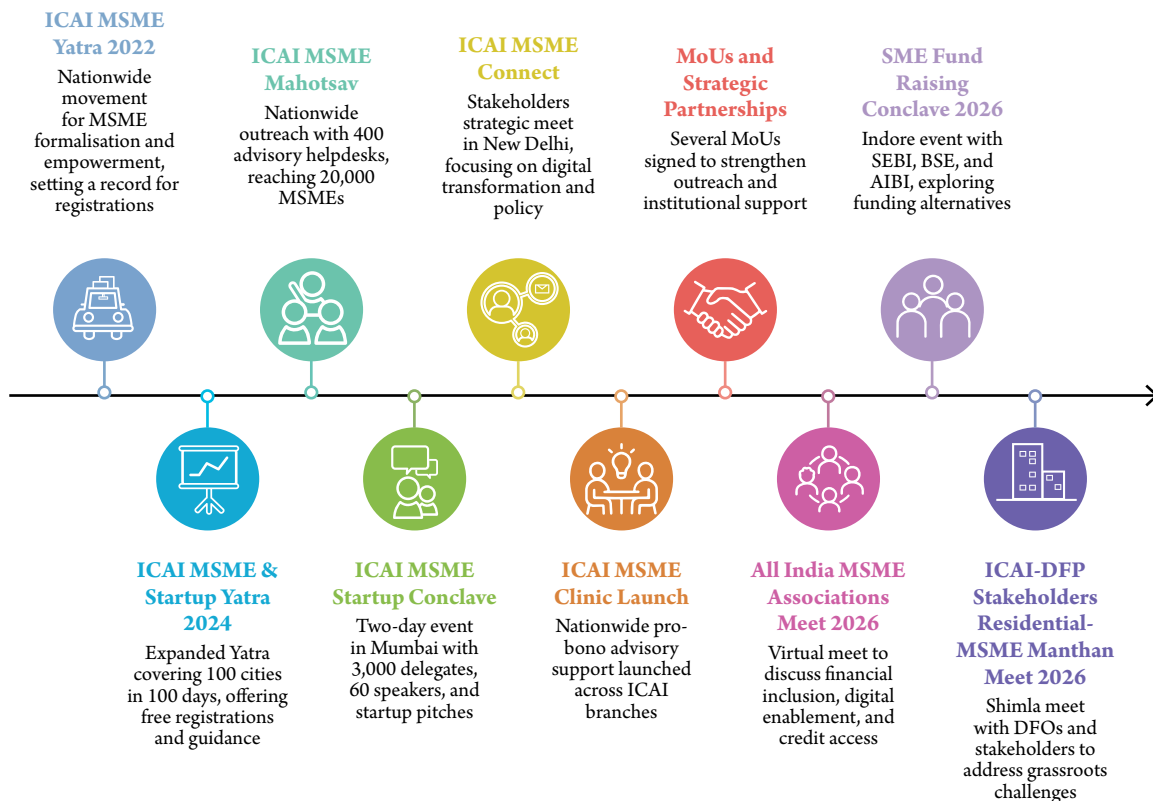
Recognising the importance of sustainability and digitalisation, the Securities and Exchange Board of India (SEBI) mandated the Business Responsibility and Sustainability Reporting (BRSR) framework in 2021, requiring the top 1,000 listed companies, including MSMEs on the path to listing, to disclose ESG performance transparently. The Digital Personal Data Protection Act, 2023, establishes data governance frameworks that protect digital businesses. These legally enforceable frameworks, combined with green practices like solar-powered units, energy-efficient production, and circular-economy models, have institutionalised entrepreneurship, making India's ecosystem both supportive and compliant.

Role of Chartered Accountants in nurturing MSMEs and Startups

These power-backed schemes require professionals who can be the bridge between policies, laws, and people. These professionals are the Chartered Accountants, who are well-equipped with government schemes and policies, and act as the best advisors for businesses to grow. Through the years, their role has been elevated and evolved: once viewed as professionals working primarily for the financials of businesses, they are now guiding enterprises toward best practices, strategic compliance, and sustainable growth.

ICAI Building a Stronger MSME and Startup Ecosystem

ICAI's Initiatives through the MSME and Startup Committee



The profession is now working as the strategic partners for the businesses, driving AI adoption in the business processes, guiding ESG integration, facilitating SME IPO listing, advising on BRSR frameworks, and promoting green practices that attract impact investors. They bring investments by preparing investor-ready financials,

conducting due diligence, and structuring deals that align with global standards. Their expertise helps local businesses scale globally by ensuring international accounting standards compliance, managing cross-border taxation, and facilitating foreign direct investment.

In an era of complex regulations and evolving global standards, CAs have transformed from back-office accountants to forward-thinking consultants who empower MSMEs and startups to take the journey from local to global, making India's entrepreneurial ecosystem robust and internationally competitive.

The Institute of Chartered Accountants of India is backing and nurturing the professionals in their journey, and is a *Partner in Nation-Building*, supporting the government in building a culture

of MSMEs and startups in India. ICAI, through its dedicated MSME & Startup Committee, has consistently strengthened India's entrepreneurial and industrial landscape through a series of progressive initiatives undertaken over the years.

A. MSME and Startup Yatras

Beginning with the landmark ICAI MSME Yatra 2022, the Institute created a nationwide movement for MSME formalisation and empowerment. The Yatra earned recognition in the India & Asia Book of Records for facilitating an unprecedented number of MSME registrations within merely 100 days, reflecting ICAI's deep commitment towards grassroots economic inclusion. Building upon this remarkable success, the ICAI MSME & Startup Yatra



2024 further expanded the scale and outreach of the initiative by covering nearly 20,000 kilometres across 100 cities in 100 days through 100 dedicated programmes. The Yatra facilitated free Udyam registrations and DPIIT startup registrations to the businesses and also provided expert guidance on business setup, compliance framework, finance, and capacity building.

B. ICAI's Pan-India MSME Empowerment Drive — MSME Clinics, Incubation and Stakeholder Dialogue for Viksit Bharat (2025)

In 2025, the Institute significantly strengthened India's MSME and startup ecosystem through a series of nationwide initiatives focused on mentorship, capacity building, policy advocacy, and digital empowerment.

i. ICAI MSME Mahotsav — Nationwide Outreach

The ICAI MSME Mahotsav was held on 27 June 2025 across nearly 140 ICAI branches in India. It was designed to provide grassroots support and handholding to MSMEs through around 400 advisory helpdesks. The initiative reached approximately 20,000 MSMEs and created a direct interface



between businesses and professional support.

The event also saw the participation of Ministers, MLAs, MSME divisional officers, cluster heads and senior officials from different states. It received recognition from the World Book of Records, Asia Book of Records, and India Book of Records for achieving the maximum MSME mentorship felicitations in a single day.

ii. ICAI MSME Startup Conclave — Flagship Two-Day Event

The ICAI MSME Startup Conclave was organised on 26 and 27 June 2025 in Mumbai, in alignment with International MSME Day. The conclave brought together around 3,000 delegates, 19 sessions, nearly 60 speakers, 38 exhibitors, and 65 startup pitches. Three startups secured funding through the platform.

The conclave was supported by the Ministry of MSME, NSIC, and CAIT. It was attended by Hon'ble MSME Minister Shri Jitam Ram Manjhi, Shri Suresh Prabhu, Chancellor Rishihood University, and Smt. Smriti Irani, Former Union Minister. It also featured on-the-spot mentoring through the ICAI MSME Helpdesk, which strengthened direct engagement with entrepreneurs and startup founders.

iii. ICAI MSME Connect — Stakeholders Strategic Meet

The ICAI MSME Connect Stakeholders Strategic Meet was held on 24 October 2025 in New Delhi. The meeting brought together more than 80 participants from nearly 60 ministries, regulators, financial institutions, and incubators. Its main focus was on digital transformation, policy challenges, and collaborative opportunities for MSMEs and startups.



The meet also helped pave the way for MoUs and strategic partnerships. It further led to the announcement of the nationwide ICAI MSME Clinic programme, which was positioned as a long-term support mechanism for the sector.

iv. ICAI MSME Clinic — Pro-bono Advisory Support

The ICAI MSME Clinic was announced on 24 October 2025 and launched nationwide on 10 December 2025. It was created as a weekly walk-in pro-bono advisory initiative across ICAI branches to support MSMEs in finance, compliance, technology, human resources, and marketing. The clinic was intended to make expert guidance more accessible to small businesses across India.

The clinic model included Business Support Desks staffed by Chartered Accountants and Institutional Support Desks involving banks, NSIC, SIDBI, GeM, and Development Facilitation Offices. These clinics were planned preferably on Fridays and recently has expanded its outreach to tier 2 and tier 3 cities, ensuring a

regular and structured support system for entrepreneurs.

v. MoUs and Strategic Partnerships

Several MoUs were signed in 2025 to strengthen the committee's outreach and institutional support network. These included partnerships with NPCI Bharat BillPay Ltd, FITT at IIT Delhi, the Department of MSME Uttar Pradesh, NSIC, Startup TN, STPI, and other incubation and academic institutions. Each partnership was intended to improve capability building, digital adoption, and ecosystem collaboration. The Ministry of MSME has advised District Facilitation Offices (DFOs) to collaborate with ICAI in the implementation of DFO programmes.

These collaborations supported broader goals such as payment digitisation, incubation, mentorship, skill development, and state-level entrepreneurship promotion. Together, they expanded the committee's ability to reach MSMEs and startups through both policy-level and practical support.

C. ICAI's 2026 Roadmap for MSME Growth: Financing, Digitalisation, Clusters and Capacity Building

The momentum continued in 2026 with a series of high-impact policy and financing-oriented initiatives. The All India MSME Associations Meet 2026, organised virtually on 1st April 2026, brought together MSMEs, industry leaders, and representatives from GeM, KVIC, and NSIC to deliberate upon financial inclusion, business formalisation, digital enablement, and access to credit. The event was graced by Smt. Smriti Irani, Former Union Minister, who acknowledged ICAI's proactive contribution towards



strengthening the MSME ecosystem in alignment with the nation's inclusive growth agenda.

Furthermore, strengthening its position as an impetus for financing of the MSMEs, ICAI played a key role in organizing the SME Fund Raising Conclave 2026 in partnership with SEBI, BSE, SME, and AIBI at Indore, wherein business founders and practitioners delved into various systematic funding alternatives, comprising SME IPOs, venture capital, private equity, and debt financing. Augmenting these endeavours, the Committee also released a sustained SME Awareness Drive including cyclical programmes conducted monthly, committed to guiding MSMEs on regulatory adherence, fiscal administration, and development prospects.

Additionally, an important landmark was organizing the ICAI-DFP Stakeholders Residential – MSME Manthan Meet 2026, held at Shimla, which witnessed a gathering of Development & Facilitation Officers from the Ministry of MSME, in addition to stakeholders from KVIC, NSIC,

and Laghu Udyog Bharati. Discussions were held which centered comprehensively on the hurdles faced by businesses at the grassroots level, systems for funding and credit, compliance-centric development approaches, and utilization of government incentives, thus presenting a systematic framework for reinforcing the MSME sector.

Every initiative undertaken aims to address evolving sectoral prospects, sustainability methods, technological evolution, and capacity building efforts, consequently reiterating ICAI's long-standing dedication to establishing a robust, innovation-centric, and self-supporting MSME and startup biome harmonized with the vision of an Atmanibhar Bharat.

Conclusion

As correctly asserted by the Former Hon'ble President of India, Dr. A.P.J. Abdul Kalam, *"Dream is not that which you see while sleeping, it is something that does not let you sleep."* Today, India stands as a manifested epitome of this vision. The nation's resolute dedication, and swift espousal of innovation-centric practices have showcased to the world that India no longer remains simply a contributor in all-inclusive development but is progressively surfacing as a global champion shaping the economy of the future.

The profession remains steadfast in its commitment to the nation during this transformational journey, reinforcing businesses through professional acumen, prudent guidance, and institutional measures. With continuous policy support, forward-thinking leadership, and the combined endeavours of entrepreneurs and professionals, the ambition of India emerging as a Vishwaguru doesn't appear to be distant anymore.

Contributed by MSME and Start-up Committee of ICAI

INDIA'S MSME Snapshot



Formalising Enterprise | Expanding Opportunity | Fueling Growth

Government initiatives are empowering crores of enterprises, creating jobs, strengthening markets and building a stronger, inclusive and self-reliant India.

01

FORMALISATION OF MSMEs & IMEs

From Informal to Empowered

India's formal MSME ecosystem has expanded dramatically through digital registration initiatives.

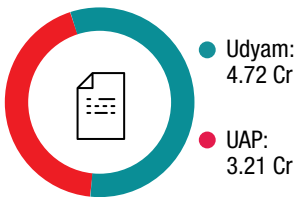
The integration of **Udyam Registration** and the **Udyam Assist Platform (UAP)** has accelerated the transition of informal enterprises into an organised economy, improving access to finance, government schemes, procurement opportunities, and digital business ecosystems.



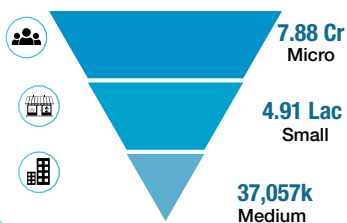
(as on 22nd May 2026)

7.94 CRORE+

REGISTERED ENTERPRISES



**MICRO
ENTERPRISES DOMINATE**



**WOMEN ENTREPRENEURSHIP
ON THE RISE**

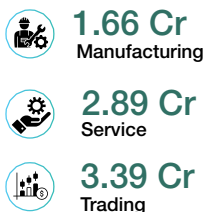


3.11+ Cr
Women-owned
enterprises
registered

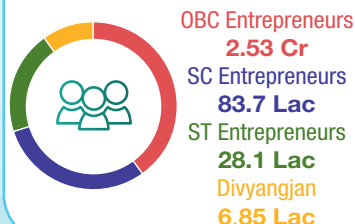
4.80 Cr
Males

292k
Others

**TRADING LEADS
THE SECTOR**



**SOCIAL INCLUSION
SNAPSHOT**



35.06 Cr
EMPLOYMENT GENERATION



Formalisation is no longer just about registration — it is about inclusion, visibility, credit access, and economic participation.

02

CREDIT & EMPLOYMENT SUPPORT

Fuelling Enterprise. Creating Jobs.

CREDIT SUPPORT HIGHLIGHTS



CREDIT GUARANTEE SCHEME (CGS) LIMIT ENHANCED:

₹ 5 Cr - ₹ 10 Cr

for banks, as per Union Budget 2025-26

**applicable to all guarantees approved on or after 1st April 2025*



SPECIAL PROVISION FOR MSMEs PROMOTED BY TRANSGENDER ENTREPRENEURS:

10% concession in guarantee fees along with enhanced guarantee coverage of up to 85%

**effective from 1st March 2025.*



SELF-RELIANT INDIA (SRI) FUND:

754 MSMEs

supported with Government Contribution of ₹2627 crore (as on 31st March 2026)

**Union Budget 2026-27 has provided an additional ₹2,000 crore to the Self-Reliant India Fund*

TOP CONTRIBUTING STATES

By number of projects in FY 2024-25

| | |
|----------------------|-------|
| 1. Uttar Pradesh | 3,237 |
| 2. Jammu and Kashmir | 2,820 |
| 3. Bihar | 1,921 |
| 4. Andhra Pradesh | 1,754 |
| 5. Tamil Nadu | 1,379 |

LEADING STATES IN URP & UAP REGISTRATIONS

(as on 22nd May 2026)

| | |
|------------------|-----------|
| 1. Maharashtra | 1.014 Cr |
| 2. Uttar Pradesh | 86.03 Lac |
| 3. Tamil Nadu | 62.28 Lac |
| 4. West Bengal | 53.10 Lac |
| 5. Karnataka | 49.91 Lac |

EMPLOYMENT GENERATION LEADERS (as per FY 2024-25)



Uttar Pradesh
25,896 jobs



Jammu and Kashmir
22,560 jobs



Bihar
15,368 jobs

03

PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

PMEGP continues to be one of India's largest self-employment and entrepreneurship generation programmes.

Achievement Snapshot



5.84 Lac
projects
sanctioned



₹60,443 Cr
bank loans
approved



₹13,453 Cr
subsidy
disbursed



3.63 Cr
estimated
employment
generated

(as on 6th May 2026)

04

PM VISHWAKARMA

Empowering Indian Traditional Artisans

Transforming traditional skills into sustainable livelihoods through skilling, credit, digital empowerment and market access.



30 Lac
Registrations



26.8 Lac
Skill verifications completed



23.9 Lac
Artisans trained



₹5000 Cr
Loans Approved



CORE BENEFITS




Skill development



Toolkit incentives



Collateral-free credit



Digital transaction incentives



Market linkage support

 Preserving India's traditional craftsmanship while enabling modern entrepreneurship.

(as on 30th April 2026)

05

MARKET SUPPORT & TECHNOLOGY ENABLEMENT

Connecting MSMEs. Strengthening Competitiveness.

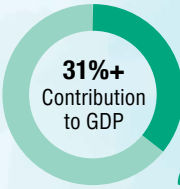
MARKET SUPPORT HIGHLIGHTS




₹3,390 Cr

Procurement support for SC/ST enterprises
(as on 29th May 2026)

INDIA'S MSME CONTRIBUTION







31%+
Contribution to GDP



48.58%
Contribution to Exports

DIGITAL PLATFORMS DRIVING ACCESS

-  **GeM**
Government e-Marketplace for public procurement
-  **TReDS**
Invoice discounting for faster cash flow
-  **SAMADHAAN**
To file and monitor delayed payment applications online
-  **CHAMPIONS**
MSME assistance and grievance redressal portal

TECHNOLOGY INFRASTRUCTURE & ENABLEMENT




20
TECHNOLOGY CENTRES




100
EXTENSION CENTRES


STRATEGIC FOCUS AREAS




Automation




Digitalisation



Industry 4.0 Readiness

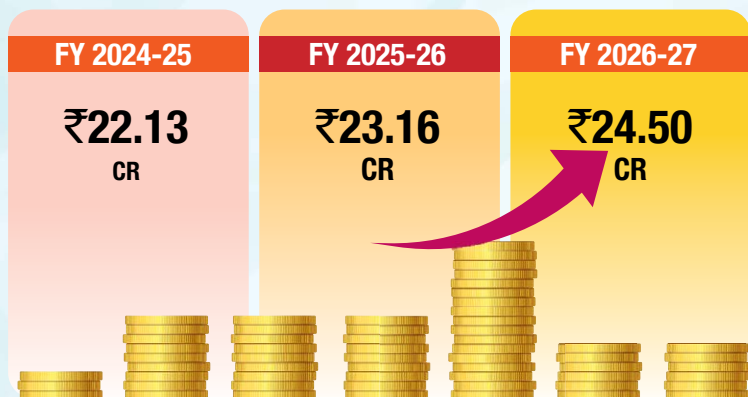


Green Manufacturing

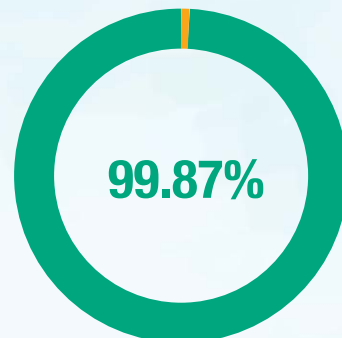


Cluster-Based Development

BUDGETARY SUPPORT SNAPSHOT



IMPLEMENTATION EFFICIENCY



Budget utilisation achieved in
FY 2024-25



Increasing budgetary commitment reflects the Government's continued focus on building a resilient, competitive and inclusive MSME ecosystem across India.

THE MSME VALUE CHAIN



From Small Beginnings to Big Impact – MSMEs Powering Viksit Bharat

Source:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2260904®=3&lang=1>

<https://dashboard.msme.gov.in/#>



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In business or the tech world, speed is often mistaken for progress. We celebrate every leap in convenience, often by how quickly we get things done. From instant payment systems that move value in real time, we have progressed to layered APIs that can onboard vendors in minutes, approvals in hours, payments in seconds, and filings at the click of a button. Payment apps flash “Paid in 2.2s,” delivery apps race over 10-minute drops, instant checkouts, and groceries arrive almost as soon as you decide to add something to the recipe.

Yet anyone who has driven a fast car knows that speed is not produced by the engine alone. It is also the visibility, the lanes, brakes, etc. We don’t go faster because of the

Fraud-Proofing Indian MSMEs: A Digital Toolkit for Chartered Accountants

From instant payments to single-click filings, the digital economy of India is in a fast-paced transformation. Especially for the MSME sector, financial processes are faster than ever. However, it often comes with blind spots, given that the industry is thriving on lean operations and vendor relationships largely based on trust. This article explores how Chartered Accountants can design guardrails without slowing down the business by quietly building resilience. With only a small fraction of MSMEs using ERPs or structured controls, CAs can make use of this opportunity to streamline the system and design fraud prevention checks. Using real-life cases, simple digital tools, behavioural nudges, and regulatory measures, this article outlines practical interventions to empower MSMEs to scale securely.

accelerator, but because of how we have designed restraint into the system. Discipline is prosaic, with mirrors, rules, and manuals, none of which are glamorous.

Here, “discipline is prosaic” underscores that effective systems rely on ordinary, consistent practices rather than dramatic interventions. It involves following routines, adhering to rules, and applying controls that may seem dull or unexciting, yet form the backbone of safe and sustainable progress. In this context, it highlights that effective controls and safe practices in business are often about consistently applying basic, sometimes tedious measures, rather than relying on flashy or dramatic solutions.

Finance over the last decade has significantly upgraded its engines. Yet, somewhere inside the boardrooms, the prevailing mantra became ‘remove friction,’ and convenience was often confused with safety. Nowhere is this more visible than in the MSME sector, which already runs on speed and proximity, such as the shorter approval chains, familiar suppliers and one person doing five jobs.

As of December 2025, government records 7.30 crore MSMEs on Udyam Registration Portal and Udyam Assist Platform, contributing about 30.1% of GDP, 35.4% of manufacturing output, and 45.73% of exports. Clearly, the backbone of local employment and trade now operates atop high-speed financial infrastructure.

However, the same system also widens exposure. Reported cyber-fraud losses reached ₹22,845.73 crore across 36.37 lakh financial fraud incidents in the same year, moving at the same speed as digital payments. For MSMEs built on short chains and familiar suppliers, that velocity is both a blessing and a blind spot. In a recent case, an accountant at an export unit allegedly used the company’s GST portal to generate fake invoices totaling ₹10 crore, reportedly skimming ₹1.8 crore in benefits, an irregularity uncovered only during a routine audit.

The task, therefore, is not to slow down the MSMEs, but to design brakes that make speed safer and more sustainable. The baseline, however, is stark, with only ~11% of MSMEs

using ERP or structured accounting software, with many still operating without internal controls. This is exactly where Chartered Accountants closes the gap as a control architect who introduces small, affordable safeguards at critical points where the value changes hands. This article explores where MSMEs are most exposed and how these vulnerabilities emerge in high-velocity environments. The goal is simple: keep the speed, stop the seepage and sustain growth without losing control.

Why MSMEs are Exposed?

MSMEs enjoy several operational advantages. Decisions move a few meters, not a few floors; exceptions are resolved by the person who actually knows the work; and cash cycles are fairly shorter with faster approvals. However, this same operating model can unintentionally align three critical risks in one place:

1. Authority (the power to decide)
2. Access (the ability to act)
3. Acceptance (no one to question)

It is here that the control gap becomes a systemic risk. For instance, there is one staff member who creates the vendor, approves the PO, and releases the payment. Since everyone trusts them and there is no second check, a duplicate or fake vendor gets repeatedly paid without notice. This matters more now because operational “rails”, like e-invoicing, real-time payments, API-based onboarding, have accelerated while the guardrails, such as who approves, what gets approved, when and with which proof, have not kept the pace. Now it looks like a patterned leakage, but it is shrugged off as usual business.

The following four realities converge at these choke points, like payout, master creation, or inventory issuance, where light, routine friction has the highest payoff.

A recurrent set of red flags helps practitioners triage the risk, such as:

- Master record creation without supporting documentation
- Duplicate entries with variations that are minor

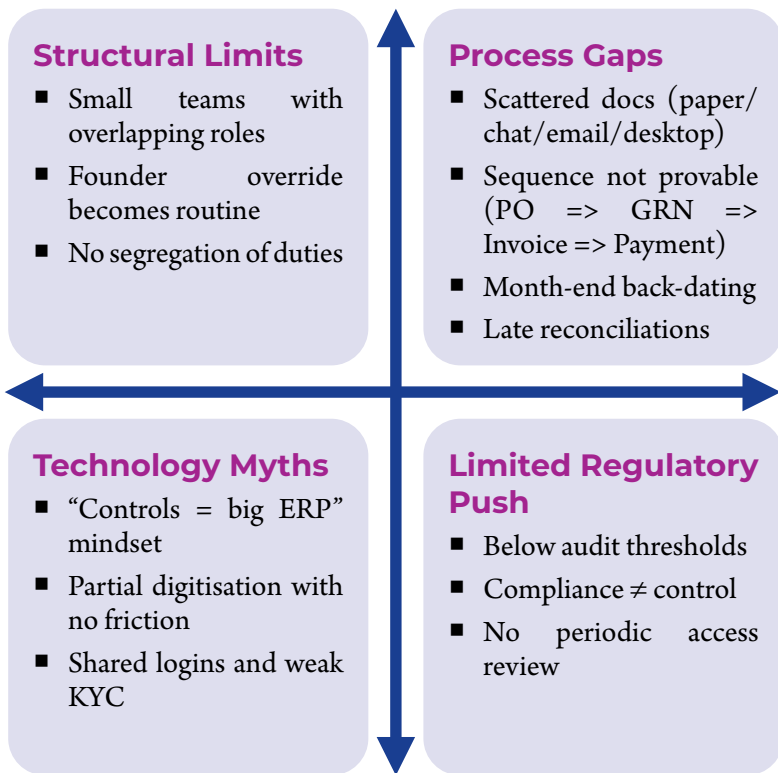
- Transactions posted during weekends or outside business hours
- Rounding off without backing
- Entry adjustments near period-end without audit trails

Such practices are more like workarounds and indicate that controls are either absent or bypassed frequently. These signals call for a deliberate design change. Chartered Accountants are uniquely positioned to calibrate friction at those few points where there is a cash exit, an obligation creation, or to make evidence easy to read, aligning the work to professional standards.

CA’s Expanded Roles

MSMEs usually don’t have the luxury of hiring a COO, CIO, Internal Auditor, or Compliance Head. Chartered Accountants, here, are in a unique position where they see the business end-to-end in every quarter with knowledge of the transactions, gaps, controls, behaviour, etc. Also, most of the MSMEs don’t ask for ‘fraud controls’ until there is a problem. CAs are often closest to the books and the owner, making them a critical resource that can help spot the gaps, install safeguards and respond to red flags when they emerge.

As a trusted advisor, professionals can translate the language of fraud into simple terms useful for owner decisions. MSMEs don’t think in terms of procurement fraud or fictitious payrolls, but they understand that if we say that their accountant can create a fake vendor, bill for nothing, and approve it, all alone, or the risks when the person they trust with cash has a gambling debt. Framing these discussions in terms of business impact—rather than purely legal terminology—makes risk more tangible and actionable. Demonstrating how trust without checks led MSMEs to lose funds through fake salary credits, shell vendors, kickbacks to overbilled raw materials, etc., helps owners suspect insiders or old staff, which is precisely why the fraud risk is high.



Another way to add value is by introducing simple processes using digital/no-code tools that act as internal controls and prevent fraud, i.e., installing friction. Without using complex processes or large budgets, professionals can help MSMEs install friction where there is a value change. Much of the work begins with how the information is captured by the business and validated. A simple setup using tools like MS Excel or Google Sheets can automatically feed responses into the dashboards to highlight where risks accumulate. Basic low-code platforms bring a structure to day-to-day transactions.

For instance, when there is a purchase request or a vendor onboarding, the form can be routed through a simple maker-checker workflow using these tools. This reduces ambiguity around approvals and helps prevent backdated invoices or quiet edits that otherwise go unnoticed in small setups. Additionally, integrations with MCA and GST APIs can help flag mismatched vendor details, inactive filings, or IDs linked to fake entities. These are using data points that a CA is already aware of.

A few more examples of fraud that quietly slip through MSME systems that can be addressed using such tools include:

- **Ghost vendors:** Using free online tools such as Razorpay X and Paytm for Business to verify GSTIN and PAN before vendor onboarding or creating a shared spreadsheet with status (verified/unverified). This can avoid repeated fraud attempts from fake entities.
- **Payroll leaks:** Mapping WhatsApp attendance or biometric logs to salary payouts using Google Sheet templates that can flag any mismatches.
- **Reimbursements:** Using no-code forms from Google Forms or Zoho, claims can be timestamped. It can also assist with receipt collection and prevent backdated entries.
- **Bank reconciliations:** Recommend simple plug-ins in Excel that can

automate transaction checks for duplicate/rounding entries.

However, building awareness and empowering staff to spot early warning signs can go a long way. Most of the staff members may not clearly distinguish between routine transactions and potentially fraudulent ones. This gap can be fixed through periodic training on vendor and payment fraud, using anonymized cases or real scenarios that make risks relatable and practical. Even something as simple as setting up fraud dashboards or basic Excel rules can help flag multiple payments to the same UPI ID, sudden weekend entries, or unusual transaction patterns. Establishing a basic whistleblower mechanism, such as a dedicated phone or email line, or a locked drop box reviewed monthly, can help lead to early alerts and encourage reporting without fear. Fraud analytics can also be embedded into monthly reporting or routine activities to support early detection. When fraud signals begin to emerge, professionals can step in for targeted reviews and evidence preservation. They can also guide a scoped forensic review when anomalies appear, like:

Even without a full-scale investigation, a professional can conduct reviews with a basic timeline to stop further losses. If anything escalates, a proper FAIS (Forensic Accounting Investigation Standards) led engagement can be planned. There are some easy-to-use digital tools that professionals can recommend to plug fraud gaps without overhauling

“Chartered Accountants are uniquely positioned to calibrate friction at those few points where there is a cash exit, an obligation creation, or to make evidence easy to read, aligning the work to professional standards.”

the entire system. The following MSME case demonstrates such an implementation in a precision machining business using free and low-cost, subscription-based digital tools.

Case: Digital Overhaul for a 12 Crore MSME

The client was in the precision machining business with fewer than 50 employees and a turnover of 12 crores. Their concern was simple: money was leaking somewhere, and no one knew where or how. The issue, however, stemmed more from limited process visibility than fraud. The first step was to strengthen their internal control instead of moving to a full-blown forensic review. Since it was not a very admin-heavy business, minimal automation using basic digital tools without requiring any heavy ERP implementation or workflow overhaul was suggested.

A fraud risk assessment was conducted among staff using Google Forms, and the responses were used

Preserving Key Data

- Securing bank statements, GST/tax filings, WhatsApp/email trails.

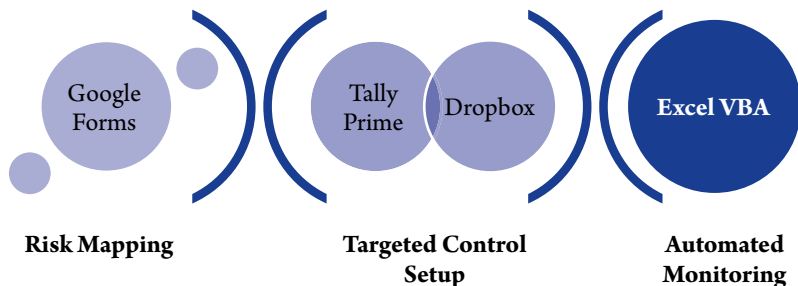
Test Override Risks

- Check who created, approved, and paid the transaction.

Rebuild Trails

- Match PO to payment for vendor suspicions or expense head across months.

THEME ● THE CHARTERED ACCOUNTANT



to auto-generate a heat map that identified two critical weak areas: payments and inventory. To address these risks, for all purchases above ₹10,000, Tally Prime’s voucher approval system was activated. Additionally, Dropbox folders were created with access logs to store scanned and signed POs

linked directly to vouchers. Even document management tools help in maintaining version history and access logs to expose tampering and deletions. An anomaly tracker using Excel VBA (created using Gen AI like ChatGPT) was configured to flag vendor entry duplications, unusual round-offs, and non-business-hour

transactions. A monthly auto-mail summary report was also set up.

A post-implementation review was performed during the quarter-end. It was revealed that duplicate vendors were reduced to zero, an estimated savings from fraud leakage of ₹3.5 lakhs were recorded, and the credit ratings improved due to strong internal controls.

This case provided an insight into how small businesses explore digital tools and reassess their risk management approach. Even when businesses see tremendous growth in the social media era with easy digital payments, newer categories of risks continue to emerge.

Sample VBA Script of Anomaly Tracker

```

Sub AnomalyScan()
    Dim ws As Worksheet
    Set ws = ThisWorkbook.Sheets("Transactions")

    Dim lastRow As Long
    lastRow = ws.Cells(ws.Rows.Count, "A").End(xlUp).Row

    Dim i As Long
    For i = 2 To lastRow
        ' Check for round-figure payments
        If ws.Cells(i, 4).Value Mod 1000 = 0 Then
            ws.Cells(i, 5).Value = "Rounded Value"
        End If

        ' Check for weekend date
        If Weekday(ws.Cells(i, 1).Value, vbMonday) > 5 Then
            ws.Cells(i, 6).Value = "Weekend Entry"
        End If
    Next i
End Sub
  
```



Sample Data ‘before’ VBA Script:

| A (Date) | B (Vendor Name) | C (Invoice No.) | D (Amount) | E (Flag1) | F (Flag2) |
|------------|-----------------|-----------------|------------|-----------|-----------|
| 1/8/2025 | XYZ Ltd. | INV001 | 10500 | | |
| 3/8/2025 | ABC Pvt. Ltd. | INV002 | 20000 | | |
| 10/8/2025 | PQR Corp. | INV003 | 12345 | | |
| 17/08/2025 | LMN & Co. | INV004 | 5000 | | |
| 12/8/2025 | XYZ Ltd. | INV054 | 9099 | | |
| 3/8/2025 | HBC Ltd. | INV009 | 1800 | | |

Sample Data 'after' VBA Script:

| A (Date) | B (Vendor Name) | C (Invoice No.) | D (Amount) | E (Flag1) | F (Flag2) |
|------------|-----------------|-----------------|------------|---------------|---------------|
| 1/8/2025 | XYZ Ltd. | INV001 | 10500 | | |
| 3/8/2025 | ABC Pvt. Ltd. | INV002 | 20000 | Rounded Value | Weekend Entry |
| 10/8/2025 | PQR Corp. | INV003 | 12345 | | |
| 17/08/2025 | LMN & Co. | INV004 | 5000 | Rounded Value | Weekend Entry |
| 12/8/2025 | XYZ Ltd. | INV054 | 9099 | | |
| 3/8/2025 | HBC Ltd. | INV009 | 1800 | | Weekend Entry |

Emerging Fraud Types in MSME Digitisation

Professionals must also consider the emerging fraud patterns confronting digitally enabled MSMEs. The given below table highlights some under-recognised risks. By mapping new red flags, strengthening internal controls, and educating clients on emerging threats, professionals can help MSMEs safeguard operations while continuing to benefit from speed and digital efficiency:

Policy and Platforms that Support MSME Fraud Prevention

Fraud prevention cannot be addressed through internal controls alone. The Indian regulatory system has also started embedding protective mechanisms into its digital and financial infrastructure. The following are some of the key initiatives:

- RBI's Digital Payment Security Measures

- Mandatory 2-Factor Authentication (2FA) for online transactions, which reduces unauthorised payment risks
- UPI security upgrades flagging suspicious activity
- MSME SAMADHAAN: Delayed Payment Monitoring System
 - Enables MSMEs to report and recover delayed payments
 - Deterrent to financial abuse by dominant customers
- Government e-Marketplace (GeM)
 - A direct and transparent channel to sell to government departments
 - Reduces risks of procurement fraud and payment defaults
- Cyber Suraksha Scheme
 - Subsidised cybersecurity tools
 - Secure payment platforms and digital hygiene practices

Professionals can also use these schemes to help navigate and integrate

| Fraud Type | Impact | How a CA can help |
|--|--|---|
| Fake loan apps | Owners' need for quick working capital often falls prey to these fraudulent digital lenders | <ul style="list-style-type: none"> ■ Help validate fintech partners ■ Educate on RBI-registered NBFCs ■ Vetting loan documents before submission |
| Fake websites/suppliers | Fraudulent lookalike websites trick businesses into paying advances for bulk orders | <ul style="list-style-type: none"> ■ Use MCA/GST verification APIs to confirm legitimacy ■ Vendor onboarding checklist |
| QR Code Switch | Those MSMEs accepting payments via QR codes get scammed when fraudsters replace QR images | <ul style="list-style-type: none"> ■ Automated reconciliation setups |
| Impersonation over the phone | Owners/staff get conned by fraudsters posing as tax officials | <ul style="list-style-type: none"> ■ SOPs for phone verification and approvals |
| Phishing through E-commerce platforms | Phishing links posing as "order confirmations" or "returns" to harvest login credentials of MSMEs selling on digital platforms | <ul style="list-style-type: none"> ■ Help create role-based logins ■ Setup 2FA ■ Train on security hygiene |
| E-invoice portal misuses | Vendors/staff manipulate e-invoice numbers/generate invoices outside accounting systems to claim fraudulent ITC | <ul style="list-style-type: none"> ■ Cross-check GSTR filings with books ■ Monthly reconciliation of e-invoice numbers with accounting entries |
| Buy-Now-Pay-Later (BNPL) Manipulation | Staff misusing company's BNPL/credit wallet accounts for personal purchases | <ul style="list-style-type: none"> ■ Review monthly BNPL statements ■ Implement transaction caps |

them into the businesses, giving a multi-layered resilience structure. Supporting filings on the Samadhaan portal in case of payment delays, GeM onboarding, etc., can be handled by professionals. ICAI's SMP Committee's Cloud Tools Repository also offers tools for secure documentation, e-signature, and video meetings, which can be effective for better collaboration and streamlining the digital workflows.

Building Breaks, Not Barriers

We began with speed. Speed in payments, decisions, trust, and the way risk travels through all of them. But the MSME engine today is running fast, lean, and doesn't need to hit the brakes anymore; it just needs to install them. Fuelling 30% of our GDP and over a third of our manufacturing, nearly half of our exports are handled by MSMEs. But this rapid move to digital processes also increases exposure. Every missed step, whether a missing ledger entry or an unverified supplier, becomes an open gate for fraud.

MSMEs need designs built on habits with fraud prevention formed out of behavioural guardrails. A Chartered Accountant's role now is not to ask for

new software but to embed friction to protect:

- Maker-checker steps on approvals
- Weekly/monthly reconciliation alerts
- Simple prompt before UPI vendor payouts
- Monthly pattern checks in payroll

These kinds of micro brakes prevent macro losses. Professionals provide the missing friction in the compressed ecosystems of MSMEs where the same person approves, disburses, or reconciles. Fraud prevention in this context is a design language, knowing when and where to pause so you don't crash later!

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From Delays to Discipline: Unlocking MSME Liquidity through Reforms

This article explores key reforms aimed at addressing liquidity challenges faced by India's MSME sector. It highlights three pivotal developments: the introduction of an AI-enabled Online Dispute Resolution (ODR) mechanism, Section 43B(h) of the Income Tax Act linking tax deductions to timely MSME payments, and the revised MSME classification effective from April 2025. Together, these reforms are designed to formalize the sector, enforce payment discipline, and improve access to finance. The author, through this article, emphasizes the growing awareness among stakeholders, including auditors and regulators, and calls for collaborative efforts to create a sustainable liquidity ecosystem for MSMEs.

Introduction: The Evolution and Formalization of the MSME Sector

Liquidity is the lifeline of any business, but for MSMEs, it is often the defining factor between survival and excellence. Adequate cash flow ensures timely procurement of raw materials, payment of wages, and fulfilment of orders. However, the structural disadvantage of MSMEs in negotiating credit terms often results in delayed payments, forcing them into cycles of working capital stress. As such, any reform that

addresses liquidity constraints directly contributes to the long-term viability and growth of the sector.

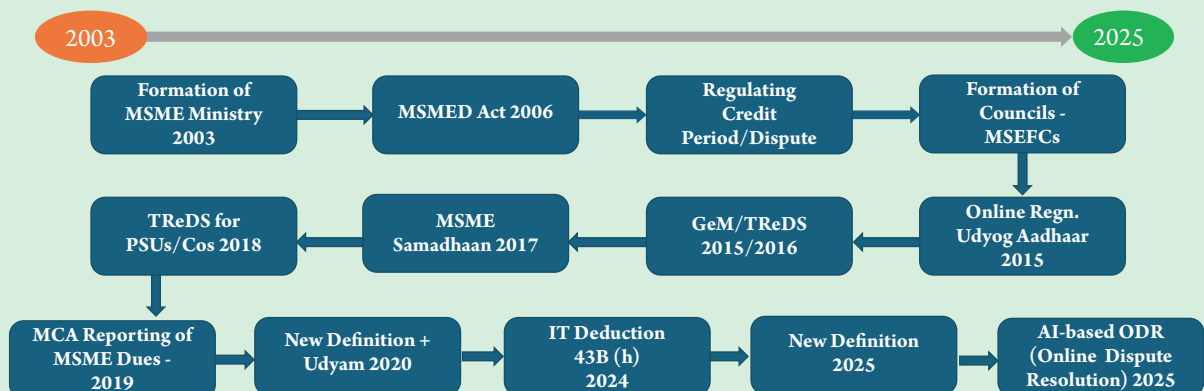
Since the formation of the Ministry of MSME in 2003, India has witnessed steady formalization of the sector through key policy reforms. These include the MSMED Act (2006), digital platforms like Udyog Aadhaar and MSME Samadhaan, and compliance mechanisms like TReDS and MCA's MSME dues reporting. More recent measures such as Section 43B(h), revised definitions under

Udyam Registration, and the rollout of AI-enabled ODR reflect a cohesive push toward liquidity, transparency, and institutional accountability.

Liquidity, the Cultural Challenge

Several liquidity-focused initiatives have improved MSME receivables, yet challenges remain, particularly with PSUs and large corporates, where a cultural shift in payment behaviour toward MSMEs is still needed. In a study done in the year 2022, over ₹10.7 lakh crore, equivalent to nearly 6% of

Formalization Process of MSME Sector



India's gross value added (GVA), were locked in delayed payments owed to MSMEs. A staggering 80% of invoices raised by MSMEs experience delays, with public sector undertakings and government entities among the most delayed payers.

This delay in receivables severely disrupts working capital cycles for MSMEs, compelling them to rely on costly short-term borrowing or to limit operations due to cash flow constraints. The study highlights inherent power imbalance in buyer-supplier relationships, where small enterprises are forced to accept prolonged credit periods to retain business.

It is within this context that reforms like ODR and Section 43B(h) of the Income Tax Act emerge, not as isolated policy tools, but as targeted responses to chronic liquidity bottlenecks that inhibit MSME growth. The revised MSME classification made effective from 1st April 2025 also supports this objective, by allowing larger and growing enterprises to remain within the MSME ecosystem and continue accessing liquidity-enhancing benefits and protections.

Let's discuss these 3 initiatives and their impact on the payment ecosystem of MSMEs:



“Several liquidity-focused initiatives have improved MSME receivables, yet challenges remain, particularly with PSUs and large corporates, where a cultural shift in payment behaviour toward MSMEs is still needed.”

1. Online Dispute Resolution: A Digital Solution for Payment Delays

A major stride in the formalization journey of the MSME sector is the introduction of an Online Dispute Resolution (ODR) platform, launched in mid-2025. Conceived under the MSME Development Act and further strengthening the MSME-SAMADHAAN initiative, this system transitions MSMEs from paperbased complaints to a fully end-to-end digital grievance redressal mechanism.

The **MSME-SAMADHAAN** portal, launched in the year 2017, significantly reduced the time taken in filing of dispute by MSEs and service of notices thereof to the respondents. Earlier, it was a manual and time-consuming process. It also brought transparency in the entire process, where the MSEs were able to check the status of their cases online. This also resulted in greater accountability on the part of MSEFC.

The **MSME-ODR** initiative is one step forward compared to MSME-SAMADHAAN, which aims for the entire dispute resolution process being carried out online through the ODR portal. Starting with filing of claim, notice issuance, documentation, hearings, and settlement, all interactions are conducted online through a structured, document-centric workflow, thereby significantly



reducing the entire time and cost involved in the dispute resolution process.

From 15 October 2025, all new delayed payment cases must be filed exclusively on the new MSME ODR Portal (<https://odr.msme.gov.in>) — the Samadhaan portal (<https://samadhaan.msme.gov.in>) stopped accepting new filings and redirects users to the ODR platform.

The Process:

The ODR portal provides an end-to-end dispute resolution process in two stages:

- Pre-MSEFC
- MSEFC

The pre-MSEFC stage is a voluntary, out-of-court solution that shall be undertaken based on consent provided by both parties. In case any or all of the parties opt out of the pre-MSEFC process, the parties will enter the MSEFC stage, which shall be undertaken as per the procedure defined under the MSME Act, 2006. The pre-MSEFC stage envisages two processes:

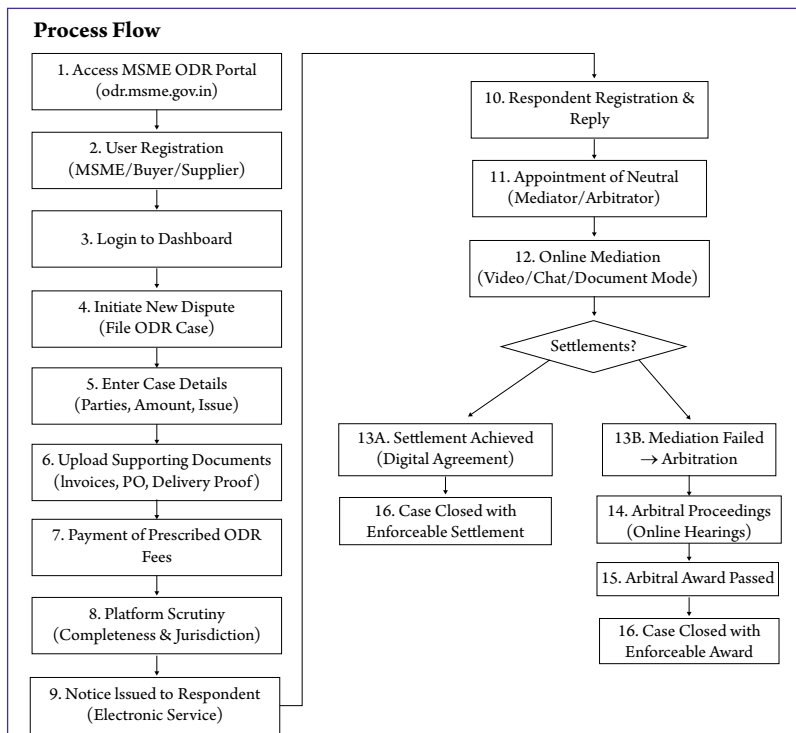
- Digital Guided Pathway
- Unmanned Negotiation

The MSEFC stage is the legal procedure mandated for the resolution of delayed payment applications under the MSME Act, 2006. As mandated under the Act, the MSEFC stage envisages two processes:

- Conciliation/Mediation
- Arbitration

The entire process flow and the advantages for MSMEs are presented in Table 1.

Table 1.



Advantages for MSMEs

- **AI-facilitated Resolution:** Parties can opt for automated, AI driven negotiation before formal MSEFC proceedings.
- **Empowered Facilitation Councils:** Tech and financial support is provided to MSEFCs, with private ODR providers empanelled.
- **Speedy Resolution:** Designed to deliver outcomes in weeks, not months, ODR significantly reduces delays.
- **Cost Efficiencies:** Digital filing and reduced procedures keep expenses low, aided by concessions on documentation fees.
- **Accessibility and Convenience:** The online process reduces geographical barriers and enable MSMEs, whether in metropolitan or rural areas, to raise payment disputes without logistical constraints.
- **Transparency and Accountability:** Digital logs, AI-generated milestones, and centralized case tracking build trust in the system.
- **Financial Backing to MSEFCs:** States to receive grants to develop in-house legal and IT capabilities and to onboard private ODR entities, as permitted under the MSMED Act.
- **Mandatory Payment Compliance:** Buyers face default liability if they fail to clear dues in 45 days; ODR reinforces this obligation.
- **Strategic Alignment and Pilot Testing:** Developed under the World Bank-supported RAMP initiative, the system has already undergone pilot testing and staff training at MSEFCs.

However, the system is still evolving, with initial challenges currently being addressed.

“ The revised definition of MSMEs, effective from 1st April 2025, marks another key reform aimed at increasing the number of enterprises that can avail of government schemes, credit benefits, and legal protections under the MSMED Act. ”

2. Tax-based Enforcement: Introduction of Section 43B(h) of the Income Tax Act

A transformative development for payment discipline in the MSME ecosystem is the introduction of Section 43B(h) in the Income Tax Act, effective from AY 2024–25. This amendment mandates that expenditure on purchases from Micro and Small Enterprises (MSEs) will be allowed as a deduction only if a payment is made within the timelines prescribed under the MSMED Act, i.e., within 15 days (or 45 days, if contractually agreed).

This tax provision has effectively linked compliance with the MSMED Act to tax deductibility, making it a powerful enforcement tool. Large buyers and corporates now have a financial disincentive to delay payments, which addresses a long-standing challenge faced by MSMEs. For Chartered Accountants and auditors, this introduces new layers of disclosure and verification while preparing tax computations or certifying financials, adding further to the MSME visibility in formal financial reporting. FY 2025–26, being the third year of compliance post-amendment, greater awareness on the part of auditors and the industry (buyers) will help MSEs strengthen their cash cycle.

“Increased awareness and regulatory emphasis have led auditors to scrutinize company disclosures related to MSME dues more closely, particularly in relation to Form MSME-1 filings and compliance with Section 43B(h).”

The move is a milestone in shifting from moral obligation to statutory enforcement. It also reinforces the government's policy consistency by aligning tax law with the pro-MSME thrust seen in platforms like Samadhaan and ODR.

3. Revised Classification Norms: Broadening the MSME Base

The revised definition of MSMEs, effective from 1st April 2025, marks another key reform aimed at increasing the number of enterprises that can avail of government schemes, credit benefits, and legal protections under the MSMED Act.

The updated classification, based on investment in plant & machinery and turnover, is as follows:

- **Micro:** Investment ≤ ₹2.5 crore and Turnover ≤ ₹10 crore
- **Small:** Investment ≤ ₹25 crore and Turnover ≤ ₹100 crore
- **Medium:** Investment ≤ ₹125 crore and Turnover ≤ ₹500 crore

This revised and expanded definition has widened the net, allowing many growing enterprises to continue benefitting from MSME schemes even as their turnover increases. It ensures alignment with inflationary trends and industry demands, while maintaining ease of registration through the Udyam portal.



The updated thresholds reflect a dynamic approach, ensuring that the classification keeps pace with evolving business realities and doesn't become exclusionary over time. The revision is expected to enhance formalization, ease of doing business, and access to structured credit and dispute mechanisms.

Prior to the 2020 amendment to the MSMED Act, a small enterprise was defined by a gross investment limit of ₹5 crore in plant and machinery. Today, the limit stands at ₹25 crore on a Written Down Value (WDV) basis, along with a turnover ceiling of ₹100 crore. This shift from gross investment to WDV, combined with higher caps, effectively translates into a 5 to 10 times expansion in threshold eligibility for MSEs.

ODR represents a pivotal leap in formalization, one that combines legal certainty with digital ease, ensures timely enforcement of payments, and marks a systemic overhaul in MSME dispute handling. Alongside tax enforcement via Section 43B(h) and the revised classification norms of 2025, these developments reinforce previous progressive steps, such as Samadhaan and Udyam Registration, by closing the enforcement gap that often undermines the sector's fluid operations.

Legal Backbone: Judicial Support to the MSMED Act

The foundation of most MSME-centric initiatives lies in the Micro, Small and

Medium Enterprises Development (MSMED) Act, 2006. Notably, the Act provides a statutory cap on the credit period, restricting it to a maximum of 45 days, regardless of any mutual agreement to the contrary. This provision has consistently received judicial backing, strengthening its enforceability over time.

In the landmark case of *Eden Exports v. Union of India* (2010), the Madras High Court upheld the constitutionality of limiting the credit period, even where the buyer and seller had contractually agreed to a longer term. More recently, in *Silipi Industries v. Kerala State Electricity Board*, the judiciary clarified issues relating to counterclaims and the applicable limitation period for delayed payment cases under the MSMED Act. Finally, the Supreme Court's verdict in *NBCC India Ltd. v. Relcon Infraprojects Pvt. Ltd.* (2025) affirmed that even unregistered MSEs are entitled to their legitimate dues for supplies made, emphasizing substance over procedural compliance.

These rulings collectively underscore the legal robustness of the MSMED Act and enhance confidence among enterprises in invoking its provisions for timely payment enforcement.

Broader Awareness and Institutional Enablers

The role of Chartered Accountants has also evolved significantly in



recent years with regard to audit and reporting of payables to MSE suppliers. Increased awareness and regulatory emphasis have led auditors to scrutinize company disclosures related to MSME dues more closely, particularly in relation to Form MSME-1 filings and compliance with Section 43B(h). This has, in turn, prompted many large buyers to improve their payment discipline. Companies are either paying MSME suppliers within the prescribed timelines or provisioning and disbursing the statutory interest for delayed payments as required under the MSMED Act. This emerging compliance culture reflects the growing influence of financial professionals in promoting accountability and liquidity-focused governance.

Two pivotal developments have proven real enablers to the provisions of the MSMED Act i.e., mandatory disclosures under MCA and introduction of the TReDS platform.

The 2019 notification of the MCA mandated half yearly reporting of MSE dues. The regulatory ecosystem has also started enforcing compliance with liquidity-related obligations. Companies failing to file Form MSME-1 under Section 405 of the Companies Act, which mandates reporting of dues to MSEs beyond 45 days, are subject



to penalties. The penalty framework includes a fine of ₹20,000 and an additional ₹1,000 per day of default, up to ₹300,000, applicable to the company and its officers. Several Registrar of Companies (ROC) offices have initiated adjudication proceedings in such cases.

The 2018 notification of the Ministry of MSME mandates large companies and CPSEs with a turnover exceeding ₹250 crore (reduced from ₹500 crore in November 2024), must onboard with at least one of the three licensed TReDS platforms before 1st April 2025. Non-registration may attract regulatory scrutiny, reputational risks, and compliance notices. These measures signal a shift from passive policy encouragement to active enforcement, further strengthening the government's liquidity push for MSMEs.

The growing adoption of the Trade Receivables Discounting System (TReDS) platforms also reflects this increasing focus on liquidity in the MSME ecosystem. Since their inception, the three RBI-licensed platforms, RXIL, Invoicemart, and M1xchange, have seen a significant surge in transaction volume. In FY2024 alone, over ₹1.38 lakh crore worth of invoices were financed across 41.6 lakh transactions, reflecting an 80% increase from the ₹75,000 crore recorded in FY2023. Cumulatively, the platforms have processed bills exceeding ₹5.33 lakh crore. These figures point to the growing confidence of MSMEs and financiers in digital trade financing solutions.

It has been observed that there has been a significant shift in awareness among all stakeholders, such as buyers, MSMEs, regulators, and financial institutions, regarding the critical role of liquidity in sustaining enterprise viability.

Conclusion

For India to achieve its vision of "Viksit Bharat" by 2047, MSMEs will play a pivotal role. Their growth



hinges on three key enablers: Robust Infrastructure with seamless last-mile delivery, access to Skilled Manpower, and Assured Liquidity. While progress has been made, especially on liquidity through all initiatives discussed above, there is still a long way to go. Daily hearings by MSEFCs, empowering them to execute awards, and automatic supplier classification without buyer discretion are steps that can further strengthen the liquidity ecosystem and enable faster dispute resolution.

Looking ahead, it is imperative that the government, MSMEs, and Chartered Accountants work in close coordination to build on this momentum. Collective and sustained efforts across policy, compliance, and professional advisory will accelerate the formalization of the MSME sector. This, in turn, will foster a predictable environment for liquidity management, enhancing competitiveness, improving cash flow efficiency, and advancing India's ease of doing business.

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ICAI LEARNING CURVE

CPE ACTIVITY SUMMARY (1ST JANUARY 2023 – 31ST DECEMBER 2025)

From 2023 to 2025, Continuing Professional Education (CPE) initiatives demonstrated notable expansion in both scale and engagement, reflecting the profession's strong commitment to lifelong learning. Over the three-year period, a total of 23,962 events were conducted, delivering 112,708 CPE hours to members.

The upward trajectory is particularly evident in 2025, with events increasing by 10.59% and CPE hours growing by 29.17% year-on-year. Attendance also showed steady improvement, underscoring enhanced member participation.



KEY HIGHLIGHTS (2023-2025)

23,962
TOTAL EVENTS

↑ 10.59%

Growth in 2025
(vs.2024)

112,708
TOTAL CPE HOURS
GRANTED THROUGH CPE EVENTS

↑ 29.17%

Growth in 2025
(vs.2024)

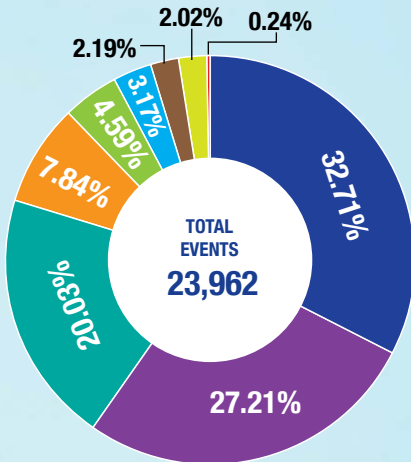
23,69,168
ATTENDANCE

↑ 15.39%

Growth in 2025
(vs.2024)



POU TYPE DISTRIBUTION OF CPE ACTIVITIES (2023-2025)



BRANCHES

Strong local presence that drives impact.

7,837
(32.71%)



CENTRAL COMMITTEES

Focused expertise, wider outreach.

6,521
(27.21%)



STUDY CIRCLE

Building community and engagement.

4,799
(20.03%)



STUDY CHAPTERS

Learning together, growing together professionally.

1,879
(7.84%)



REGIONAL COUNCIL

Regional connect, national strength.

1,100
(4.59%)



FOREIGN CHAPTERS

Global connect, knowledge without borders.

759
(3.17%)



STUDY GROUP

Imparting learning at the grassroots level.

525
(2.19%)



STUDY CIRCLE FOR MEMBER AND INDUSTRY

Industry-focused discussions bridging professional knowledge with practical insights.

485
(2.02%)



COE AND OTHERS – IIP, ICAI-RVO etc.

Specialised institutional initiatives driving innovation, quality standards, and professional excellence.

57
(0.24%)

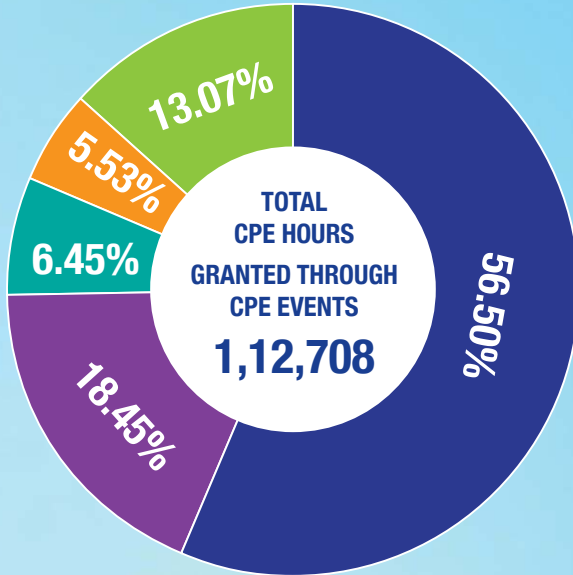


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A strong network of 709 CPE POU's working in synergy ensures inclusive access to professional development opportunities for CA members across the country and beyond.



EVENT-WISE CPE HOURS DISTRIBUTION (2023-2025)



SEMINARS

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WORKSHOPS **7,268** (6.45%)
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WEBINARS **6,235** (5.53%)
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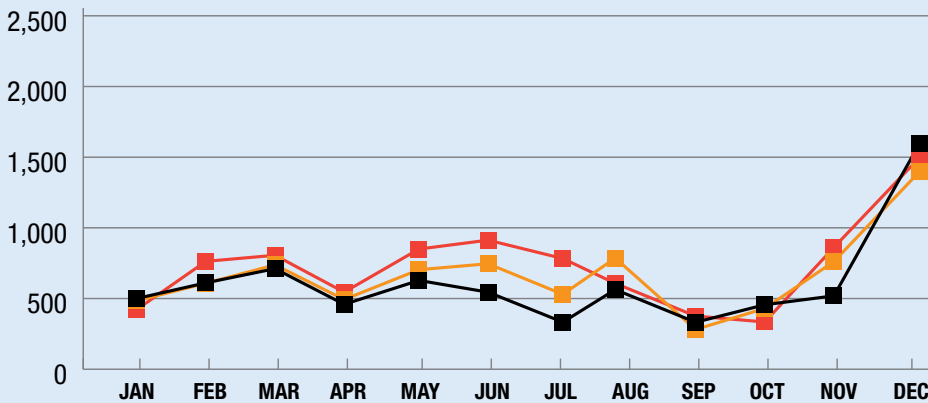
A well-balanced mix of programme formats ensures every CA finds the right way to learn, grow and stay ahead.



MONTHLY CPE ACTIVITY BY TOTAL EVENTS

(1ST JANUARY 2023 – 31ST DECEMBER 2025)

2023 2024 2025



WHAT IT SHOWS



A consistent flow of learning opportunities throughout the year, with higher activity during mid-year and year-end periods.



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CA members continue to embrace learning with commitment. The steady rise in events and CPE hours reflects a future-ready profession—driven by knowledge, strengthened by participation, and united in purpose.



CA. Rinkesh Ashokkumar Mamrawala
Member of the Institute

Invisible Players, Visible Risk: Non-Filers and Unregistered Persons in the GST Regime

“Compliance is less expensive than correction.” The article provides a comprehensive overview of the assessment mechanisms under the Goods and Services Tax (GST) law, for both compliant and non-compliant taxpayers, focusing on how tax liability is determined. It highlights key provisions of best judgment assessments (Sections 62 and 63), including the implications for non-filers and unregistered persons. Understanding these assessment types is crucial for ensuring compliance and efficient tax administration within the GST framework.

Definition of Assessment in GST

Defined under Section 2(11) of the CGST Act, 2017

Assessment means the Determination of tax liability under this Act and includes -

- i. Self-Assessment (Sec. 59),
- ii. Re-Assessment¹,
- iii. Provisional Assessment (Sec. 60),
- iv. Summary Assessment (Sec. 64) and
- v. Best Judgement Assessment (Sec. 62 and Sec. 63)

Basically, an assessment is a quasi-judicial proceeding which is adopted in fixing the correct liability to pay a tax.

Concept of Best Judgement Assessment (BJA)

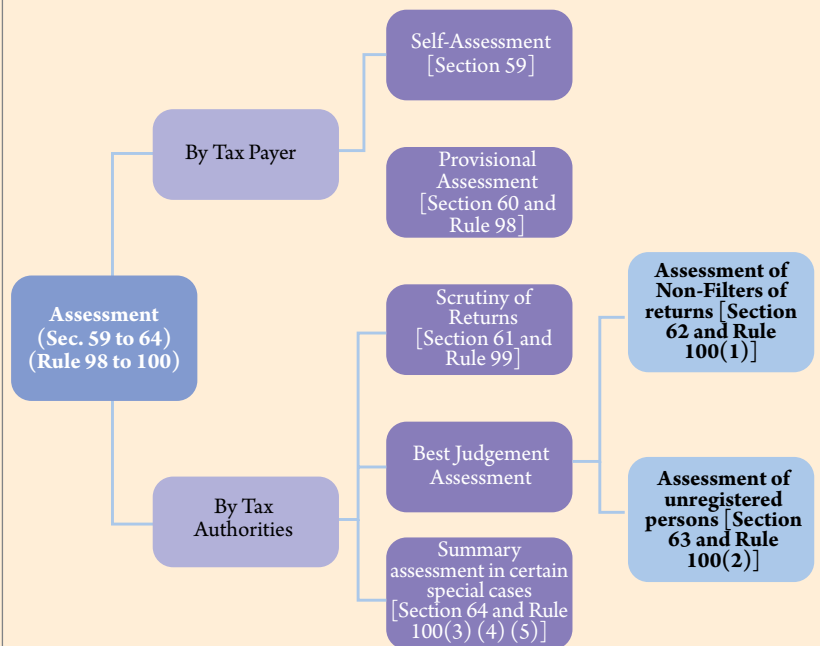
- Definition of BJA is not provided under the GST Law. However, in general practice and as per other acts such as Income Tax Law, BJA means the assessment

of a taxpayer that is carried out by the Assessing Officer (AO) as per the best of his judgement and based on all

relevant information gathered, available material and records.

- ‘Best Judgement Assessment’ must not be ‘worst’ judgement

Types of Assessments in GST



¹ Point to be Noted:

However, it must be noted that there is no explicit provision permitting a Proper Officer to re-assess the tax liability of a taxable person, as re-assessment is not provided in any specific section on assessment; therefore, a Proper Officer must take care not to carry out roving exercise to redetermine liability except in case of rectification or any other method as provided in the law.

assessment, that means judgement must be fair, not arbitrary. It should reflect realistic turnover, consider seasonal variations, and allow proportionate input tax credit. There is no legal basis to compute gross tax liability without credit. Estimated credits should be included to determine an accurate net tax liability under best judgement.

- Under the GST Law, BJA is covered under two sections, i.e., Section 62 & 63, and applicable only when the circumstances as mentioned in the sections are triggered. In the upcoming paragraphs, these provisions, legal procedures, and their implications are discussed.

What really happens if you do not file your GST Return? [Section 62]

1. Notwithstanding anything to the contrary contained in Section 73 or Section 74 [or Section 74A], where a registered person fails to furnish the return under Section 39 or Section 45,
 - even after the service of a notice under Section 46, the proper officer may proceed to assess the tax liability of the said person to the best of his judgement, taking into account all the relevant material which is available or which he has gathered and issue an assessment order
 - within a period of five years from the date specified under Section 44 for furnishing of the annual return for the financial year to which the tax not paid relates.
2. Where the registered person furnishes a valid return within *60 days (earlier 30 days) of the service of the assessment order under Sub-Section (1), the said

assessment order shall be deemed to have been withdrawn but the liability for payment of interest under Sub-Section (1) of Section 50 or for payment of late fee under Section 47 shall continue.

Provided that where the registered person fails to furnish a valid return within sixty days of the service of the assessment order under Sub-Section (1), he may furnish the same within a further period of 60 days² on payment of an additional late fee of Rs. 100 for each day of delay beyond 60 days of the service of the said assessment order, and in case he furnishes a valid return within such extended period, the said assessment order shall be deemed to have been withdrawn, but the liability to pay interest under Sub-Section (1) of Section 50 or to pay late fee under Section 47 shall continue.

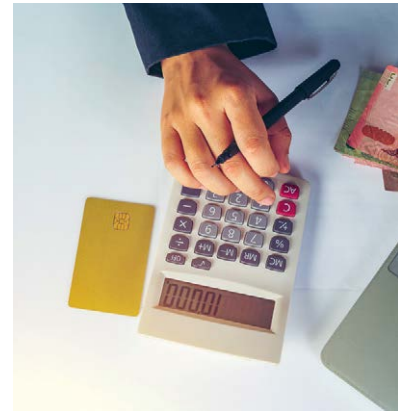
Stepwise Procedure for Assessment of Non-Fileers of Returns [Sec. 62 and Rule 100(1)]

■ Rule 68 - Notice to non-filers of returns:

Firstly, a notice in FORM GSTR-3A shall be issued, electronically, to a registered person who fails to furnish a return under Section 39 or Section 44 or Section 45 or Section 52.

■ Rule 100(1) - Assessment Procedure adopted for non-filers of returns:

- If the taxpayer fails to furnish the return within 15 days of issue of notice FORM GSTR 3A, then the proper officer may assess the tax liability in accordance with the provisions of Rule 100 (1) of the CGST Rules, 2017.
- The best judgement assessment has to be made on the basis of the material available on record



and the information gathered by the proper officer and the circumstances of each case.

- As per Rule 100 (1), assessment orders under Section 62(1) are issued in FORM GST ASMT-13, with a summary uploaded in FORM GST DRC-07.
- If a valid return is filed within 60 days of service of the ASMT-13 order, the assessment is deemed withdrawn, but interest (Sec 50(1)) and late fee (Sec 47) still apply.
- If not filed within 60 days, the taxpayer may file the return within a further 60 days (i.e., (60+60) 120 days from service), by paying an additional late fee of ₹100/day beyond the initial 60 days. The assessment will still be deemed withdrawn, but liability for interest and late fee continues.
- If no return is filed within the period as mentioned above, the order becomes final and cannot be withdrawn, even if returns are filed later. However, the aggrieved person may prefer appeal u/s 107 against the best judgment assessment order.
- Once FORM GST DRC-07 is issued, recovery proceedings for tax assessed in FORM GST ASMT-13 will be followed.

² Substituted vide The Finance Act, 2023 dated 31.03.2023, notified through Notification No. 28/2023 – CT dated 31.07.2023, w.e.f. 01.10.2023, prior to its substitution, it was read as: “thirty days”.

Standard Operating Procedure to be followed in case of Non-Filers of Returns

CBIC, vide Circular No. 129/48/2019, dated 24.12.2019, has issued a Standard Operating Procedure in respect of the assessment of non-filers. Extract of the circular is as below:

- 1) A format of the Notice to be issued u/s 46 of the CGST Act, 2017, to the defaulter for not filing of return is given and instructed to file pending returns within 15 days and failure to comply with the notice will attract the provision of Section 62 (i.e. best judgment assessment for Non-Filers of Returns) without issuing any further communication/notice.
- 2) Circular has prescribed the guidelines to ensure uniformity in the implementation of the provisions of law across the field formations, which is summarized below:

Which Forms are to be used for the proceedings u/s 62?

| Ser. No. | Form No. | Purpose |
|----------|----------------------------|--|
| 1. | GSTR-3A (System Generated) | Notice to taxable person |
| 2. | GST ASMT – 13 | Assessment order |
| 3. | GST DRC-07 | Summary of the order to be uploaded electronically |

Amnesty scheme for non-filers (Deemed withdrawal of best judgement assessment order)

- A special amnesty scheme vide Notification No. 06/2023 CT, dated 31-03-2023 under the CGST Act allowed taxpayers, who received best judgment assessment orders under Section 62(1) on or before 28.02.2023 (for not filing returns),

“ ‘Best Judgement Assessment’ must not be ‘worst’ judgement assessment, that means judgement must be fair, not arbitrary. It should reflect realistic turnover, consider seasonal variations, and allow proportionate input tax credit. ”

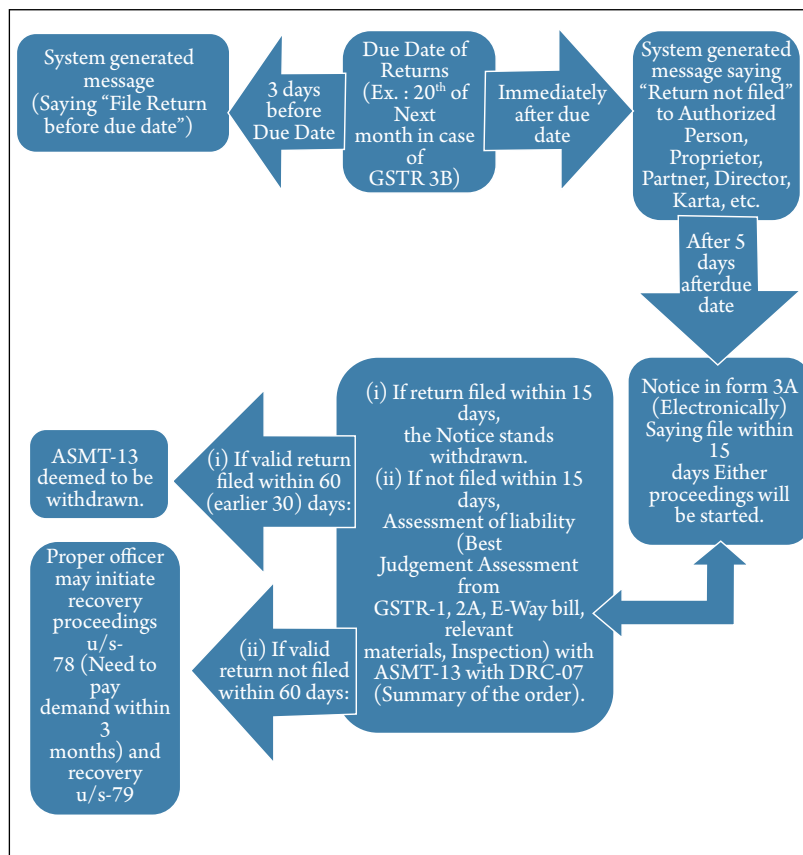
to get these orders automatically withdrawn—if they filed all pending returns and paid the required tax, interest, and late fees between 1st April and 30th June 2023. Further, vide Notification No. 24/2023 CT, dated 17-07-2023 (w.e.f. 30-06-2023), the date for deemed withdrawal of assessment order issued u/s 62 was extended to 31-08-2023. This benefit applied regardless of any ongoing or decided appeals. Orders were not withdrawn if compliance was not done within these dates. The scheme was a one-time relief valid only for relevant orders issued up to 28.02.2023.

Case Law:

In *Joy Mathew vs. Union of India* (2020), the Kerala High Court held that filing returns within 30 days under Section 62(2) nullifies assessment orders and cancels recovery notices.

Is Non-Registration a Loophole or a Liability Under Section 63? [Section 63]

- Notwithstanding anything to the contrary contained in Section 73 or Section 74 [or Section 74A], where a taxable person fails to obtain registration
- even though liable to do so or whose registration has been cancelled under Sub-Section (2) of Section 29, but



“ If the taxpayer fails to furnish the return within 15 days of issue of notice FORM GSTR 3A, then the proper officer may assess the tax liability in accordance with the provisions of Rule 100 (1) of the CGST Rules, 2017. ”

who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgment for the relevant tax periods

- and issue an assessment order within a period of five years from the date specified under Section 44 for furnishing of the annual return for the financial year to which the tax not paid relates.
- provided that no such assessment order shall be passed without giving the person an opportunity of being heard.

Assessment Proceedings u/s 63

Procedure:

i. Time to Start the Procedure:

The procedure of the Assessment of Unregistered Persons starts when a tax officer comes to know, either during inspection or survey or enforcement or through the information available with the intelligence unit or through any other means, that a taxable person has failed to obtain registration or to pay taxes even though he/she is liable to do so.

The procedure of the Assessment Proceedings u/s 63 against Unregistered Persons

- Adjudicating Authority / Assessing Authority (A/A) issues a “Show Cause Notice” to the taxable person and, if a personal hearing is required,

also schedules a date and time and venue for the same.

- In case no reply is received from the taxable person, A/A issues a reminder. A maximum of three reminders can be issued.
- A taxable person can reply to the issued notice and request a personal hearing (PH) in case A/A has not called for a personal hearing in the issued notice. Additionally, if required, he/she can also file an application for extension of the PH date. If A/A approves the application for extension, A/A will issue an adjournment with the new date and time and venue for PH. Adjournment can be allowed a maximum of 3 times.
- If PH is not required, A/A, based on the taxable person’s reply, issues an Assessment Order – ASMT-15 or DROP PROCEEDING Order.
- If PH is required, A/A conducts the PH and, on that basis, passes the Order.

- If the taxable person does not reply, even after the issue of three reminders, A/A passes an ex-parte order as per the best of his judgement based on available information and records.

Rule 100(2)

- The proper officer shall issue a notice to a taxable person in accordance with the provisions of Section 63 in FORM GST ASMT-14 containing the grounds on which the assessment is proposed to be made on a best judgment basis.
- A summary of the notice is uploaded electronically in FORM GST DRC-01.
- After allowing a time of 15 days to such a person to furnish his reply, the officer may pass an order in FORM GST ASMT-15, with a summary uploaded electronically in FORM GST DRC-07.

Which Forms are to be used for the proceedings u/s 63?

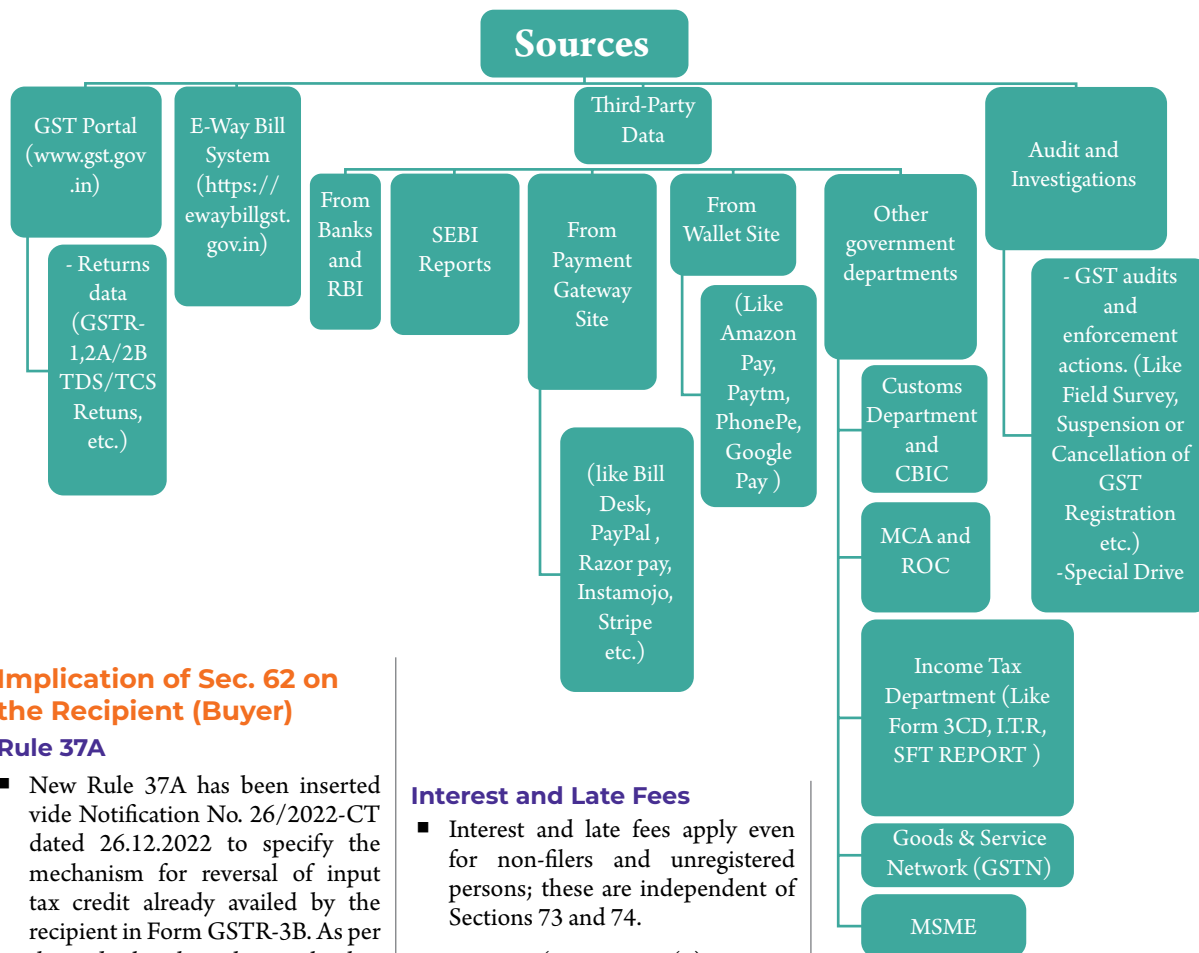
| S. No. | Form No. | Purpose |
|--------|---------------|---|
| 1. | GST ASMT – 14 | Notice to taxable person |
| 2. | GST DRC – 01 | Summary of notice to be uploaded electronically |
| 3. | GST ASMT – 15 | Assessment order |
| 4. | GST DRC – 07 | Summary of order to be uploaded electronically |



How Do Authorities Track the Unregistered and Non-Filers?

Example:

In the month of July 2025, Karnataka GST authorities issued notices to approximately 7,000 unregistered vendors based on UPI transaction data indicating potential tax liability under Section 63 of the CGST Act.



Implication of Sec. 62 on the Recipient (Buyer)

Rule 37A

- New Rule 37A has been inserted vide Notification No. 26/2022-CT dated 26.12.2022 to specify the mechanism for reversal of input tax credit already availed by the recipient in Form GSTR-3B. As per the said rule, where the supplier has furnished the details of the invoice or debit note in Form GSTR-1 or IFF but the return in Form GSTR-3B has not been furnished by the supplier till 30th November (earlier 30th September) of the subsequent financial year, the input tax credit availed by the recipient shall be reversed along with interest.
- However, if the recipient reverses the ITC already availed in Form GSTR-3B on or before 30th November of the succeeding financial year, then the recipient is not required to pay interest on such reversal amount. If the recipient reverses ITC after 30th November, then he is liable to reverse the amount of ITC along with interest as per Section 50.
- The recipient may re-avail the amount of ITC in Form GSTR-3B after the supplier furnishes the Form GSTR-3B.

Interest and Late Fees

- Interest and late fees apply even for non-filers and unregistered persons; these are independent of Sections 73 and 74.
- Interest (Section 50(1), CGST Act): If tax is not paid within the prescribed time, interest (up to 18%) is payable.
- If tax is declared late in a return (u/s 39), interest is only on the amount paid via electronic cash ledger—unless proceedings under Sections 73, 74, or 74A have already commenced for that period.
- Late Fee (Section 47(1), CGST Act): ₹100 per day (up to ₹5,000) for delay in filing returns under Sections 37, 39, 45, or 52.

Conclusion

GST compliance is not just about avoiding penalties; it is about unlocking peace of mind, credibility, and steady growth. Filing on time and staying registered turns obligations into opportunities. Think of compliance as your business's passport, not a burden: it does not restrict you; it is

the currency of trust and the smartest investment which opens doors to trust, stability, and lasting success. Remember, *Prevention is always cheaper than correction. Discipline today secures freedom for tomorrow.*

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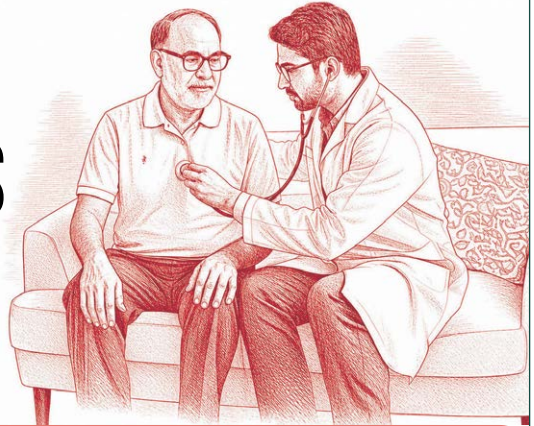


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CA. Lakshay Agarwal

Member of the Institute

Dipping Reliance on Customs' Revenue: A Boost to India's Quest for Negotiating Trade Deals

Tariff jitters have been regularly making headlines in business media over the recent past all over the world. India has been no different with people fearing the worst in these uncertain times. However, India has significantly reduced its reliance on customs duties as a source of tax revenue. From contributing over one-

third of the Union government's gross tax revenue in the late 1980s, customs duties now account for just over 6% of revenue as per the 2026-27 Budget Estimates. This shift reflects a strategic policy move toward trade liberalization, improved domestic tax systems (like GST), and a growing focus on industrial competitiveness rather than revenue protection. India's calibrated tariff reductions, alongside a surge in Free Trade Agreements (FTAs), position it to engage in offering tariff concessions during trade negotiations without jeopardizing fiscal stability. It also shifts the role of tariffs from revenue generation to regulatory oversight and strategic protection. Supported by PLI schemes, infrastructure development, and digital trade facilitation, India is now better equipped to absorb liberalization shocks and leverage global markets to fuel its growth ambitions.

Introduction

Customs duties and tariffs have long been at the heart of global economic discourse. Traditionally viewed as both a revenue tool and a protective measure, their role has evolved significantly, particularly in emerging economies like India. Over the past four decades, India has seen a sharp decline in its reliance on customs revenue as a proportion of total tax income- a transformation that carries significant implications for trade policy, fiscal planning, and industrial strategy.

As geopolitical tensions and economic nationalism rise - typified by the United States' hardened trade posture - countries are re-evaluating their trade architectures. India, with its calibrated reduction in import tariffs and an increasing array of

Free Trade Agreements (FTAs), finds itself in a unique position. The reduced dependency on customs revenue allows it to negotiate trade deals with less fiscal risk, strengthening its global economic positioning.

The Dual Role of Customs Duties

Customs duties serve two essential roles in a country's economy:

- 1. Revenue Generation:** Especially in developing countries, customs duties have historically been a significant contributor to government revenue. Before the full development of robust domestic taxation mechanisms like GST or comprehensive income tax structures, customs duties were relatively easy to

collect and provided a steady stream of funds.

- 2. Protective Barrier:** Beyond revenue, tariffs act as a protective shield for domestic industries, offering insulation from foreign competition. By imposing duties on imported goods, governments can incentivize local production, preserve employment, and nurture infant industries.

India has traditionally balanced these roles with care, but the balance has been shifting in recent years - from revenue generation toward regulatory and strategic use.

The Long Arc: Four Decades of Declining Customs Revenue Share

India's customs revenue, once a dominant contributor to the Union

government's tax kitty, has seen a dramatic fall in its share of gross tax revenue over the past four decades. In 1980-81, customs revenue accounted for 25.87% of the Union's gross tax revenue, driven by high import duties and a relatively closed economy.

However, according to official data, customs duties will account for around 6% of the government's total gross tax revenue in the 2026-27 Budget Estimate (BE) - a sharp decline from 36.38% in 1987-88, the highest recorded share.

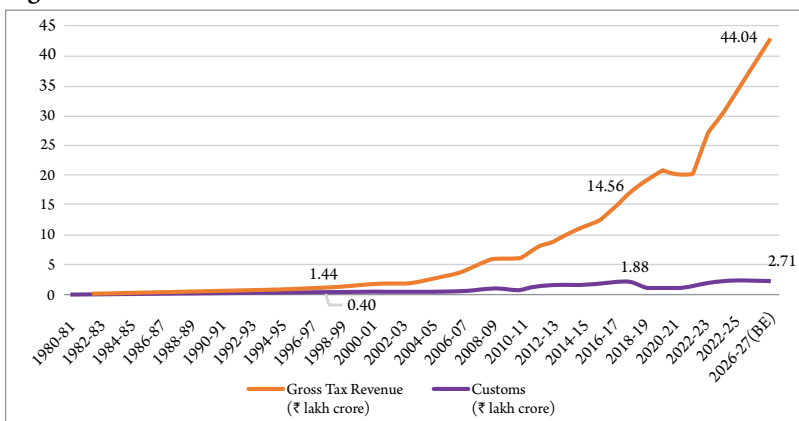
To put things into perspective, while gross tax revenue has jumped from 14 lakh crore in 2015-16 to north of 44 lakh crore in 2026-27, custom duty has barely increased, remaining in range of 2 to 2.5 lakh crore in last 10 years as depicted in the table below.

| Financial Year | Gross Tax Revenue (₹ lakh crore) | Customs (₹ lakh crore) | Share in Total Tax revenue of the Union |
|----------------|-------------------------------------|---------------------------|--|
| 1980-81 | 0.13 | 0.03 | 25.87% |
| 1981-82 | 0.16 | 0.04 | 27.19% |
| 1982-83 | 0.18 | 0.05 | 28.93% |
| 1983-84 | 0.21 | 0.06 | 26.94% |
| 1984-85 | 0.23 | 0.07 | 30.00% |
| 1985-86 | 0.29 | 0.10 | 33.23% |
| 1986-87 | 0.33 | 0.11 | 34.94% |
| 1987-88 | 0.38 | 0.14 | 36.38% |
| 1988-89 | 0.44 | 0.16 | 35.54% |
| 1989-90 | 0.52 | 0.18 | 34.93% |
| 1990-91 | 0.58 | 0.21 | 35.86% |
| 1991-92 | 0.67 | 0.22 | 33.04% |
| 1992-93 | 0.75 | 0.24 | 31.86% |
| 1993-94 | 0.76 | 0.22 | 29.30% |
| 1994-95 | 0.92 | 0.27 | 29.03% |
| 1995-96 | 1.11 | 0.36 | 32.15% |
| 1996-97 | 1.29 | 0.43 | 33.28% |
| 1997-98 | 1.39 | 0.40 | 28.87% |
| 1998-99 | 1.44 | 0.41 | 28.28% |
| 1999-2000 | 1.72 | 0.48 | 28.19% |
| 2000-01 | 1.89 | 0.48 | 25.21% |
| 2001-02 | 1.87 | 0.40 | 21.53% |
| 2002-03 | 2.16 | 0.45 | 20.74% |
| 2003-04 | 2.54 | 0.49 | 19.12% |
| 2004-05 | 3.05 | 0.58 | 18.89% |
| 2005-06 | 3.66 | 0.65 | 17.77% |
| 2006-07 | 4.74 | 0.86 | 18.23% |
| 2007-08 | 5.93 | 1.04 | 17.55% |
| 2008-09 | 6.05 | 1.00 | 16.50% |
| 2009-10 | 6.25 | 0.83 | 13.34% |
| 2010-11 | 7.93 | 1.36 | 17.12% |
| 2011-12 | 8.89 | 1.49 | 16.79% |
| 2012-13 | 10.36 | 1.65 | 15.96% |
| 2013-14 | 11.39 | 1.72 | 15.11% |

| Financial Year | Gross Tax Revenue (₹ lakh crore) | Customs (₹ lakh crore) | Share in Total Tax revenue of the Union |
|----------------|----------------------------------|------------------------|---|
| 2014-15 | 12.45 | 1.88 | 15.10% |
| 2015-16 | 14.56 | 2.10 | 14.45% |
| 2016-17 | 17.16 | 2.25 | 13.13% |
| 2017-18* | 19.19 | 1.29 | 6.72% |
| 2018-19 | 20.80 | 1.18 | 5.66% |
| 2019-20 | 20.10 | 1.09 | 5.44% |
| 2020-21 | 20.27 | 1.35 | 6.65% |
| 2021-22 | 27.09 | 2.00 | 7.37% |
| 2022-23 | 30.54 | 2.13 | 6.99% |
| 2023-24 | 34.66 | 2.33 | 6.73% |
| 2024-25 | 37.96 | 2.33 | 6.14% |
| 2025-26 (RE) | 40.78 | 2.58 | 6.33% |
| 2026-27 (BE) | 44.04 | 2.71 | 6.15% |

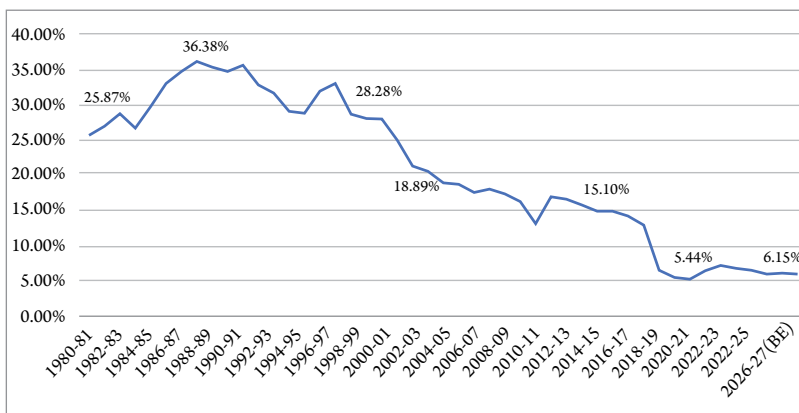
Source: Author's Compilation from Union Budget

Figure 1: Gross tax revenue and Customs' revenue trends



Source: Author's Compilation

Figure 2: Customs' revenue contribution to India's tax revenue since 1980-81 (in %)



Source: Author's Compilation

This stark decline is not merely a statistical anomaly but a deliberate consequence of policy shifts toward trade liberalization, WTO commitments, and an evolving tax regime that places greater emphasis on domestic revenue tools like the Goods and Services Tax (GST) and direct taxation.

Thus, the potential lowering of tariff rates in India that might follow will be no watershed moment in India's history. India has been systematically lowering its import tariffs, slowly since 2001-02, and more swiftly from 2015-16 in alignment with India's broader trade liberalization strategy and its WTO-bound tariff commitments which has naturally led to a decline in customs revenue as a proportion of total taxes. India has already entered into duty-free access for several

“India has already entered into duty-free access for several imports under FTAs with ASEAN, Japan, and South Korea which allow zero or reduced customs duties on many imports.”

imports under FTAs with ASEAN, Japan, and South Korea which allow zero or reduced customs duties on many imports. Further, the recent union budgets have rendered custom duty exemptions on various sectors such as life saving medicines, critical mineral, textile sector, mobile phone manufacturing etc.

Selected Trade Agreements Concluded or Under Negotiation in Recent Years

| S. No | Country / Institution | Agreement Name | Date |
|-------|-----------------------|--|------------------|
| 1 | Mauritius | India Mauritius Comprehensive Economic Cooperation and Partnership Agreement | 22 February 2021 |
| 2 | United Arab Emirates | India UAE Comprehensive Economic Partnership Agreement | 18 February 2022 |
| 3 | Australia | Australia-India Comprehensive Economic Cooperation Agreement | 2 April 2022 |
| 4 | EFTA | India EFTA Trade and Economic Partnership Agreement | 10 March 2024 |
| 5 | United Kingdom | India-UK Comprehensive Economic and Trade Agreement | 24 July 2025 |
| 6 | Oman | India-Oman Comprehensive Economic Partnership Agreement | 18 December 2025 |
| 7 | European Union | India-EU Free Trade Agreement | 27 January 2026 |

Source: Author's Compilation

These agreements have opened up duty-free or low-duty access to and from partner countries, naturally leading to reduced customs revenue but increased trade flows. The rationale is clear: short-term revenue foregone through tariff reductions is expected to be offset by long-term gains in trade expansion, efficiency, and economic growth.

Summary of major reduction in customs duty announced in Union Budget 2026-27:

| Commodity | From (%) | To (%) |
|--|----------------------------|----------------------------|
| Capital goods for manufacturing Lithium-Ion Cells for battery energy storage systems (BESS) | Applicable | Nil |
| Capital goods required for processing of critical minerals in India | Applicable | Nil |
| Sodium antimonate for use in manufacture of solar glass | 7.5 | Nil |
| Goods required for Nuclear Power Projects (exemption extended till 2035, all nuclear plants) | Applicable | Nil |
| Components and parts for manufacture of civilian and training aircrafts | Applicable | Nil |
| Raw materials for manufacture of aircraft parts for MRO by Defence sector units | Applicable | Nil |
| Specified parts used in manufacture of microwave ovens | Applicable | Nil |
| 17 anti-cancer drugs and medicines for rare diseases | Applicable | Nil |
| Dutiable personal-use goods (Heading 9804) imported for personal use | 20 | 10 |
| Inputs for processing seafood products for export (duty-free import limit increased) | 1% of FOB value of exports | 3% of FOB value of exports |
| BCD exemption extended: Capital goods for Li-Ion cells for mobile phone batteries | Applicable | Nil |

Source: Author's Compilation



Strategic Leverage in Trade Negotiations

The decline in customs revenue dependence empowers India in at least three key ways during trade negotiations:

1. Reduced Revenue Risk

In earlier decades, cutting import duties could significantly dent government revenues. For instance, during the 1990s, customs revenue made up nearly 30-35% of total tax receipts. Today, with that figure under 6%, the fiscal hit from liberalizing trade is minimal.

This makes India more flexible in offering concessions without undermining its budgetary stability - a critical factor in negotiating large-scale trade pacts, especially with advanced economies. Imagine being in a position where 15% of your revenues are at stake while



“ Without the looming worry of revenue foregone, the government can concentrate entirely on evaluating the impact of reduced tariffs on domestic producers. This allows for smarter, sector-specific protections and phasing mechanisms to ensure that local industries adapt progressively. ”

2. Focus on Industrial Impact Over Fiscal Loss

negotiating trade deals vis-à-vis just 5-6%.

3. Better Risk Management for Exporters

Without the looming worry of revenue foregone, the government can concentrate entirely on evaluating the impact of reduced tariffs on domestic producers. This allows for smarter, sector-specific protections and phasing mechanisms to ensure that local industries adapt progressively.

Indian exporters face increasing challenges in global markets, from EU's Carbon Border Adjustment Mechanism (CBAM) to retaliatory tariffs by developed economies. By signing FTAs that offer reciprocal duty-free access, India can mitigate export revenue risks, helping domestic industries maintain competitiveness globally.

The Shift from Revenue to Regulation

As customs duties lose fiscal importance, their future lies in regulatory oversight:

- **Quality Control:** Ensuring imported goods meet safety and environmental standards.



- **Strategic Protection:** Temporary duties to counter unfair trade practices or protect strategic sectors.
- **Sustainability Goals:** Using tariffs to discourage environmentally harmful imports and promote green alternatives.

This transformation reflects a maturing economy no longer reliant on border taxes to balance its books.

Industrial Preparedness for a Low-Tariff Economy

Critics of tariff reduction often cite the vulnerability of local industries to international competition. However, India has used the last decade to prepare its industries:

- **PLI Schemes** (Production Linked Incentives) have incentivized domestic manufacturing across sectors like mobile phones, pharmaceuticals, electronics, and textiles.
- **Investment in infrastructure** — logistics parks, ports, dedicated freight corridors have led to improved cost competitiveness.



“As India positions itself to further strengthen its position in the global economic landscape and emerge as a global economic leader, the proactivity displayed by country’s financial leadership in realignment of customs framework in the last 2 decades, will prove to be a cornerstone of our strategic future.”



- **Digital governance and compliance systems** have reduced transaction costs for exporters and importers alike.

Thus, India is better placed today than ever before to absorb the shocks of liberalization and capitalize on trade opportunities.

What Lies Ahead

As India deepens its engagement with the world - particularly with the EU, US, UK, and Africa - its approach to customs duties will continue to evolve:

- **Expect more FTAs**, especially with countries in Africa and Latin America, where India can leverage its manufacturing prowess.
- **Continued reduction in tariffs** on strategic inputs will support Make in India and green transition initiatives.

The government’s ability to decouple fiscal health from customs revenue opens up immense room for ambitious trade strategies that align with national interests - both economic and geopolitical.

Conclusion

India’s sustained decline in dependence on customs revenue represents a paradigm shift in fiscal and trade policy. From being a key source of funds, customs duties have become an increasingly marginal tool, used more for strategic signalling than revenue collection. This shift is likely to have various far-reaching implications:

- It grants India greater leverage and flexibility in trade negotiations.
- It reduces the domestic economic cost of liberalization.



- It reflects a maturing fiscal framework supported by more sustainable and equitable tax bases.

As India positions itself to further strengthen its position in the global economic landscape and emerge as a global economic leader, the proactivity displayed by country’s financial leadership in realignment of customs framework in the last 2 decades, will prove to be a cornerstone of our strategic future.

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India's Sustainable Financing Leap: Decoding Social, Sustainability, and Sustainability-Linked Bonds

India is rapidly maturing as a global sustainable finance leader, ranking fourth among emerging markets with USD 55.9 billion in cumulative GSS+ debt issuance by end-2024. SEBI's June 2025 ESG Debt Securities Framework brings regulatory clarity to three distinct instruments: Social Bonds, Sustainability Bonds, and Sustainability-Linked Bonds. Each serves a defined

purpose- from funding social projects to linking coupon rates with ESG performance. Anchored in ICMA's global principles, the framework drives transparency and investor confidence. India is now well-positioned to channel capital toward inclusive growth and climate transition. This article examines the framework's structure, instruments, and India's ascent in sustainable finance.

The world of finance is undergoing a seismic shift. Traditional priorities of profit and immediate returns are giving way to a broader vision that integrates environmental, social, and governance (ESG) principles, emphasizing sustainability, fairness, and enduring stability. Within this evolving landscape, instruments like social bonds, sustainability bonds, and sustainability-linked bonds (SLBs) have become essential for channelling capital toward impactful, purpose-driven initiatives.

India, as a dynamic global economic player, is embracing this transformation with ambition and foresight. On June 5, 2025, the Securities and Exchange Board of India (SEBI) launched its groundbreaking Framework for

Environment, Social and Governance (ESG) Debt Securities (other than green debt securities)¹ (hereinafter referred to as "The Framework"), setting a new standard for the issuance and oversight of social, sustainability, and sustainability-linked bonds. This landmark regulation represents a decisive shift in India's sustainable finance landscape, transforming it from broadly articulated ESG aspirations to a clearly defined, transparent, and globally aligned framework.

SEBI's newly introduced framework establishes a robust regulatory foundation for social, sustainability, and sustainability-linked bonds, marking their first dedicated oversight distinct from the Green Bonds, which are already covered under a separate SEBI Framework². By introducing

these precise guidelines, SEBI ensures that India's ESG bond market aligns with the highest global standards, enhancing market credibility, comparability, and investor confidence.

Mapping the Current Landscape of Sustainable Finance in India

The Climate Bonds Initiative, in partnership with the MUFG Bank and under the umbrella of the India Initiative on Climate Risk and Sustainable Finance (IICRSF), released the *India Sustainable Debt State of the Market 2024* report, offering an in-depth exploration of India's green, social, sustainability, and sustainability-linked (GSS+) debt ecosystem. This comprehensive analysis highlights the dynamic growth of India's sustainable finance market, detailing key trends, emerging

¹ Securities and Exchange Board of India, Framework for Environment, Social and Governance (ESG) Debt Securities (other than green debt securities), Circular No. SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 (June 5, 2025)

² Regulation 2(1)(q) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations'), defines "green debt security" and Chapter IX of the Operational Circular for issue and listing of Non-Convertible Securities (NCS), Securitised Debt Instruments (SDI), Security Receipts (SR), Municipal Debt Securities and Commercial Paper (CP) dated August 10, 2021 as amended from time to time ('Operational Circular'), inter alia provides the initial and continuous disclosure requirements for entities issuing/ proposing to issue green debt securities. The extant framework of 'green debt security' was reviewed recently and consequential changes were brought in the NCS Regulations vide Gazette notification dated February 02, 2023.

“Green bonds continue to dominate, representing 83% of total aligned issuance, yet the market is diversifying rapidly across themes, instruments, and issuer profiles, signalling a maturing and versatile sustainable finance landscape.”

opportunities, and actionable steps to drive the nation's low-carbon, inclusive development agenda.

India has solidified its position as the fourth-largest emerging market for aligned GSS+ debt worldwide, trailing only China, South Korea, and Chile. By December 2024, the cumulative GSS+ issuance soared to USD 55.9 billion, marking a remarkable 186% increase from USD 21.4 billion in 2021. Green bonds continue to dominate, representing 83% of total aligned issuance, yet the market is diversifying rapidly across themes, instruments, and issuer profiles, signalling a maturing and versatile sustainable finance landscape.

In 2024, the issuance of seven aligned social bonds added USD 5.5 billion, boosting the cumulative social bond volume to USD 6.6 billion.

Non-Banking Financial Companies (NBFCs) further contributed by arranging USD 1.8 billion in social loans during the year. Meanwhile, banks and NBFCs are pioneering innovative financing structures, bundling assets such as rooftop solar, e-mobility, and waste management into portfolio financings, which are subsequently refinanced through labelled bonds and loans, further expanding the scope and impact of sustainable finance in India.

In alignment with these advancements, India's sustainable finance ecosystem is being reshaped by robust policy and regulatory frameworks. The Reserve Bank of India's (RBI) Green Deposit Framework and the International Financial Services Centres Authority's (IFSCA) sustainable finance guidelines are strengthening market integrity and encouraging global participation. Additionally, the Securities and Exchange Board of India (SEBI) has implemented enhanced disclosure requirements and a comprehensive ESG Debt Framework, in order to promote transparency and market trust.

Exploring the Basics: Social, Sustainability, and Sustainability-Linked Bonds

Social Bonds

At its essence, a Social Bond is a financial instrument designed to channel capital into projects that tackle

pressing social issues or foster positive societal outcomes. Unlike traditional bonds, where proceeds may be used for general corporate purposes, social bonds are tied to specific, impact-driven projects. These projects focus on improving the quality of life, reducing inequalities, or addressing systemic social challenges, often with a particular emphasis on underserved or vulnerable populations, though not exclusively limited to them.

The Framework defines Social Bonds as under:

“Social Bonds’ means a debt security issued for raising funds, subject to the conditions as may be specified by the Board from time to time, to be utilised for social project(s) that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population, falling under any of the following categories:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)*
- Access to essential services (e.g. health, education and vocational training, healthcare,)*
- Affordable housing*
- Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition” (such provision and/or promotion could include SME financing and microfinance)*
- Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)*
- Socio-economic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable*

| India GSS+ Scorecard | | | | | | |
|----------------------|-------------------------|-------------|------------|-------------------------|-------------|------------|
| Theme | 2024 | | | Cumulative since 2006 | | |
| | Number of aligned deals | USDbn | %total | Number of aligned deals | USDbn | %total |
| Green | 22 | 6.4 | 51 | 163 | 46.6 | 83 |
| Social | 7 | 5.5 | 44 | 11 | 6.6 | 12 |
| Sustainability | 2 | 0.6 | 5 | 4 | 2.2 | 4 |
| SLB | 0 | 0 | 0 | 1 | .5 | 1 |
| Grand Total | 31 | 12.5 | 100 | 179 | 55.9 | 100 |

Source: India Sustainable Debt State of the Market 2024 (Published by Climate Bonds led India Initiative on Climate Risk and Sustainable Finance (ICRSF) and MUFG)

participation and integration into the market and society, including reduction of income inequality)

g) any other category, as may be specified by the Board from time to time”

The definition of social bonds outlined by the Securities and Exchange Board of India (SEBI) aligns seamlessly with the Social Bond Principles (SBP) issued by the International Capital Market Association (ICMA). The SBP serves as a global benchmark, promoting transparency, robust disclosure, and integrity in the social bond market by providing a clear framework for issuing social bonds. These principles ensure that social bonds deliver measurable social impact while maintaining market credibility. The alignment with SBP is structured around four core components:

1. Use of Proceeds

Ensures Social Bonds fund projects with clear social benefits, described in legal documentation. Proceeds must target specific social issues or outcomes, with transparency on financing vs. refinancing. Issuers should identify the relevant target population(s) of the Social Projects; however, it is acknowledged that the definition of target population can vary depending on local contexts

and that, in some cases, such target population(s) may also be served by addressing the general public.

2. Process for Project Evaluation and Selection

Social Bond issuers must transparently communicate social objectives, project eligibility processes, and benefits to target populations. They should provide complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).

3. Management of Proceeds

Social Bond proceeds must be tracked via a sub-account or portfolio, with periodic adjustments to match allocations to eligible Social Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds. The proceeds of Social Bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple Social Bonds (portfolio approach). The SBP advocates for robust transparency, urging issuers to

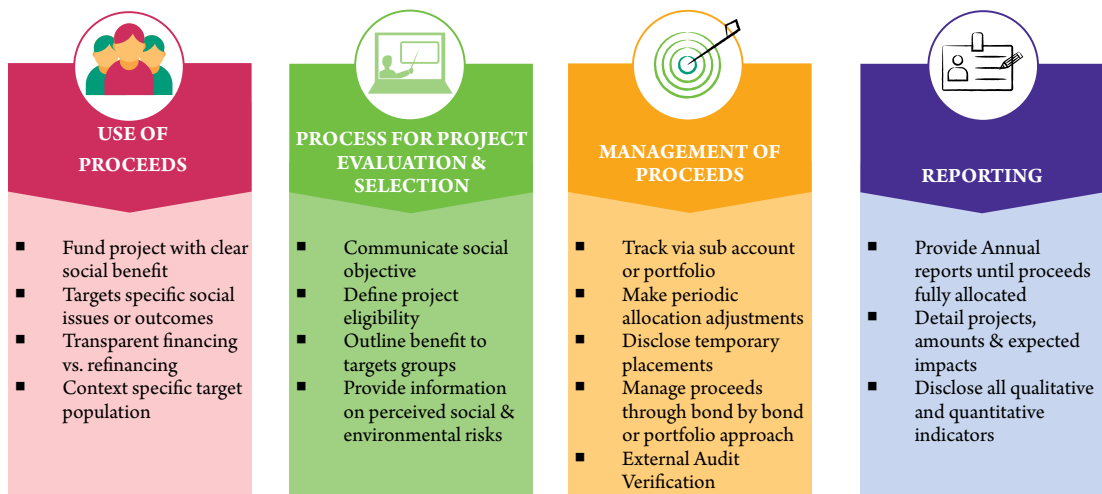
enhance proceeds management with external audits or third-party verification to ensure accurate tracking and allocation of Social Bond funds.

4. Reporting

Issuers must provide and update annual reports on Social Bond proceeds until fully allocated, detailing projects, amounts, and expected impacts. In cases of confidentiality or numerous projects, generic or aggregated data is recommended. Transparency is key, with qualitative and quantitative performance indicators (e.g. no. of beneficiaries) for Social Bonds to ensure robust impact disclosure.

In March 2025, Standard Chartered issued its first-ever Social Bond, a EUR 1 billion, 8-year Non-Call 7 issuance, aimed at supporting sustainable development across emerging markets. The bond’s proceeds will be deployed primarily toward financing small and medium-sized enterprises (SMEs), including women-owned businesses, as well as improving access to essential services such as healthcare, education, affordable infrastructure, and food security. With 99 per cent of the bank’s social asset base located in Asia, Africa, and the Middle East,

Four Core Components of Social Bonds



Social Bond Principles as issued by ICMA

“The calibration of sustainability performance targets (SPTs) for each key performance indicator (KPI) is fundamental to the structuring of SLBs, as it defines the issuer’s commitment to ambitious and achievable sustainability goals.”

particularly in countries such as India, Malaysia, and Bangladesh, the issuance channels capital to regions where financing needs are most acute. Anchored in the bank’s Sustainability Bond Framework, the transaction highlights the growing role of social bonds in mobilising private capital for inclusive growth, resilience, and long-term development in high-growth emerging economies.

Sustainability Bonds

The Framework outlines Sustainability Bonds as under:

“Sustainability bonds’ means a debt security issued for raising funds, subject to the conditions as may be specified by the Board from time to time, to be utilised for finance or re-finance of a combination of eligible green project(s) and social project(s) as specified under the definition of green bonds and social bonds respectively.”

Sustainability Bonds are debt instruments issued to fund or refinance a combination of eligible green and social projects, seamlessly blending environmental and social goals. They provide a dynamic tool for issuers to advance India’s sustainable finance agenda. As highlighted in the India Sustainable Debt State of the Market 2024 report, sustainability bonds, due to green and social objectives, can address the social costs of decarbonization, particularly in India, where transitioning to a low-carbon economy may disrupt

livelihoods in high-emission sectors like coal and thermal power due to evolving skill demands.

To strengthen its commitment to ESG objectives, India Exim Bank listed its inaugural 10-year USD 1 billion Sustainability Bond in 2023 on the London Stock Exchange’s Sustainable Bond Market (SBM) platform, under its Environmental, Social, and Governance (ESG) Framework. Additionally, the bond was listed on India’s first international exchange, the India International Exchange (India INX), at the International Financial Services Centre (IFSC) in GIFT City, Gujarat. Furthering its efforts, the bank issued two Sustainable Bonds totalling USD 150 million in February 2025, reinforcing its leadership in sustainable finance.

Sustainability-Linked Bonds

Sustainability-linked Bonds (SLBs) represent an innovative financing mechanism that ties the terms of debt issuance to measurable environmental or social goals, distinguishing them from traditional “use-of-proceeds” instruments like green bonds or debt-for-nature swaps, which allocate funds exclusively to designated projects and may impose restrictions on spending decisions. With SLBs, issuers retain full discretion over how the borrowed capital is deployed, often for general business needs, while the bond’s financial features, such as interest rates or coupon adjustments, fluctuate based on the achievement of predefined sustainability Key Performance Indicators (KPIs) evaluated against Specific Performance Targets (SPTs). This structure incentivizes issuers to deliver tangible progress in sustainability within set timelines, fostering a forward-thinking, results-oriented approach that extends improvements across the entire organization rather than isolated initiatives. Ultimately, like broader conservation financing tools, SLBs attract private investment by aligning profitability with positive outcomes, enabling capital mobilization for global

sustainability challenges without compromising issuer autonomy.

The Framework defines SLBs as under:

“Sustainability-linked bonds’ means a debt security which has its financial and/or structural characteristics linked to predefined sustainability objectives of the Issuer, subject to the condition that such objectives are measured through predefined Sustainability KPIs and assessed against predefined Sustainability Performance Targets (SPTs).”

To promote integrity and transparency in the issuance of sustainability-linked bonds (SLBs), the ICMA has outlined the Sustainability-Linked Bond Principles. These principles specify that SLBs should adhere to five core components to ensure their credibility and effectiveness in driving sustainable outcomes:

1. Selection of KPIs

The integrity of SLBs depends on selecting robust KPIs to measure an issuer’s sustainability performance. These KPIs, whether internal or external, must meet the following criteria to ensure credibility and alignment with sustainability goals:

- **Materiality and Relevance:** KPIs must be central to the issuer’s business and sustainability strategy, addressing key ESG challenges relevant to their industry. For corporate issuers, KPIs should reflect high strategic importance to current or future operations, while sovereign issuers should align KPIs with economic, social, or governance policies.
- **Strategic Alignment:** KPIs should integrate seamlessly with the issuer’s overarching sustainability strategy or transition plans. They may be supported by existing strategy disclosures or policy frameworks.
- **Measurability and Consistency:** KPIs must be quantifiable using consistent

methodologies, ensuring reliable tracking over time.

- **External Verifiability:** KPIs should be subject to independent third-party verification to validate performance and enhance investor trust.
- **Benchmarking:** Wherever possible, KPIs should be benchmarked against external references, such as industry standards or science-based targets, to demonstrate ambition and facilitate comparison.

To assist issuers in selecting credible and consistent KPIs for SLBs, ICMA provides a KPI Registry with sector-specific guidance tailored to various industries. For example, a consumer lending/leasing company in the financing sector might adopt a KPI such as the percentage of auto loans allocated to electric vehicles, reflecting a commitment to low-carbon transportation. Similarly, an Asset Management company could select KPIs like the percentage of investments in companies with operations in or near biodiversity-sensitive areas that negatively impact those regions, benchmarked against the Sustainable Finance Disclosure Regulation (SFDR), or the Green Asset Ratio, which measures the proportion of assets financing environmentally sustainable activities as defined by the EU Taxonomy for Sustainable Activities. These targeted KPIs ensure alignment with industry-specific sustainability priorities while maintaining measurability and external verifiability.

2. Calibration of Sustainability Performance Targets (SPTs)

The calibration of sustainability performance targets (SPTs) for each key performance indicator (KPI) is fundamental to the structuring of SLBs, as it defines the issuer's commitment to ambitious and achievable sustainability goals. The SPTs must be set in good faith,

should be realistic & the issuer must disclose all strategic information that may impact the achievement of SPTs.

The SPTs should be ambitious, i.e.:

- represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory;
- where possible, be compared to a benchmark or an external reference;
- be consistent with the issuer's overall strategic sustainability and business strategy in the case of corporate issuers, or sustainable development policies in the case of sovereign issuers; and
- be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.

The target setting exercise should be based on a combination of benchmarking approaches:

- *the issuer's own performance over time for which a minimum of 3 years*, where feasible, of measurement track record on the selected KPI(s) is recommended, and when possible, forward-looking guidance on the KPI;
- *the issuers' peers*, i.e. the SPT's relative positioning versus its peers' where available (average performance, best-in class performance) and comparable, or versus current industry or sector standards, and/or
- *reference to the science*, i.e. systematic reference to science-based scenarios, or *absolute levels* (e.g. carbon budgets), or to *official country/regional/international targets* (Paris Agreement on Climate Change and net zero goals, Sustainable Development Goals (SDGs), Kunming-Montreal Global biodiversity framework, etc.) or to *recognised Best Available-Technologies or other proxies* to determine relevant targets across environmental and social themes.

3. Bond Characteristics

The core feature of SLBs is the potential adjustment of their financial or structural terms, such as interest rates, based on whether the issuer achieves predefined sustainability performance targets (SPTs) tied to selected key performance indicators (KPIs), i.e. the SLB will need to include a financial and/or structural impact involving trigger event(s).

1. The most frequent adjustment is a change in the bond's coupon rate, but other financial or structural features may also vary depending on SPT achievement.
2. Any changes to the bond's terms should be significant and proportionate to its original financial structure to ensure the variation is impactful.
3. The bond documentation must explicitly define the KPIs, SPTs, and their calculation methodologies, along with the specific financial or structural changes triggered by meeting or missing SPTs.
4. Provisions should be included to address situations where SPTs cannot be reliably measured or observed, ensuring transparency and accountability.
5. The documentation should account for extraordinary circumstances, such as major corporate mergers or acquisitions, or significant regulatory or technical changes, which may necessitate adjustments to KPI calculations, SPT restatements, or baseline recalibrations.

4. Reporting

Issuers of SLBs are obligated to maintain transparency by regularly publishing accessible, up-to-date information on their performance against chosen KPIs, incorporating relevant baseline data where applicable. They must also provide a verification assurance report

assessing performance relative to SPTs, specifying any impact on the bond's financial or structural terms and the timing of such changes. Additionally, issuers should disclose information that enables investors to evaluate the ambition of SPTs, including updates to the issuer's sustainability strategy, KPI or ESG governance, or, for sovereign issuers, changes to national development plans or policies, as well as any other pertinent data for analysing KPIs and SPTs. These reports should be issued at least annually and at any critical juncture relevant to evaluating SPT performance that may lead to adjustments in the bond's terms.

5. Verification

Issuers of SLBs must secure independent external verification, such as limited or reasonable assurance, to evaluate their performance against each sustainability performance target linked to KPIs. This verification should be performed annually by a qualified external reviewer, such as an auditor or sustainability consultant with relevant expertise, and at any key date or period tied to assessing SPT performance that may lead to changes in the bond's financial or structural characteristics. The process should continue until the last SPT trigger event for the bond is reached. The results of these verifications must be publicly disclosed to maintain transparency. In contrast to the optional pre-issuance external review, such as a Second Party Opinion, post-issuance verification is an essential requirement of the SLBP.

On June 23, 2025, Larsen & Toubro, a leading infrastructure firm, issued ₹750 million in three-year sustainability-linked bonds under SEBI's ESG debt framework, with a coupon rate of 6.35%, 10–15 basis points below a comparable vanilla non-convertible debenture,

yielding annual interest savings of about ₹1.1 crore. The bond's innovative structure is tied to two key performance indicators set against a fiscal-2022 baseline: a 30% reduction in Scope 1 and 2 greenhouse gas intensity and an increase to 15% women leaders among the top 500 managers by FY 2027. Meeting both sustainability performance targets reduces the coupon to 6.10%, offering a 40-basis-point advantage over standard debt, while failure to achieve either raises it to 6.60%, eliminating the “greenium” and increasing costs. This performance-driven approach demonstrates how SLBs incentivize measurable environmental and social outcomes while aligning financial benefits with sustainability goals.

Conclusion

A profound shift is sweeping the global finance landscape, prioritizing purpose alongside profit. India's sustainable finance ecosystem is entering a decisive phase of maturity, marked by clearer rules, stronger accountability, and growing market sophistication. SEBI's ESG Debt Securities Framework provides the much-needed regulatory clarity to scale social bonds, sustainability bonds, and sustainability-linked bonds beyond niche instruments and into mainstream capital markets. By aligning closely with globally accepted principles while remaining sensitive to domestic development priorities, the framework strengthens transparency, comparability, and investor confidence.

As issuance volumes grow and structures become more innovative, these instruments have the potential to channel capital efficiently into priority areas such as inclusive growth, climate transition, infrastructure, and social equity. Going forward, sustained success will depend on credible disclosures, robust impact measurement, and the ability of issuers, particularly first-time and mid-sized entities, to navigate costs and compliance

requirements. If supported by continued regulatory refinement, market capacity-building, and deeper investor engagement, India is well positioned to emerge as a global benchmark in sustainable debt markets, demonstrating how financial performance and measurable social and environmental outcomes can progress in tandem.

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Dr. P. Siva Rama Prasad
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Public Financial Transparency and Accountability

(In the Context of the Changing Global Economic Environment)

Public Financial Management (PFM) plays a critical role in the contemporary world. The global economic environment is highly dynamic and increasingly complex with interdependences and variations among countries, technologies, and environmental issues. In this regard, the critical evolution of PFM systems is essential. The new public financial management systems are more focused on accountability, transparency, efficiency, and effectiveness of resource utilization and focus on results. Global events, such as the Global Financial Crisis of 2008, and other relevant events have shaped them. Technological evolution helps in efficient management and governance. Also, the globalization of the economy has increased awareness and attention on risks and the sustainability of development. Some examples of PFM systems of different countries worldwide are discussed based on information from the International Monetary Fund (IMF) and the World Bank. PFM systems should be robust, flexible, and citizen-oriented, and must also be relevant, able to react to challenges and promote inclusive and sustainable development. Public Financial Management plays an instrumental role in meeting the requirements and needs and should undergo changes accordingly.

Public Financial Management (PFM) is one of the key processes through which governments acquire, manage and allocate funds. Budgeting, record keeping and financial oversight were the main focus of PFM before the advent of the global economy and interconnected systems, however its scope and significance has evolved in today's world.

In present context, PFM is more about making informed decisions that have a direct impact on economic growth, social justice and sustainable development. According to leading organizations such as the International Monetary Fund and the World Bank, PFM is critical, as it demonstrates that Governments can

manage funds carefully and deliver services to their citizens.

In the face of a rapidly evolving global economy, governments must strengthen PFM systems to effectively address challenges such as economic crises, technological advancements, climate change, and demographic shifts. Accordingly, it becomes important to examine the evolution of PFM and evaluate how it can enable governments to respond to an increasingly dynamic global environment.

Expanding Role of PFM

Public Financial Management is the process of managing public funds. It includes the collection of funds, expenditure management,

accounting, reporting and auditing. In the past, the focus of PFM was on record-keeping and ensuring that the money was used properly. While PFM still includes oversight, it has expanded beyond it.

PFM is now associated with social and development goals and policy formulation. It uses planning and prioritizing to ensure that public funds are used effectively to achieve the desired outcomes. A good PFM system helps governments achieve value for money, better service delivery and results.

There is also a shift in budgeting practices. Previously, it was about tracking the money spent, but now it is about the outcomes achieved.

How the Global Economy is Evolving and Its Implications for Public Finances?

The global economy has evolved in many ways in the past few decades. Globalization has brought economies closer together than ever before. This has made domestic financial systems sensitive to external shocks. As a result, trade capital flows and exchange rates now have an impact on government revenues and spending.

The 2008 Global Financial Crisis taught governments that public finance systems were fragile and that resilience was key. It showed them that rigid budgeting approaches and short-term focus were not enough to absorb shocks.

Beyond crises, the global economy also faces challenges from conflicts, supply chain disruptions and pandemics. These factors add to the uncertainty. So, governments need to adopt PFM frameworks that take a longer-term view, including risk assessments and contingency planning.

How Technology is Revolutionizing Public Financial Management?

Technology is playing an increasingly important role in how governments manage their finances. It is influencing the ways in which governments collect taxes, spend money and communicate data. The Government e-Marketplace (GeM) is an online, end-to-end digital procurement platform for central and state government ministries, departments, PSUs, and affiliated organizations. It was created to facilitate online procurement of common-use goods and services, aiming to enhance transparency, efficiency, and speed in public procurement.

With technology, governments can track financial transactions in real-time, enhancing transparency and accountability. Digital payment systems can reduce misappropriation of funds and make welfare programs

“Technology is enabling governments to engage citizens in public affairs. Governments can share budget data with citizens in real-time, allowing them to participate quickly.”

more efficient. Technologies such as Data Analytics and Artificial Intelligence can be used to forecast government revenues, detect errors and support decision-making.

Moreover, technology is enabling governments to engage citizens in public affairs. Governments can share budget data with citizens in real-time, allowing them to participate quickly.

Ensuring Financial Discipline

Governments are finding it harder to manage their finances responsibly due to the lack of certainty around the world. They are often required to increase public spending in times of crisis, natural disasters or public health emergencies, while simultaneously trying to minimise borrowing and maintain fiscal stability.

Finding the right balance between spending too much and spending too



little is a challenge. Borrowing too much can create financial problems, and not spending enough can impact the economy. Modern Public Financial Management systems help governments to address these challenges by implementing year-round planning.

These plans allow governments to create budgets that are sustainable in the long run, ensuring that short-term decisions do not have a negative impact in the long run. They also help demonstrate responsibility, which in turn helps boost investor confidence. PFM systems, therefore, play an important role in this context.

Transparency and Accountability in Public Finance

Transparency and Accountability are part of managing public finances responsibly. When transparency is lacking, the public loses confidence in the government, and misuse of funds levels rise. Therefore, governments are placing more emphasis on budgeting processes, public disclosure and independent oversight.

The Organisation for Economic Co-operation and Development (OECD) promote transparency and accountability. They encourage governments to share information about public finances so that citizens and stakeholders can scrutinise fiscal policy.

In India, the Comptroller and Auditor General (CAG) is responsible for accountability by conducting audits and publishing reports. These reports highlight irregularities and promote corrective action. Additionally, the legislative bodies improve accountability by scrutinising government expenditure and policy.

Managing Risks and Contingent Liabilities

Effective risk management is an essential component of financial management. Governments face risks such as economic downturns, natural

disasters and financial instability. They also face contingent liabilities such as guarantees and obligations of state-owned enterprises. Strong PFM systems assess, understand and mitigate such risks. They prepare risk statements and stress test scenarios. Through effective risk management and creation of contingency funds, governments can better prepare for emergencies.

Impact of Global Uncertainty on Government Income

Global uncertainty has a direct and often inhibitive impact on government revenues. Facing a weak tax base, governments are usually compelled to reduce income tax, corporate tax and goods and services tax (GST) revenues. When global inflation spiked, many countries faced revenue collection headwinds due to economic uncertainty and changing consumption patterns, while governments were quick to roll out tax reliefs, incentives, subsidies, price controls, etc., to soothe the pandemic-stricken economies and households.

India's GST revenues fell steeply in the early days of the pandemic but rebounded as economic activity picked up, and compliance improved due to attribute-based monitoring and digital tools. However, the impact of the



“India has reformed its Public Financial Management system to make it more efficient and up to date. The introduction of the Fiscal Responsibility and Budget Management framework is a step towards accountability and transparency.”

pandemic and consequent volatility in tax revenues pointed towards the need for a diversified and resilient revenue model. Economies that are heavily dependent on commodities are particularly vulnerable, as fluctuations in global commodity prices directly affect their fiscal revenues. This was evident in several oil-exporting nations, which suffered significant revenue losses following sharp declines in global oil prices.

Capital flows and their volatility can also impact revenue collection from financial transactions and investment income. Exchange rate fluctuations can affect the revenue collected from customs duties and external trade. All these suggest a need to establish better forecasting models and contingency plans for shortfalls in revenue.

For example, GST collections in India fell sharply in 2020-21 due to a steep decline in economic activity. The fiscal impact was so severe that the government had to borrow to compensate for the revenue losses of the states. Similarly, Saudi Arabia and other oil-exporting nations faced severe revenue losses when oil prices fell. Economies that are heavily dependent on commodities are particularly at risk since global commodity prices are reflected in their fiscal revenues; this can be seen from oil-exporting nations that accounted for large revenue losses when oil prices plunged.

A sluggish global economic growth has led to declines in:

- Corporate Tax Income
- Trade Tax Revenues
- Capital Gains Tax Collections

Global Overview

Global fiscal deficits remain high, around 5% of GDP in the year 2025, reflecting weak revenue growth following the pandemic. The Union Government's fiscal deficit is anticipated at:

- 4.8% of GDP for fiscal year 2025-2026
- A gradual consolidation goal to reduce it below 4.5% by fiscal year 2026-27

Revenue Volatility has increased due to:

- Changing Commodity Prices
- Uncertainties of a Global Recession
- Declining Globalization

Public Expenditure Management and Development Outcomes

Expenditure management is an important component of financial governance. It is an exercise in deciding how resources are devoted and utilized. Governments need to ensure that public expenditures translate into meaningful developmental outcomes. This implies a shift to performance-based budgeting. Allocating resources based on results, and monitoring and evaluating programs to assess impact. Effective expenditure management improves service delivery and improves public confidence in institutions.

Public Financial Management and Sustainability

Public Financial Management should be sustainable in nature, as sustainability is the need of the hour. Climate change, environmental degradation, and scarcity of resources

are all issues that must be considered. The Public Financial Management system must be mindful of these issues in its policies. Green Budgeting is a process that is being developed to manage sustainability issues in the budget process. It helps governments to understand the impact of their decision on the budget. Management should be aligned with the United Nations Sustainable Development Agenda. Management should be accountable and transparent to ensure sustainable development and inclusive growth.

So, sustainability is about ensuring that we do not exceed our limits, transparency and accountability ensure that the management of resources is proper, and risk management helps in preparing the government for emergencies.

Reform in Public Financial Management in India

India has reformed its Public Financial Management system to make it more efficient and up to date. The introduction of the Fiscal Responsibility and Budget Management framework is a step towards accountability and transparency.

Digital technologies such as the Public Financial Management System (PFMS) and Direct Benefit Transfer (DBT) have improved the management of money. They have made the process more efficient and reduced waste. They have also ensured that the money reaches the right people.

The Comptroller and Auditor General of India is responsible for auditing public accounts and ensuring accountability. India needs to continue improving its Public Financial Management system and build capacity.

Trends in Public Financial Management

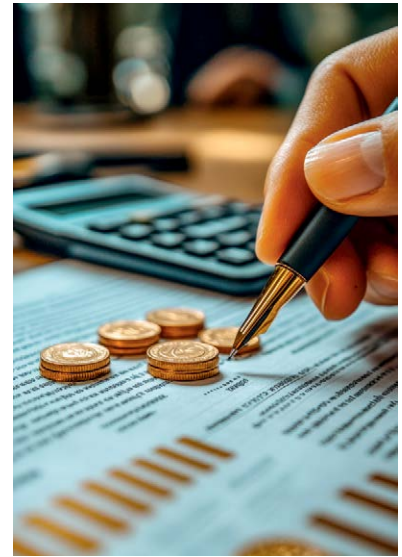
Public Financial Management is being transformed by new trends. Data

Analytics and Artificial Intelligence are improving decision-making. Citizens are participating in budgeting for fairness. Gender Budgeting distributes resources.

Timely financial monitoring systems are improving transparency, allowing governments to react quickly to problems. These trends show that Public Financial Management systems are becoming more responsive, inclusive and technology-based.

A Look into the Future

1. The future of Public Financial Management depends on how well it adapts to a rapidly changing and uncertain environment. Governments must be innovative, strong institutions and more transparent to face challenges.
2. It is crucial to train government staff to manage financial systems. Laws and regulations must be strengthened to promote accountability and compliance. At the same time, technology should be leveraged to improve efficiency and reduce misappropriation of funds.
3. Public Financial Management systems must also focus on delivering results that benefit citizens. By aligning policies with development goals, governments can promote inclusive growth.
4. Public Financial Management has evolved from managing finances to providing a framework for governance and development. In times of change, its role is more important than ever.
5. The challenges presented by political, technological and environmental issues require governments to maintain up-to-date, flexible and resilient Public Financial Management systems. Through transparency and openness to new ideas, countries can manage public resources effectively and effectively.



Conclusion

Thus, the efficacy of Public Financial Management is not only determined by the stability of public finances but also by the quality of governance and the prosperity of the population. In any economy, the presence of robust and flexible Public Financial Management Systems is vital to the establishment of sound and thriving societies.

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The Importance of the Foreign Exchange Management Act [FEMA], 1999 in India

In today's era of rapid globalization, digital payments, and high-volume cross-border transactions, FEMA plays a very important role in facilitating international trade, managing foreign exchange reserves and maintaining the stability of the Indian currency. From the perspective of Chartered Accountants (CAs) in Practice in India, developing expertise in the same

field and providing consultancy services to clients engaged in multinational businesses is a welcoming and rewarding opportunity.

In recent times, comparatively fewer CAs are practicing in this field as compared to Direct and Indirect Taxes. Recognizing the growing importance of this domain, ICAI has been continuously encouraging its members by organizing Certificate Courses on FEMA and regularly updating them on recent changes and their impact on the Indian economy. Through this article, the author shares views and learnings on the significance and impact of FEMA on Indian Markets in a fast-growing economy.

What is FEMA, 1999?

FEMA, 1999, is an Indian law enacted to regulate the flow of foreign currency, manage foreign exchange, and ensure monetary stability in the Indian economy. It covers all transactions, i.e., capital account transactions and current account transactions, including the scope of Foreign Direct Investments (FDI) and External Commercial Borrowings (ECB).

This act empowers the Central Government to frame rules and the Reserve Bank of India (RBI) to issue regulations for managing foreign exchange, to facilitate external trade and maintain a stable forex market.

In other words, the Central Government sets the policy framework, while the RBI regulates authorized dealers and oversees foreign exchange transactions.

Top 10 Positive Impacts of FEMA, 1999, on the Indian Economy

(a) Focus on Economic Stability & Forex Management:

FEMA focuses on maintaining economic stability by regulating capital flows and ensuring that cross-border transactions do not negatively impact the balance of payments. It is the cornerstone of India's foreign exchange regulations, which are designed to promote the orderly development and maintenance of the forex market along with the surety of economic stability.

(b) Welcoming Foreign Investment:

FEMA is designed to facilitate external trade, systematically promote a foreign exchange market and actively encourage foreign direct investment (FDI)

to boost India's economic growth. By providing clear and transparent guidelines for foreign capital flows (FDI and FPI), FEMA attracts foreign investors, boosting India's GDP and capital reserves. FEMA also allows dealing with most of the transactions unless the same are restricted.

(c) Positive Response to Businesses and Start-Ups:

Reducing constraints on foreign exchange, it makes it easy to do business while importing, exporting, and operating in global markets. Guidelines of FEMA Valuation restrict startups from giving away equity below fair value, which protects the stakeholders and assists in future fundraising. Further, adhering to FEMA guidelines helps startups and businesses to maintain a positive reputation and legal

compliance, which is essential for attracting foreign investors.

(d) Liberalization in Trade Practices:

FEMA generally allows the transactions unless expressly prohibited in the act, which reverses the FERA principle of prohibiting everything not permitted. Also, unlike FERA, which treated foreign exchange violations as criminal acts, FEMA classifies them as civil offenses in most of the cases. Accordingly, FEMA play a vital role in liberalizing the trade practices.

(e) Shifting from Regulation to Management:

The huge shift from the Foreign Exchange Regulation Act (FERA), 1973, to the FEMA represents a foundational transformation in India's approach to foreign exchange that is moving from a regime of strict control and conservation to management and facilitation.

Under the eyes of FERA, foreign exchange was a scarce resource to be controlled. FEMA started treating it as an economic asset to be managed for the development of the country. In addition, the primary objective was shifted from "conservation" of foreign exchange to "facilitating external trade and payments".

(f) More than Law, it works like an Eco-System:

FEMA is more than just a law; it forms the foundation of India's foreign exchange ecosystem by safeguarding national interests while balancing the need to attract foreign investment with regulatory responsibility. It ensures the clarity to investors, compliance with global standards, and supports India's goal of becoming a globally competitive economy in this dynamic world.

Most importantly, it continues to evolve, adapting to the changing needs of the Indian economy and global financial trends.

(g) Boost Foreign Investment:

By liberalizing foreign exchange transactions and activities and creating a more conducive regulatory environment in an economy, FEMA encourages foreign trade and investment, which directly or indirectly contributes to economic growth.

(h) Enhancing Investor Confidence:

FEMA provides a transparent, crisp and predictable regulatory framework which helps enhance investor confidence and attract greater foreign investment into India.

(i) Sector-Specific Regulations:

FEMA governs industries on a sector-specific basis. The regulations under FEMA prescribe Foreign Direct Investment (FDI) caps and approval routes (automatic or government), based on industry type, to regulate foreign capital inflows and maintain stability in the market and the Indian economy.

Since most of the people are shifting to digital modes nowadays, FEMA specializes the regulations that often focus on E-commerce industries in relation to cybersecurity to protect digital data (digital assets).



“The huge shift from the Foreign Exchange Regulation Act (FERA), 1973, to the FEMA represents a foundational transformation in India's approach to foreign exchange that is moving from a regime of strict control and conservation to management and facilitation.”

(j) Shifting from Criminal to Civil Penalties:

FEMA, 1999, marked a fundamental change in Indian law, moving from a criminal-based, restrictive regime to a civil-based, facilitative framework. This transition reflects a shift in policy from conserving foreign exchange as a scarce resource to managing it as an economic asset to promote trade and investment.

Compliances and Documentations under FEMA, 1999

The main compliances required under FEMA, 1999, include mandatory reporting of foreign investments and transactions to the RBI through AD Category-I banks.

These requirements involve the following:

- Filing the Annual Return on Foreign Liabilities and Assets (FLA)
- Reporting FDI via Form FC-GPR/FC-TRS within specified timelines
- Fill Entity Master Form
- Monthly ECB-2 filings

- Adhering to LRS limits for outward remittances
- Comply with downstream investment rules if the subsidiary makes further investments in other Indian entities
- Filing of Annual Performance Report (APR), especially when involved in Overseas Direct Investment (ODI)
- Reporting of investments made in a Foreign Joint Venture (JV) or Wholly Owned Subsidiary (WOS) is required
- Reporting of foreign exchange withdrawals by individuals is required, with daily reporting via CIMS for AD banks.
- Export proceeds must be realized and returned to India within specific timeframes
- Maintaining proper records of all foreign exchange transactions (FIRC-Foreign Inward Remittance Certificate) and ensuring KYC (Know Your Customer) compliance is necessary
- Filing Form 15CA/15CB with the authorized banks, etc.
- Register for an Import Export Code (IEC) in case of the Import and Export Industry

Basic Points to be Considered under FEMA, 1999

- **Retaining Resident Accounts:** The most common violation is failing to convert a Resident Savings Account to a Non-Resident Ordinary (NRO) account immediately upon becoming an NRI (generally defined under FEMA as a person staying outside India for more than 182 days during a financial year). Holding a resident savings account after attaining NRI status constitutes a violation of FEMA provisions. Therefore, an NRI should convert resident savings accounts into an NRO account. It is not easy, and not even possible for an NRI to close resident savings accounts while residing abroad.
- **Using NRE Account after Returning:** Continuing to operate a Non-Resident External [NRE] account for income earned in India after returning to India permanently is also a violation.
- **Crypto/Prohibited Investments:** Using LRS funds to buy crypto-assets or using credit cards for prohibited items is not allowed and may be treated as Liberalised Remittance Scheme (LRS) Breach.



- **Splitting Remittances:** Exceeding the \$250,000 annual limit provided to the resident individuals by using multiple banks to send money abroad without realizing the cumulative total is a violation.
- **Non-filing** or wrong-filing is also a violation under FEMA.

Important Monetary Limits under FEMA, 1999

- **Liberalized Remittance Scheme (LRS):** Resident individuals can remit up to USD 250,000 per financial year (April–March) for authorized purposes.
- **Repatriation for NRIs/PIOs:** Non-Resident Indians/Persons of Indian Origin (NRIs/PIOs) can repatriate up to USD 1 million per financial year from their NRO account (income/sale proceeds).
- **Educational Expenses:** Remittance for studies abroad is allowed up to the estimate provided by the institution or USD 100,000 per academic year, whichever is higher.
- **Medical Treatment:** Expenses for medical treatment abroad are permitted up to the estimate from a doctor/hospital, or within the LRS limit.
- **Gifts and Donations:** Remittance as gifts/donations by a resident is covered under the USD 250,000 LRS limit.

FEMA and RBI Compliances: Core Reporting Requirements

| Requirement | Applicable Forms | Timeline | Regulating Authority |
|--------------------------|----------------------|--|----------------------|
| FDI Reporting | FC-GPR, FC-TRS | 30-60 days | RBI |
| Overseas Investment | Form FC | On or before making ODI remittance | RBI |
| APR for ODI | Form APR | Annual | RBI |
| Import Payments | A2 Form, KYC | Before sending payment | AD Bank |
| Export of Goods/Services | SOFTEX Form, GR Form | Periodic (project specific or invoice based) | RBI/ SEZ Authority |

“Under Budget 2025, the threshold for Tax Collected at Source (TCS) was increased to ₹10 lakh per financial year, which relates to remittances under LRS. Remittances up to ₹10 lakh generally do not attract TCS, while rates of 0.5% to 20% apply above this limit.”

Some Recent Actions of the Government Related to FEMA, 1999

Some recent actions and measures by the Government of India and the RBI under the FEMA, 1999, during the year 2025-2026 have focused on liberalizing foreign investment, extending export realization timelines, strengthening compliance requirements for border-sharing nations, and updating compounding rules to enable faster and more digitized processing.

The actions include:

1. Changes made under Export and Import Regulation:

In November 2025, the RBI extended the time limit for exporters to realize and repatriate proceeds to India from 9 months to 15 months. The RBI also updated regulations for India, Nepal, and Bhutan, allowing travellers to carry Indian currency notes up to ₹25,000 (excluding denominations above ₹100).

2. Foreign Direct Investment (FDI) & Non-Debt Instruments (2025):

In June 2025, the Government of India permitted Indian companies in FDI-prohibited sectors (e.g., lottery, gambling, real estate, etc.) to issue bonus shares to existing non-resident shareholders, provided the shareholding

pattern does not change. The regulations continued to mandate prior government approval for any FDI from countries sharing land borders with India, which was strictly enforced in 2025.

3. Liberalised Remittance Scheme (LRS) & Tax (2025-2026):

Under Budget 2025, the threshold for Tax Collected at Source (TCS) was increased to ₹10 lakh per financial year, which relates to remittances under LRS. Remittances up to ₹10 lakh generally do not attract TCS, while rates of 0.5% to 20% apply above this limit. Also, remittances for education funded by loans from financial institutions do not attract TCS, encouraging students studying abroad.

4. Compounding and Compliance Procedures (2025):

Now, all regulatory approvals, including FEMA-related compounding applications, must be submitted exclusively through the RBI's PRAVAAH portal. The April 2025 amendments introduced a cap of ₹2,00,000 for compounding minor, technical, or reporting contraventions under FEMA to promote voluntary compliance and ease of doing business.

5. Enforcement Actions (2025-2026):

The Enforcement Directorate (ED) has intensified investigations into “front companies” which are used to channel foreign funds for non-permitted activities (mainly covering foreign NGOs). Engagement of ED is increasing day by day.

Some recent actions taken by the ED team are –

Case 1. “ED has provisionally attached assets worth Rs. 100.44 Crore under PMLA, 2002 in

connection with large-scale illegal coal mining and pilferage in leasehold areas of Eastern Coalfields Limited. Earlier, on 08.01.2026, ED conducted searches at 10 premises in Kolkata and Delhi. Evidence seized during searches has been instrumental in linking proceeds of crime to the attached properties. Total attachment in the case now stands at Rs. 322.71 Crore.”

Case 2. “ED, Panaji has carried out search operations on 28.09.2025 & 29.09.2025 under FEMA, 1999, at 15 premises across Goa, Delhi-NCR, Mumbai and Rajkot, related to M/s. Golden Globe Hotels Pvt. Ltd., M/s. Worldwide Resorts and Entertainment Pvt. Ltd and Big Daddy Casino, Goa. During the search operations, various incriminating documents, digital evidences, cash amounting to Rs. 2.25 Crore (approx.) in Indian currency, USD 14,000 and other different foreign currency equivalent to around Rs. 8.50 Lakh were recovered and seized. Further, different cryptocurrencies including USDT of more than Rs. 90 Lakh were found and frozen”.

Case 3. “ED, Special Task Force, Headquarters has seized 13 bank accounts of M/s Reliance Infrastructure Ltd. under Section 37A of the Foreign Exchange Management Act (FEMA), 1999 for contraventions under



section 4 of FEMA in the matter of siphoning of public funds from highway construction projects awarded by NHAI."

6. **Enhanced Reporting Monitoring:**

RBI has upgraded the Single Master Form (SMF) system to allow auto-reconciliation and immediate email alerts for delayed filing of FC-GPR/FC-TRS forms. Also, duplication of work has been reduced on the iFirm portal.

Role and Initiative taken by the Institute of Chartered Accountants of India (ICAI) on FEMA, 1999

Since ICAI is a huge professional body, it plays a very important role in the administration, compliance, and education related to FEMA, with the help of its expert team.

ICAI provides guidance to Chartered Accountants, encourages them to stay up to date on regulations for inbound/outbound investments, conducts specialized certificate courses on FEMA, and supports compliance with RBI regulations.

It supports members in ensuring proper documentation and compliance with RBI guidelines (Notifications, Circulars) for foreign exchange transactions and is also involved in advisory roles.

Through its committees, such as the Committee on Commercial Laws, Economic Advisory and NPO Cooperative (CCLEANCO), ICAI, time to time publishes handbooks, such as the "CAs' Handbook on Inbound & Outbound Investments under FEMA," conducts webinars and seminars, conduct certificate courses to assist members in navigating regulations.

FEMA: An Open Opportunity for Chartered Accountants (CAs) in their Career

- With continuously increasing cross-border transactions, foreign

investments, and compliance and reporting requirements, FEMA offers significant and wide-growing career opportunities for CAs in India.

- Certification requirements for remittances, foreign investments, and capital transactions are required by Authorized Dealer (AD) Banks, which covers a wide scope for the profession.
- Client representations are required before the RBI for compounding of offences, approvals, and liaising with AD banks.
- Positions are available in leading firms and companies for managing the regulatory functions, particularly in roles involving Tax Advisory and Litigation for corporate clients.

Challenges under FEMA, 1999

- a. The dynamic nature of FEMA regulations and frequent release of circulars from the RBI make compliance difficult for smaller firms and individuals, which can hamper their opportunities. Keeping pace with day-to-day regulatory updates can often be difficult.
- b. Due to the requirement for approvals in certain transactions, significant delays can occur, which require extensive documentation and time.
- c. Even unintentional non-compliance because of negligence or a clerical nature, such as technical, procedural lapses in reporting, can lead to severe penalties and, in some cases, the requirement to unwind transactions.
- d. There could be a chance of misuse in relation to the bank accounts of foreign nationals. Non-Resident Indians (NRIs) often struggle with correctly using NRE/NRO/FCNR accounts, with illegal use of resident savings accounts being a common violation. Also, NRIs face limitations on

purchasing agricultural property, plantations, and farmhouses, etc. in India.

- e. Penalties are very heavy under FEMA, 1999.

Conclusion

Overall, the flexible, transparent, and business-friendly approach of FEMA has played a vital role in inviting foreign investments, continuously promoting ease of doing business, making India a developed country and ensuring smooth repatriation of earnings for NRIs and foreign investors.

Despite its many advantages, FEMA demands strict compliance with reporting obligations, documentation, and sector-specific restrictions. Non-compliance can lead to penalties, regulatory actions, and restrictions on future transactions, making it essential for businesses and individuals to stay updated with RBI notifications and FEMA amendments.

Under FEMA, what you cannot do directly, you cannot do indirectly either.

Important Government Websites in relation to FEMA, 1999

- <https://rbi.org.in/Scripts/Fema.aspx>
- <https://enforcementdirectorate.gov.in/fema>
- <https://www.rbi.org.in/commonman/English/scripts/FAQs.aspx?Id=1171>
- <https://firms.rbi.org.in/firms/faces/pages/login.xhtml>

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The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



CRAFTING CAPTIVATING THOUGHTS

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- ★ **Articles should not have been published or sent for publishing in any other print or electronic media.**
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CA. Neha Sedhara

Member of the Institute

Mergers and Acquisitions: Transforming the Global Business Landscape 2026-2030

M&A has evolved from a growth tool to a strategic necessity in today's globalized market. The 2026–2030 period will see transformative shifts driven by technology, regulatory reforms, and sustainability. This article examines M&A's history, current trends, and future outlook, with emphasis on India's rising prominence, the role of Chartered Accountants, and sectoral opportunities and challenges ahead.

Historical Context of M&A

Since 1996, India has recorded over 28,500 M&A deals with a cumulative value exceeding \$1.06 trillion. In 2025 alone, deal value rose sharply to around \$60.2 billion, with transaction volumes reaching 960+ deals, reflecting a strong rebound in high-value activity despite a relatively stable deal count.

Technological Transformation

Technological innovation, particularly AI, blockchain, and digital tools, is a major driver of M&A. AI is transforming the process by streamlining operations, enhancing due diligence, automating tasks, and accelerating data analysis. In the IT sector, AI-driven M&A is rising,

with generative AI projected to be used in 80% of M&A processes within three years, up from 16% today.



Landmark M&A Deals (2020-2025)

| Deal | Value | Sector | Strategic Rationale | Market Impact |
|---|---------|-----------------------------|---|--|
| Tesla – Maxwell Technologies (2019) | \$218M | Automotive & Energy Storage | Strengthened Tesla's vertical integration in battery innovation. | Enhanced potential for higher energy density and lower cost EV batteries. |
| Amazon – MGM Studios (2021) | \$8.45B | Media & Entertainment | Content-driven acquisition to build scale in the attention economy. | Bolstered Amazon Prime Video's library, including iconic IPs like James Bond, for subscriber retention in OTT wars. |
| Microsoft – Activision Blizzard (2022) | \$68.7B | Technology & Gaming | A historic gaming deal giving Microsoft scale in gaming and future-ready access to the metaverse ecosystem. | Triggered global competition concerns (US, UK, EU regulators). Cemented Microsoft's position vis-à-vis Sony and Tencent. |
| AMD – Xilinx (2022) | \$35B | Semiconductors | Portfolio diversification beyond CPUs/GPUs into adaptive computing and FPGAs. | Elevated AMD as a full-stack semiconductor player competing with Intel and NVIDIA across HPC and AI workloads. |

| Deal | Value | Sector | Strategic Rationale | Market Impact |
|--|-------------|------------------------------|---|--|
| Pfizer – Arena Pharmaceuticals (2022) | \$6.7B | Pharmaceuticals | Pipeline strengthening in immuno-inflammatory drugs, complementing Pfizer’s R&D-led growth. | Accelerated Pfizer’s diversification beyond vaccines into chronic-care therapeutics. |
| Oracle – Cerner Corporation (2022) | \$28.3B | Healthcare IT | Entry into healthcare data systems, leveraging Oracle’s cloud expertise to digitize health records. | Convergence of tech + healthcare signaled digital health’s rise as a core growth frontier. |
| Reliance – Disney Merger (2024 Completed) | \$8.5B | Media & Entertainment | Consolidation of Star India, Viacom18, JioCinema & Hotstar into JioHotstar, combining TV, digital & sports under one platform. | Commands 120 TV channels, 280M subscribers, >85% OTT share, 50% TV viewership; IPL rights drive mass user engagement. |
| Tata Motors – Iveco (2025) | \$ 4.4–4.5B | Commercial Vehicles Business | <ul style="list-style-type: none"> Expands Tata Motors globally with strong access to Europe and Latin America via Iveco Group. Accelerates entry into EV and hydrogen technologies. Drives scale efficiencies and strengthens global competitiveness. | <ul style="list-style-type: none"> Enhances Tata Motors global positioning and investor sentiment. Increases competitive pressure in the CV market. Short-term leverage concerns, but positive long-term outlook. |

Sectoral Analysis of Landmark Deals

| Sector | Key Drivers | Notable Deals |
|---------------------------------------|---|---|
| Technology | Cloud computing, AI, cyber security, and semiconductor advancements | Microsoft-Activision, AMD-Xilinx, Oracle-Cerner |
| Healthcare and Pharmaceuticals | Development of vaccines, immunology, and healthcare IT | Pfizer-Arena Pharmaceuticals, Oracle-Cerner |
| Media and Entertainment | Competition among streaming platforms, global content demand | Amazon-MGM Studios, Reliance-Disney |
| Renewable Energy | Clean energy mandates, carbon neutrality goals | Tesla-Maxwell Technologies |

Implications of Recent Deals

The major implications of some M&A deals are as follows:

(1) Market Transformation:

- These transactions reshaped competitive landscapes, creating opportunities for

growth while intensifying competition.

(2) Regulatory Challenges:

- Deals faced scrutiny, particularly in technology and media, over antitrust concerns and data privacy issues.

(3) Strategic Realignments:

- Companies increasingly focused on vertical integration and technological synergies to drive innovation and efficiency.

Thus, the landmark M&A deals between 2020-2025 underscored consolidation as a key strategy for overcoming challenges and seizing opportunities, driving innovation, transformation, and shaping the future of global business.

The 2025 Performance and Projections for 2026

2025 Overview

India’s M&A market witnessed a strong rebound in 2025, with total deal value reaching approximately \$60 billion, reflecting robust growth driven by high-value transactions. While overall deal volumes remained relatively stable, the

surge in billion-dollar deals significantly boosted aggregate value. The year was marked by increased domestic consolidation and renewed inbound interest, particularly in infrastructure, BFSI, and technology sectors.

Projections for 2026

Looking ahead, India's M&A market is expected to maintain positive momentum, with transaction values projected in the range of \$65–75 billion, supported by improving capital availability and strategic consolidation trends. Key drivers include:

- **AI & Digital Expansion:** Continued investments in AI, cloud, and digital platforms driving strategic acquisitions.
- **Infrastructure & Energy Push:** Ongoing focus on renewables, logistics, and core infrastructure assets.
- **Private Equity Momentum:** Sustained recovery with increased dry powder deployment and platform-building strategies.
- **Regulatory Stability:** Policy continuity and ease of doing

business supporting both domestic and cross-border transactions.

Notable Deals Driving Momentum

A. Mankind Pharma's Acquisition of Bharat Serums & Vaccines

Below is a comparative snapshot of Mankind–BSV (2024) vs. Pfizer–Arena Pharma (2022), wherein we can see how Indian pharma M&A trends are converging with global benchmarks.

Here, the key insights are:

1. **Indian M&A catching up to global pharma scale:** While smaller in value than Pfizer's mega-deal, Mankind's acquisition is huge by Indian standards, reflecting increasing consolidation in specialty pharma.
2. **Focus areas diverge but are complementary:**
 - **Pfizer:** Bet on future drug pipeline in autoimmune diseases and immunology.
 - **Mankind:** Consolidates existing leadership in women's health, fertility & critical care, while gaining biologics R&D.

3. Market Impact:

- Pfizer's deal was pipeline-driven → betting on future blockbuster drugs.
- Mankind's deal is portfolio-driven → strengthening current market dominance + future innovation.

B. ACC-Ambuja Cement's Acquisition of Penna Cement

M&A of Ambuja Cements Limited and Penna Cement Industries Limited (PCIL)

Transaction Overview

- **Acquirer:** Ambuja Cements Ltd. (subsidiary of Adani Cement)
- **Target:** Penna Cement Industries Ltd. (PCIL)
- **Stake Acquired:** 100%
- **Enterprise Value:** ₹10,422 Crore
- **Completion Date:** 16 August 2024
- **Deal Type:** Strategic acquisition to expand production capacity and geographical presence

Comparison: Mankind-BSV (2024) vs. Pfizer-Arena Pharma (2022)

| Aspect | Mankind Pharma – BSV (2024) | Pfizer – Arena Pharma (2022) |
|---------------------------------|--|---|
| Deal Value | INR 13,768 Cr (USD 1.65 Bn) | USD 6.7 Bn |
| Stake Acquired | 100% | 100% |
| Funding Structure | Mix of internal accruals + debt (NCDs & CPs); equity raise planned | All-cash transaction |
| Primary Focus | Women's Health, Fertility, Critical Care, Immunoglobulin's | Immuno-inflammatory diseases |
| Strategic Significance | Makes Mankind a leader in women's health & fertility in India with access to high entry barrier, niche therapies | Strengthens Pfizer's pipeline in autoimmune & inflammatory diseases and expands innovative medicine portfolio |
| R&D & Innovation | In-house complex biologics, recombinant platforms, niche critical care products | Cutting-edge R&D in immuno-inflammatory drugs |
| Geographic Scope | India leadership + expansion in global fertility/IVF markets | Global R&D and market integration, especially US & EU |
| Financial Impact | EBITDA-margin accretive, Net Debt/EBITDA target <2x by FY26 | Long-term growth through new drug pipeline |
| Workforce Integration | 2,500+ BSV employees added to Mankind | Arena fully absorbed into Pfizer's global R&D and commercial structure |

Strategic Rationale

■ **Capacity Expansion:**

- Adds 14 MTPA capacities.
- Supports Ambuja’s goal to achieve 140 MTPA capacities by FY2028, representing 16% CAGR growth (current 77.4 MTPA).

■ **Market Presence:**

- Strengthens footprint in Southern & Eastern India where Ambuja had weaker presence.
- Provides sea-route access to Sri Lanka via Penna’s bulk cement terminals (BCTs).

■ **Resource Advantage:**

- Access to ample limestone reserves ensuring long-term raw material security.

- Surplus clinker from Jodhpur unit can support additional 3 MTPA grinding capacity.

- Enhances economies of scale in production, logistics, and procurement.

Adani Group’s Cement Strategy

- **Market Share Goal:** Capture 20% of India’s cement market (currently the second largest after UltraTech Cement).

- **Recent Investments:** ₹1,600 crore invested in new grinding unit in Bihar.

- **M&A Pipeline:** Nearly \$3 billion earmarked for acquisitions. Potential targets include:

- Gujarat’s Saurashtra Cement
- Jaiprakash Associates’ cement business

- Vadraj Cement

- **Adani Cement (Ambuja + ACC + Penna):** Rising challenger with 140 MTPA target by FY28, closing the gap with UltraTech.

- **UltraTech Cement:** Remains the undisputed leader with scale, brand, and diversified product portfolio, focused on sustainable growth & global leadership.

Key Hurdles and Legal Challenges in Mergers & Acquisitions (M&A): Role of CAs

Mergers and Acquisitions are intricate transactions with significant regulatory, financial, and operational challenges. Chartered Accountants play a pivotal role by ensuring compliance, structuring finances efficiently, mitigating risks, and coordinating with legal advisors.

Comparison: Adani Cement (Ambuja + ACC) vs. UltraTech Cement (Aditya Birla Group)

| Parameter | Adani Cement (Ambuja + ACC + Penna) | UltraTech Cement (Aditya Birla Group) |
|--------------------------------|--|--|
| Current Capacity (FY24) | 91.4 MTPA (Ambuja 77.4 + Penna 14 MTPA, incl. under-construction) | 138.0 MTPA |
| Target Capacity (FY28) | 140 MTPA | 160 MTPA+ (aggressive expansions announced) |
| Market Share (India) | 15% (aiming 20% by FY28) | 23% (market leader) |
| Geographical Presence | Strong in North, West, Central; now expanded to South & East via Penna | Pan-India coverage, especially strong in South & East |
| Strategic Assets | <ul style="list-style-type: none"> ■ Penna’s Bulk Cement Terminals (BCTs) enabling coastal logistics & exports to Sri Lanka ■ Ample limestone reserves ■ 18 integrated plants + 18 grinding units | <ul style="list-style-type: none"> ■ 23 integrated plants + 29 grinding units ■ Strong ready-mix concrete (RMC) and white cement portfolio ■ Pan India distribution |
| Recent Investments | <ul style="list-style-type: none"> ■ ₹10,422 Cr for Penna Cement acquisition ■ ₹1,600 Cr grinding unit in Bihar ■ \$3 Bn earmarked for further M&A (Saurashtra, Jaiprakash, Vadraj targets) | <ul style="list-style-type: none"> ■ Continuous capex for brown field expansions ■ Strong focus on renewable & energy efficiency |
| Parent Group Strategy | <i>Vision: 20% market share by FY28, capacity-led aggressive growth, debt-light strategy</i> | <i>Vision: Retain First position in leadership; expand into green cement & global markets</i> |
| Competitive Edge | <ul style="list-style-type: none"> ■ Fastest-growing player with M&A-led expansion ■ Coastal export potential via Penna’s BCTs ■ Backed by Adani infra ecosystem | <ul style="list-style-type: none"> ■ Scale advantage & brand leadership ■ Extensive retail & RMC presence, and established global credibility |

1. Regulatory Compliance Challenges

This challenge can be discussed under the following two broad categories:

Domestic Transactions:

- **Corporate Laws:** CAs must ensure compliance with local laws such as the Companies Act, 2013, which governs shareholder approvals, disclosures, and post-merger filings.
- **Sectoral Regulations:** Industries such as banking, defense, and telecommunications are subject to additional regulatory scrutiny, requiring prior approvals.
- **Competition Law:** Approval from authorities like the Competition Commission of India (CCI) is essential to prevent anti-competitive practices.

Cross-Border Transactions:

- **Foreign Exchange Laws:** Adhering to laws such as the Foreign Exchange Management Act in India is critical for cross-border transactions.
- **Antitrust Approvals:** M&A deals often require multi-jurisdictional antitrust reviews, such as those by the European Commission or the US Federal Trade Commission.
- **Tax Treaties:** Structuring deals to leverage Double Taxation Avoidance Agreements (DTAAs) while minimizing tax exposure is a key challenge.

2. Taxation Hurdles

This challenge can be discussed under the following two broad categories:

Domestic Transactions:

- **Capital Gains Tax:** Analyzing and optimizing tax liabilities on the transfer of assets and shares are essential.
- **Stamp Duty:** Stamp duties on asset transfers vary across states and can significantly impact transaction costs.

Cross-Border Transactions:

- **Withholding Taxes:** Ensuring compliance with withholding tax regulations on cross-border payments like royalties or dividends.
- **Transfer Pricing:** Accurate valuation of cross-border transactions to comply with transfer pricing regulations and avoid disputes.
- **Tax Jurisdiction Conflicts:** Identifying the jurisdiction for taxing income and gains is often contentious in international deals.

3. Due Diligence Complexities

This challenge can be discussed under the following two broad categories:

Domestic Transactions:

- **Financial Review:** Ensuring accuracy of financial statements, contingent liabilities, and compliance with domestic accounting standards.
- **Disclosure Norms:** Adhering to regulatory disclosure requirements to avoid penalties or delays.

Cross-Border Transactions:

- **Diverse Standards:** Reconciling varying accounting and legal standards across jurisdictions.
- **Language Barriers:** Translating and interpreting financial and legal documents from foreign languages accurately.

4. Legal and Structural Hurdles

Some of the legal and structural hurdles are as follows:

- **Cultural and Governance Differences:** Aligning corporate governance and cultural practices in cross-border deals.
- **Sanctions and Trade Barriers:** Avoiding deals with entities in sanctioned jurisdictions or industries.
- **Intellectual Property (IP) Risks:** Ensuring seamless transfer and protection of intellectual property rights (IPR).

5. Securities and Disclosure Regulations

Some of the hurdles related to disclosure requirements are as follows:

- **Takeover Code Compliance:** Public company acquisitions require adherence to laws like SEBI (SAST) Regulations in India.
- **Insider Trading Laws:** Preventing misuse of confidential information during the transaction process.
- **Disclosure Obligations:** Accurate and timely reporting to regulators and stakeholders.





6. Labor and Employment Laws

Some of the hurdles related to Labor and Employment Laws are as follows:

- **Employee Benefits Harmonization:** Aligning employee contracts, pensions, and benefits across merging entities.
- **Workforce Relocation:** Addressing visa and immigration challenges in cross-border workforce integration.
- **Jurisdiction-Specific Protections:** Compliance with worker protection laws, including mandatory consultations in some jurisdictions.

7. Data Protection and Privacy Laws

Some of the hurdles related to Data Protection and Privacy Laws are as follows:

- **GDPR Compliance:** Ensuring compliance with the EU's General Data Protection Regulation (GDPR) in cross-border transactions.
- **Data Localization Laws:** Adhering to jurisdiction-specific data residency requirements.

8. Emerging Challenges

Some of the emerging challenges are as follows:

- **Environmental, Social, and Governance (ESG) Compliance:** Integrating ESG factors into M&A processes is becoming increasingly important.
- **Technological Integration:** Merging IT systems and ensuring cyber security in the newly formed entity.
- **Litigation Risks:** Managing disputes arising from breach of warranties or misrepresentation.
- **Healthcare and Pharmaceuticals:** Post-pandemic, the healthcare sector has witnessed consolidation, with companies focusing on innovation and expanding their product portfolios.
- **Infrastructure and Real Estate:** The construction boom and urbanization trends in emerging markets have sparked significant M&A interest. Companies are leveraging deals to access prime locations, streamline supply chains, and capitalize on smart city projects.

In addition to the above, following are the major post integration risks:

- **Operational Alignment:** Harmonizing operational systems and processes.
- **Repatriation of Profits:** Addressing restrictions on profit repatriation to parent jurisdictions.
- **Environmental Compliance:** Addressing liabilities for past environmental violations of the target company.

Emerging Trends Shaping M&A (2026-2030)

Following are the emerging trends that are expected to shape M&A in the times to come:

- **Sustainability and Clean Energy:** M&A activity in clean energy is expected to accelerate, driven by government initiatives to achieve 500 GW of clean energy capacity by 2030. Companies are increasingly focusing on ESG (Environmental, Social, and Governance) criteria as a cornerstone of their growth strategies.
- **Digital Transformation:** The integration of AI, blockchain, and IoT (Internet of Things) is reshaping industries, creating opportunities for technology-driven mergers.
- **Strategic Planning and Advisory**
 - Identify potential targets aligned with industry trends and goals.
 - Advise on deal structures (asset/share purchases, JVs).
 - Conduct market research to assess competitiveness and growth prospects.
- **Valuation and Financial Modeling**
 - Perform valuations (DCF, Comparable Companies, Precedent Transactions).
 - Build financial models to forecast performance and synergies.
- **Tax Structuring and Optimization**
 - Structure deals to minimize tax liabilities and ensure compliance.
 - Use tax treaties to avoid double taxation and optimize cash flows.
- **Due Diligence Services**
 - Carry out financial, legal, and operational due diligence.
 - Verify financial statements and uncover risks or compliance gaps.

The Role of Chartered Accountants (CAs) in M&A: Opportunities and Services

- **Strategic Planning and Advisory**
 - Identify potential targets aligned with industry trends and goals.
 - Advise on deal structures (asset/share purchases, JVs).
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 - Verify financial statements and uncover risks or compliance gaps.



Regulatory Compliance and Risk Management

- Ensure compliance with corporate, tax, and securities laws.
- Manage approvals from regulators (e.g., competition authorities).

Transaction Support Services

- Assist in negotiating deal terms, warranties, and indemnities.
- Draft financial sections of shareholder and regulatory filings.

Post-Merger Integration (PMI)

- Align accounting systems, reporting, and processes.
- Track achievement of synergies and financial targets.

Audit and Assurance Services

- Provide assurance on financial disclosures and reporting standards.
- Conduct special audits for acquisition-related statements.

Advisory on ESG

- Integrate ESG factors into M&A to create long-term value.
- Guide sustainability reporting and ESG compliance.
- **Technological Integration and Cyber security**
 - Support IT and digital system integration.
 - Ensure robust cyber security during and post-deal.

Thus, the roles of CAs are pivotal in M&A, offering expertise across strategy, finance, compliance, and integration. Their role ensures smooth execution, risk management, and value creation, making them indispensable in today's complex deal environment.

Observational Insight (2025)

- Technology, infrastructure, and financial services dominated deal value concentration.
- Mega-deals (\$10B+) largely driven by scale, AI capability, and infrastructure control.
- Increasing cross-border strategic acquisitions, especially from emerging markets like India.

Sector-wise Share of M&A Deals (Volume, 2025-26 est.)

| Sector | Approx. Share |
|---------------------------------------|---------------|
| IT / Technology | 24% |
| Industrials / Manufacturing | 15% |
| Utilities / Power / Renewable | 13% |
| Healthcare / Pharma | 10% |
| Financial Services / Insurance | 9% |
| Consumer Goods / FMCG | 8% |
| Telecom / Infrastructure | 7% |
| Others (incl. gaming, retail, energy) | 14% |

Future Outlook (2030 Projections)

Global M&A is set to grow strongly, led by clean energy, technology, and healthcare. India is expected to emerge as a global hub for strategic investments with exponential M&A growth.

Key Trends

- Rise in cross-border collaborations.
- Stronger focus on sustainability and ESG.
- Expansion of private equity and venture capital in early-stage firms.

Conclusion

M&A will remain central to corporate growth and innovation, with India's dynamic market, supported by regulatory reforms and proactive policies, playing a pivotal role in global economic progress through 2026-2030.

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Q1. What are the professional reasons for not accepting Audit?

- A. The professional reasons for not accepting an audit are:
- (i) Non-compliance of the provisions of the Companies Act as mentioned in Clause (9) of Part-I of First Schedule to the Chartered Accountants Act, 1949;
 - (ii) Non-payment of undisputed audit fees by auditees other than in case of sick units; and
 - (iii) Issuance of a qualified report.

In the first two cases, an auditor who accepts the audit would be guilty of professional misconduct.

In the last case, however, he may accept the audit if he is satisfied that the attitude of the retiring auditor was not proper and justified. If, on the other hand, he feels that the Retiring auditor had qualified the report for good and valid reasons, he should refuse to accept the audit.

Q2. Whether communication with previous auditor is necessary in case of appointment as statutory auditor by nationalized and other Banks?

- A. Yes, Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949 is equally applicable in case of nationalized and other Banks and also to Government agencies.

Q3. Whether a Chartered Accountant can accept an appointment as auditor of a company without first ascertaining from it whether the requirements of the Companies Act, in respect of such appointment have been duly complied with?

- A. No, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of sections 139 and 141 of Companies Act, 2013 in respect of such appointment have been duly complied with. In this regard, the Council has laid down detailed guidelines that are appearing in commentary under Clause (9) of Part I of the First Schedule to the Chartered Accountants Act, 1949 in Code of Ethics.

Q4. Whether a statutory auditor of a company can be appointed in the adjourned meeting in place of existing statutory auditor where no special notice

for removal or replacement of the retiring auditor is received at the time of the original meeting?

- A. No, if any annual general meeting is adjourned without appointing an auditor, no special notice for removal or replacement of the retiring auditor received after the adjournment can be taken note of and acted upon by the Company, since in terms of Section 115 of the Companies Act, 2013, special notice should be given to the Company at least fourteen clear days before the meeting in which the subject matter of the notice is to be considered. The meeting contemplated in Section 115 undoubtedly is the original meeting. Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company mentioned in Section 139.

Q5. What are the examples of actions that might be safeguards to address a self-interest threat before acceptance of appointment of a particular engagement?

- A. Following are examples of actions that might be safeguards to address such a self-interest threat include: a. Asking the existing or predecessor accountant to provide any known information of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. For example, inquiry might reveal previously undisclosed pertinent facts and might indicate disagreements with the existing or predecessor accountant that might influence the decision to accept the appointment. b. Obtaining information from other sources such as through inquiries of third parties or background investigations regarding senior management or those charged with governance of the client.

Q6. Whether the auditor should periodically review whether to continue with the recurring client engagement?

- A. A professional accountant shall periodically review whether to continue with the engagement. Potential threats to compliance with the fundamental principles might be created after acceptance which, had they been known earlier, would have caused the professional accountant to decline the engagement. For example, a self-

interest threat to compliance with the principle of integrity might be created by improper earnings management or balance sheet valuations.

Q7. Whether there are any Know Your Client (KYC) Norms to be followed by members in practice?

A. Yes, members in practice are required to comply with the following Know Your Client (KYC) Norms, which are mandatory w.e.f. 1.1.2017. These are applicable for all attest functions.

“Attest Functions” for this purpose include services pertaining to Audit, Review, Agreed upon Procedures and Compilation of Financial Statements.

The Announcement issued in this regard is as under:-

1. Where Client is an individual /proprietor

A. General Information

- Name of the Individual
- PAN or Aadhar Card of the Individual
- Business Description
- Copy of last Audited Financial Statement

B. Engagement Information

- Type of Engagement

2. Where Client is a Corporate Entity

A. General Information

- Name and Address of the Entity
- Business Description
- Name of the Parent Company in case of Subsidiary
- Copy of last Audited Financial Statement

B. Engagement Information

- Type of Engagement

C. Regulatory Information

- Company PAN
- Company Identification No.
- Directors’ Names & Addresses
- Directors’ Identification No.

3. Where Client is a Non- Corporate Entity

A. General Information

- Name and Address of the Entity
- Copy of PAN
- Business Description
- Partner’s Names & Addresses (with their PAN/Aadhar Card/DIN)
- Copy of last Audited Financial Statement

B. Engagement Information

- Type of Engagement



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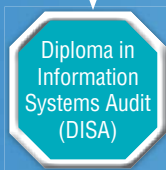
**13th, 14th, 19th
20th & 21st
June 2026**

**10:00 am to
05:00 pm**

Note: Registration of members shall be done on first-cum-first-serve basis. For any clarification, please write at sustainability@icai.in

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- ✓ Legal Drafting and Representation before Authorities



1. Capitalisation of dry dock expenditure (major inspection costs) as a separate component of dredgers and depreciation thereon after completion of their estimated useful lives.

A. Facts of the Case

- 'A Ltd.' is a public company, mainly engaged in the dredging activities for major ports and other maritime organisations covering both maintenance and capital dredging requirements.
- The Company's primary assets are dredgers with an estimated useful life of 25 years.
- The residual value is estimated at 2% of original cost and the remaining 98% depreciable value is depreciated over 25 years on straight line method.
- Though the useful life of the dredgers is fixed at 25 years, out of 14 dredgers, 4 dredgers have completed 25 years and yet are under operation for gainful dredging activities.
- The Company is mandatorily required to have registration under Indian Register of Shipping (IRS) for all its dredgers to operate and to carry out dredging activities. Further, every dredger goes through a rigorous test to check the sea worthiness of the dredger and the dredger can be operated only when a certificate of fitness is provided by IRS.
- To obtain this certificate, the Company incurs substantial repair costs/overhaul costs, known as 'Dry Dock Expenditure'.
- Once the inspection of a dredger is done, the IRS provides fitness certificate for the dredgers, which also mentions the due date for the next inspection, which is generally after duration of 3-5 years.
- The Company has been treating these dry dock expenditures as major inspection costs and

capitalising them in line with paragraph 14 of Ind AS 16.

- As per the Company, since its economic benefits will flow to the Company until next inspection's due date and costs can be measured reliably, it also satisfies the recognition criteria specified in paragraph 7 on Ind AS 16.

Comptroller and Auditor General of India's (CAG) view

- CAG has commented that capitalisation of dry dock expenditure on these Dredgers is in contravention to the Accounting Policy of the Company. As these assets have exceeded their useful lives, dry dock repairs incurred on above four Dredgers should have been charged as Repairs and Maintenance (Vessels) cost under Other Expenses.

Company's response to the comments of CAG:

- The Company is of the opinion that as per paragraph 7 of Ind AS 16, capitalisation of the subsequent costs can be done and the same can be depreciated over the period for which economic benefits are expected to be derived by the Company, which is the period up to the next dry-docking due date.
- Further, in case of dredgers whose useful lives have expired, the Company has reviewed the useful lives and extended the same.
- In accordance with paragraph 51 of Ind AS 16, the Company had estimated the remaining useful life of the dredgers based on the dry dock surveys during the year, extending it up to the next scheduled date of dry dock.
- The Company has complied with the provisions of Ind AS in capitalising dry dock expenditure on the above 4 dredgers.

B. Query

- Whether the Company's accounting treatment of capitalising dry dock expenditure of 4 of its dredgers whose useful lives have expired, is in compliance with the Ind AS Accounting Framework.
- Whether subsequent expense can be capitalised as separate component even after expiry of useful life of main dredger, i.e., 25 years for dredgers as per accounting policy of the Company.

C. Points considered by the Committee and Opinion

- The Committee notes that the basic issue raised by the querist relates to the appropriateness of the Company's accounting treatment of capitalising the dry dock expenditure incurred as a separate

component of the 4 dredgers, after the expiry of the useful life of these dredgers.

- The Committee notes that as per the requirements of Ind AS 16, following types of costs/expenditure can be capitalised as part of the cost of an item of property, plant and equipment:
 - *Replacement at regular intervals:* The Committee notes from paragraph 13 of Ind AS 16 that these costs are normally recognised as a separate part or component of carrying amount of PPE and depreciated separately over the useful life of the part itself (as useful life of part/component is different from the useful life of the main asset).
 - *Non-recurring replacements:* Paragraph 13 of Ind AS 16 also deals with the situations where items of PPE may require nonrecurring or less frequent replacements. In such situations also, if the conditions of recognition as per paragraph 7 of Ind AS 16 are met, an entity recognises in the carrying amount of an item of PPE, the cost of replacing part of such an item when that cost is incurred and the carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of Ind AS 16. These costs may also be recognised as separate part or component of carrying amount of PPE and depreciated separately over the useful life of the part itself (if they have different useful life from that of the main asset).
 - *Inspection costs:* Paragraph 14 of Ind AS 16 states that costs of major inspections can be recognised in the carrying amount of PPE as a replacement, if the recognition criteria are satisfied. However, in this regard, it may be noted that not all costs incurred during inspection or before inspection, for example, to make the asset ready for inspection can be capitalised as inspection costs; rather only those costs pertaining to performance of inspection activity e.g. fees paid to inspection authority to carry out inspection, costs of performing tests such as stress test to determine the strength of critical parts etc., can be capitalised. These costs are recognised as separate component of carrying amount of PPE and depreciated until the next inspection cycle. Other costs incurred before or during inspection should be separately analysed for capitalisation under requirements of Ind AS 16.
- *Cost of spare parts, stand-by equipment and servicing equipment:* Paragraph 8 of Ind AS 16 requires that items, such as, spare parts are recognised as an item of PPE only if they meet the definition of property, plant and equipment and further for recognition as PPE, the conditions under paragraph 7 of Ind AS 16 are required to be fulfilled. Thus, if the definition of PPE and these conditions are fulfilled, the spare parts are recognised as a separate item of PPE and depreciated as per the requirements of Ind AS 16.
- The Committee notes that as per recognition criteria under paragraph 7 of Ind AS 16 an item of expenditure shall be recognised as an asset if, and only if (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably.
- The Committee further notes that paragraph 12 of Ind AS 16 requires that expenditure on repairs and maintenance, including replacement costs of small parts, consumables, etc. and cost of day-to-day servicing is charged to profit or loss as and when incurred.
- The Committee notes from the facts supplied that various types of costs/expenditures are being incurred by the Company in the context of 'dry dock expenditure' including repairs, replacements, inspection costs, and other costs in order to make dredgers ready for inspection, etc.
- The Committee wishes to mention that **not all expenses incurred during the dry-docking activity may necessarily meet the criteria for capitalisation under Ind AS 16.**
- Ind AS 16 requires each item of cost or expenditure to be analysed so as to determine whether it can be capitalised as per the requirements of the Standard and does not stipulate that all expenditure incurred during a process or stage can be capitalised (for example, not all expenditure during construction stage can be capitalised).
- Therefore, the Company needs to analyse each expenditure individually to determine its nature and whether the same can be capitalised as part of the cost of PPE.
- **If any expenditure does not meet the criteria for capitalisation, such as the expenditure on repairs and maintenance covered in paragraph 12 of Ind AS 16 (including replacement costs of small parts, consumables, etc. and cost of day-to-day servicing), the same should be charged to the Statement of Profit or Loss as and when incurred.**

- The Committee notes that **Ind AS 16 does not prohibit the capitalisation of subsequent expenditure in the carrying amount of PPE after the expiry of the useful life of the PPE.**
 - **Accordingly, if costs or expenditure incurred during dry-docking activity result into increase in expected utility of dredger, the useful life of dredger should also be reviewed.**
 - **Further, since increase in useful life will lead to flow of future economic benefits to the Company, the recognition criteria as per paragraph 7 of Ind AS 16 can also be considered to be met and therefore, the expenditure incurred which leads to increase in the useful life in the extant case can be capitalised to the carrying amount of the dredgers, as per the requirements of Ind AS 16.**
 - Furthermore, the Committee notes that as per the requirements of Ind AS 16 (paragraph 56(b)), useful life of an asset is determined considering the repair and maintenance programme for the asset.
 - However, since, the useful life of each of the 4 dredgers has expired despite presumably taking into account such repair and maintenance programme due to regular inspection activity (viz., dry-docking), the Company should consider reviewing its manner of determining the useful life of dredgers.
 - As regards depreciation of the expenditures incurred during dry-docking activity, which are recognised as part of an item of PPE/dredger as per the above-mentioned principles and requirements of Ind AS 16, the Committee notes that if a part or component of PPE has a useful life which is different from the useful life of the remainder of the PPE, it should be depreciated separately as per the above-reproduced requirements of Ind AS 16.
 - Thus, the replacement costs and inspection costs that are capitalised as part of the cost of the dredger in the extant case, will be depreciated separately if those parts or costs have a different useful life than that of the dredger itself.
- The Tamil Nadu Government (GoTN) announced various “Structured Package of incentives” in 2015, for setting up Company’s Board Plant (with an investment obligation of Rs. 1600 crore and employment creation of 600 persons during investment period of 5 years between 12.2.2014 to 11.2.2019), offering Fiscal Incentive for reimbursement of Net Output VAT + CST paid as Investment Promotion Subsidy over a period of 12 years from the date of Commercial Production.
 - The incentive was subsequently converted into a Capital subsidy upon introduction of GST w.e.f. 01.04.2017 for the residual period. After implementation of GST Regime, the Government offered two options for companies with VAT based incentive packages: reimbursement of SGST or capital subsidy.
 - For the ease of calculation and claim every year, the Company opted for getting capital subsidy every year without quantifying the SGST paid every year.
 - Under the “Capital Subsidy option”, the Company became eligible to receive incentive of Rs. 16 crore per annum, being 1% of eligible capital investment of Rs. 1600 crore.
 - The incentive is annual in nature and can be claimed only after establishing that the Company has manufactured and sold the eligible product, during the relevant year. Further, the Company is required to maintain committed employment levels as specified.
 - *The purpose of the incentive is to compensate for the SGST amount contributed by the Company to the GoTN.* Therefore, though the incentive is computed as a percentage of capital investment in fixed assets, it is linked to Company’s operational performance, sales contribution, and compliance with conditions during each financial year.

2. Accounting treatment of Grant (Structured Package of assistance for setting up a Hardwood Pulp Plant) under Ind AS 20.

A. Facts of the Case

- A company is a listed company and manufactures Newsprint & Printing and Writing Paper (PWP) using bagasse (a sugar cane waste) as primary raw material.

Incentive for setting up of Hardwood Pulp Plant (Expansion Project II)

Accounting treatment followed by the Company:

- *The Company has accounted for the grant under Ind AS 20 by recognising the Government Grant in the Statement of Profit and Loss on a systematic basis over the periods in which related costs are incurred.*
- *Since the incentive can be claimed annually only after operational conditions are fulfilled, the Company has been accruing the incentive every year and recognising it under “Other Income.”*

- Subsequently, the capital subsidy in lieu of SGST based reimbursement has been amended to 10 % of the investment, not exceeding Rs.110 crore, which shall be released by the GoTN over a period of 15 years as equal annual installments every year from the F.Y. 2023-24, subject to fulfilment of additional investment commitment of Rs.1100 crore and additional employment generation of 156 persons by the Company.
- As part of conditions of incentives, during each of the incentive period following the incentive period, the expansion unit shall be fully operational and shall manufacture the products as per the MoU with GoTN and the committed employment figures must be maintained, and the failure to do so will result in ineligibility for claiming capital subsidy in that particular year, which, as per the querist, indicates that incentive is for supporting working capital requirements of the Company and not a grant against capital investment.*

Auditor's observation:

- Audit observed that the Company considered the above subsidy as revenue grant/subsidy instead of a capital subsidy in contravention of the provisions under Ind AS 20.
- The CAG auditors raised a query only on the accounting treatment followed by the Company on the incentive granted for the setting up of the Hardwood Pulp Plant.

Company's response to AG Audit Query:

- In both the options (namely, reimbursement of SGST or capital subsidy), the intention of the Government is to reimburse the SGST paid periodically and it is not an assistance/subsidy for procurement of capital assets.*
- The new investment of the Company shall be provided a "Capital Subsidy in lieu of State Goods and Services Tax (SGST) based reimbursement" which will be payable over a period of 15 years as equal annual instalments subject to conditions mentioned above.
- The Company is concurrently receiving similar incentives for both Board Plant and for the new investment; both are similar in nature of 'Revenue Grant' and the Company is giving similar accounting treatment for both the incentives in compliance with Ind AS 20.
- The Company has to file a separate claim for such incentive, confirming the operation of the Plant with committed employees during the preceding financial year and incentives are*

annually sanctioned based on its claim; the failure to maintain production and employment will result in ineligibility to claim subsidy in that particular year. Hence, it is absolutely clear that the above incentive, though the nomenclature is 'Capital Subsidy', falls into the ambit of a revenue grant, which is the 'substance over form'.

B. Query

- Whether the accounting treatment followed by the Company on the Structured Package of Assistance for setting up a Hardwood Pulp Plant (Expansion Project II) at the plant location under Ind AS 20 is correct. If not, what would be the correct accounting treatment to be followed by the Company in compliance with Ind AS 20?

C. Points considered by the Committee and Opinion

- The Committee notes that the basic issue raised by the querist relates to nature of capital subsidy in lieu of SGST reimbursement under Structured Package of Assistance received from the State Government for setting up a Hardwood Pulp Plant (Expansion Project II) as to whether the same is 'grant related to asset' or 'grant related to income' under Ind AS 20, 'Accounting of Government Grants and Disclosure of Government Assistance', considering difference in views of the CAG and the Company.
- At the outset, the Committee wishes to mention that the accounting treatment of a grant is determined by its nature (i.e. grant related to income or grant related to assets) rather than the nomenclature used, for example, capital subsidy used in the extant case.
- The Committee notes that from these facts, it appears that continued operation of the plant and committed employment have to be necessarily maintained by the Company in each year of the incentive period of 15 years, for which the subsidy is to be claimed in addition to the initial investment in the plant and creation of employment in the investment period, to be eligible for the subsidy. Therefore, it can be said that these conditions are also primary conditions for eligibility for a subsidy.
- In this context, the Committee notes the definition of 'government grants' as provided in Ind AS 20, which states that grants related to assets are those grants whose primary condition is that an enterprise qualifying for them should purchase, construct or otherwise acquire a long-term asset.
- Although there may be secondary conditions to the grants related to assets, these would relate

to the type or location of the assets or the period during which these are to be acquired or held.

- The Committee also notes that it is mentioned in the facts that the pulp plant is a modern one and highly automated, requiring almost no additional manpower, implying that in the absence of employment conditions as one of the primary conditions, the Company might not have created and maintained the employment of 156 persons in the plant, and thus, making employment-related conditions also a primary condition.
- Thus, in the extant case, the primary condition for being eligible to grant is not only the acquisition of a long-term asset, i.e., a hardwood pulp plant, but there are other primary conditions as well related to employment conditions in the investment period, and continued operation and committed employment for 15 years after the investment period.
- Therefore, the Committee is of the view that the said **'capital subsidy' in the extant case is not a grant related to assets**. The Committee also notes from above that Ind AS 20 defines 'grants related to income' as grants that are not related to assets. **Since, in the extant case, the grant is not a grant related to assets as discussed hereinbefore, the same is a grant related to income. Accordingly, the accounting treatment made by the Company in this regard to consider the subsidy/grant in lieu of SGST reimbursement as 'grant related to income' is appropriate.**
- Incidentally, the Committee also wishes to point out that the frequency of the grant – whether one-time assistance or regular disbursement – is not relevant for determining the nature of the grant. Further, although the capital subsidy is defined in terms of a certain percentage of investment in the plant, it only represents the basis of determining the amount of the grant and therefore cannot determine the nature of the grant.

3. Accounting treatment of payment made to NHAI for the development of road connectivity to Exhibition-cum-convention Centre (ECC Centre) Project.

A. Facts of the Case

- A company is a public sector undertaking, incorporated as a Special Purpose Vehicle (SPV) for the implementation and development of Exhibition-cum-Convention Centre (ECC).

- The project scope includes the development of external road connectivity to the ECC through the National Highways Authority of India (NHAI) at a sanctioned cost of ₹442.39 crore.
- Out of the approved amount, a sum of ₹354.89 crore has already been paid to NHAI towards the cost of land and 3 instalment payments for road development.
- The Company initially recognised the expenditure under Capital Work-in-Progress (CWIP) up to financial year (F.Y.) 2022-23, pending completion and commissioning of the ECC Project.
- Upon commencement of commercial operations from 1st October 2023, the project was capitalised during F.Y. 2023-24 under the head 'Property, Plant and Equipment (PPE)', in accordance with Ind AS 16, which requires capitalisation of costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. The Company treated the payment made to NHAI as a directly attributable cost related to the ECC's development.

Auditor's observation

- The Auditor raised an observation that the payment to NHAI should have been charged to the Statement of Profit and Loss for F.Y. 2023-24.

Management's Position

- The road infrastructure developed by NHAI is *critical and integral* to the operational readiness of the ECC project and was incurred specifically during the construction phase. Without this infrastructure, the ECC would not be able to function in the manner intended by management and expenditure is *directly attributable* to making the main project asset usable and accessible.
- Accordingly, the Company capitalised the expenditure in accordance with paragraph 16 of Ind AS 16.
- The expenditure is being recognised on the basis of utilisation by NHAI, and the unreleased 4th installment will also be capitalised once utilisation is confirmed.

B. Query

- Whether the accounting treatment adopted by the Company, i.e., capitalisation of the amount paid to NHAI for development of road connectivity as part of the cost of the ECC project under the head, 'Property, Plant and Equipment', is in accordance with the provisions of Indian Accounting Standard (Ind AS) 16?

- In case capitalisation is not considered appropriate, what are the alternative options available to the Company for accounting for the payment made to NHAI towards development of external infrastructure that is functionally linked to the ECC project's operations?

C. Points considered by the Committee and Opinion

- The Committee notes that the basic issue raised in the query relates to accounting treatment of amount paid for development of road connectivity to Exhibition-cum-Convention Centre (ECC Centre)/ Project.
- The Committee notes that Ind AS 16 does not prescribe the unit of measure for recognition and states that judgement is required in applying the recognition criteria to an entity's specific circumstances.
- The Committee, however, notes that the expenditure incurred is for providing 'connectivity' to the road rather than the 'road', wholly dedicated for the ECC Centre/Project. Therefore, if such expenditure is to be capitalised, the unit of account of PPE shall be the underlying asset i.e. ECC Centre and not the road.
- The Committee now examines whether the expenditure incurred on development of road connectivity by the Company can be included as a part of cost of the ECC Centre/ Project.
- In this regard, the Committee notes the requirements of Ind AS 16 that these requirements do not mean that *all* expenditure incurred for making the asset operational as per the intentions of the management should be capitalised as cost of PPE, rather *only costs which are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating* should be considered for capitalisation as part of the cost of the PPE.
- The costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating are the costs or expenditure without the incurrance of which, the construction of project/asset could not have taken place and the project/asset could not be brought to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Further, the Committee is of the view that the 'manner intended by management' should be understood with reference to the asset itself and not with reference to the related additional infrastructures or other facilities that will be used simultaneously with the other currently existing infrastructures related to the asset and which are developed as per the decision of the management to increase its current revenues.
- The Committee notes from the project details shared that the development of road and the project development were taking place simultaneously and thus, the road was not necessary for construction of the project.
- Further, from various other documents and approvals, it is noted that in the context of road development, NHAI has demanded a sum of Rs. 350 crores as cost of additional structures for dedicated entry/exit points from Urban Extension Road (UER) and the nearby Expressway.
- Thus, it appears that the objective of incurring the expenditure on road connectivity was to create separate additional access to the ECC Centre from the main roads and expressways so as to enable easy accessibility to the visitors to the centre and for overall development of the area to increase its attractiveness.
- Therefore, although such road connectivity to ECC Centre may increase the future economic benefits flowing from the overall ECC Project, the same does not appear to be necessary for making the ECC Centre operational/capable of operating in the manner intended.
- **Accordingly, as per the requirements of Ind AS 16, the expenditure incurred on road connectivity should not be considered as directly attributable to bringing the ECC Centre to the location and condition necessary for it to be capable of operating in the manner intended by management. Hence, it cannot be capitalised as part of cost of any PPE; rather should be recognised as an expense in the Statement of Profit and Loss when incurred.**

(For complete text of the Opinions, please refer the link: <https://www.icai.org/post/eac-opinions-published-in-journal>)

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RACK the Brain

1. I explain the momentum of industrial expansion that emerges when enterprises choose proximity over dispersion. Economists often cite me as a key driver of regional competitiveness and productivity. What am I?

2. A single investment in me can generate multiplier effects across an entire industrial ecosystem. I often take the form of transport networks, testing facilities, and logistics infrastructure. What am I?

3. I permit enterprises to collaborate where interests align, while preserving the competitive dynamics that drive efficiency and innovation. What am I?

4. I cannot be readily recognised, capitalised, amortised, or depreciated in financial statements, yet I materially shape regional competitiveness and long-term enterprise resilience. What am I?

5. I emerge when industrial concentration exceeds its optimal threshold, transforming operational efficiency into congestion and competitive advantage into constraint. What am I?

Answer
May 2026

- Gig Economy
- Capitalist Economy
- Socialist Economy
- Green Economy
- Circular Economy

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Accountant's Browser



PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during April – May 2026 for the reference of Faculty/Students & Members of the Institute.

1. Audit

Auditor-Client Relationship and Abnormal Tone: A Simultaneous Equations Approach by Milad Darvishi, Mahmoud Lari Dashtbayaz, Roghayeh Mahmoudi Yekebaghi and Taqi Abdul Redha AI Abdwani. *Asian Review of Accounting*, V. 34, No. 2, PP. 273-297

2. Computer

Employees Are Relying on AI for Personal Support. That's Risky by Constance Noonan Hadley and Sarah L. Wright. *Harvard Business Review*, May-June 2026, PP. 67-75

How Gen AI Robots are Reshaping Services by Jochen Wirtz. *Harvard Business Review*, May-June 2026, PP. 117-125

Strategic Impact of AI on Bank CRM: Applications, Benefits and Future Governance by S. Jeyakumar. *Banking Finance*, April 2026, PP. 37-43

3. Economics

Horticulture Sector in India: Trends, Performance, and Impact by Sant Kumar, Anjani Kumar, Nalini Ranjan Kumar, Kriti Sharma and Immanuelraj Kingsly. *Economic & Political Weekly*, April 25, 2026, PP. 42-49

Innovation as the Driver of Economic Growth: India's Roadmap to 2047 by Bimlesh Kumar Singh and Saifullah Khan. *University News*, April 20-26, 2026, PP. 26-36

Mind over money: How Psychology Shapes your Financial Fate by Soumya Ranjan Sahoo and Sunil Kumar Gaud. *Banking Finance*, April 2026, PP. 29-32

West Asia War: What it Means for Exporters, Importers and Marine Insurance by Balasundaram R. *Insurance Times*, April 2026, PP. 35-37

4. Taxation and Finance

Performance Commitment, Earnings Quality and Tax Avoidance: Evidence from Chinese Listed Companies by Xiaoqing Li, Haiyu Yan and Zixing Wang. *Asian Review of Accounting*, V. 34, No. 2, 2026, PP. 483-509

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CLASSIFIEDS

6178 A CA firm requires CAs only as full-time Partners (purely on a revenue-sharing basis and with no fixed remuneration) for Kolkata, Mumbai, New Delhi, Navi Mumbai, Pune, Bhopal, Indore, Ahmedabad, Chennai, Hyderabad, Bengaluru, Chandigarh, Jaipur, Guwahati, Agartala, Bhubaneswar, and Port Blair. hoaps1980@gmail.com

6179 CA firm requires Exp. practising CA as full-time paid partner for our Kolkata & Mumbai Office [Max-Age: 40 yrs; Min-Exp: 5 yrs] with expert knowledge of Finalisation of Accounts, Income Tax, GST, TDS, ROC, Company Law, etc. hoaps1980@gmail.com

6180 A 21-year-old CA firm presently having offices in Guwahati, Mumbai, Kolkata, Jaipur, Hyderabad and Visakhapatnam is looking for new partners in the following places – Ahmedabad, Chennai, Bangalore, Bhopal, Chandigarh, Lucknow, Patna, Ranchi, & Bhubaneswar. Newly qualified CAs may also apply at e-mail cahgnco@gmail.com; 9435190811

6181 Guwahati-based IBA Empanelled CA firm Looking for firms for mergers. Interested firms can mail to caabhishekagarwall@gmail.com

Research Committee



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



ICAI INTERNATIONAL RESEARCH AWARDS 2026



World's Largest Cross Border Competition in Research Arena

Introduction

The Research Committee of The Institute of Chartered Accountants of India is one of the oldest technical committees set up in 1955 with a view to undertake research activities in subjects relating to the profession and economy.

Objective

The objective of ICAI International Research Awards 2026 (IRA) is to recognise the research community across the globe and their contribution in fostering value creation towards development of society and economy.

Coverage of the Awards

The areas/scope of the awards would be to identify the topics of international and societal importance. The award will be given in five broad categories:

Accounting

Auditing

Economics

Finance

Taxation

**Research Papers
published between**

1st April, 2024 to 30th June, 2026

Nomination Process and Guidelines

1. Research Papers should be nominated online (<https://ira.icai.org/#/>) by Research Institutions, Educational Institutions, Corporates and individuals (being part of such institutions or corporates).
2. Self-nomination is not allowed.
3. Previously nominated research papers in IRA should not be nominated again.
4. One Research Paper is to be nominated in one category only.
5. The awardee may be asked to present their Research Paper for the benefit of larger audience.
6. Decision of ICAI relating to the IRA will be final.
7. Published Research Papers should be in English language only.

For more information
visit at

[https://www.icai.org/post/
research-committee](https://www.icai.org/post/research-committee)

or scan



Tel.: +91-120-3876868

Email: ira@icai.in

Website: www.icai.org

Last date of submission : 22nd July, 2026, 4.00 P.M. (IST)

Online Submission: <https://ira.icai.org/#/>



LEGAL Decisions



DIRECT TAXES INCOME TAX

LD/74/114 ITAT Delhi: ITA No. 5036/DEL/2025 Gas Supply Co. Pvt. Ltd Vs. The Asst. Commissioner of Income Tax 10th April 2026

ITAT quashed order u/s 143(3) dated 31.03.2024 by observing that AO did not issue the mandatory notice u/s 148 as required under Section 143(2); Search and seizure action took place u/s 132 in case of third party in which Assessee was also a searched party and so the Assessee's case was selected for compulsory scrutiny; As per ITAT, when a search takes place, AO must act u/s 148 (which now performed the role formerly assigned to Section 153A w.e.f. 1.4.2021) rather than continuing with a pending Section 143(3) proceeding; Once Search had taken place, no normal assessment u/s 143(3) of the Act could be framed.

LD/74/115 ITAT Chennai: ITA No. 2414/Chny/2025 Mangadu Natarajan Balasundharam Vs. The Income Tax Officer 09th April 2026

ITAT deleted penalty levied u/s 271(1)(c) noting that Assessee duly disclosed concerned income in the return of income filed in response to the notice u/s 148, which the AO had accepted; On receipt of information from DDIT (Investigation) that the Assessee had not offered the income from sale of plots co-owned by him, Revenue issued notice u/s 148, in response to which Assessee filed the return of income offering sale proceeds of plots of Rs. 82.36 lakhs; Assessee had offered the gain from transactions which were not even part of the investigation report, which reflected the bonafide intention of the Assessee.

LD/74/116 Gujarat High Court: Special Civil Application No. 3978 of 2026 West India Infratech Private Limited Vs. The Asst. Commissioner of Income Tax 08th April 2026

Gujarat HC quashed notice u/s 148 dated 22.03.2025 for AY 2015-16, notice being barred by limitation of more than 10 years; Fourth proviso permits assessment beyond 6 years subject to specified conditions and refers to "relevant AY" as stated in Explanation 1 in Section 153A, that defines "relevant AY"; AY relevant to the previous year of search becomes the reference year and the 10 year period is counted from the end of that AY; This includes the search assessment year within the ten-year framework; Thus, while computing 10 year period under Explanation 1 to Section 153A r.w.s 153C, the AY to the previous year of search is to be included in the reckoning.

LD/74/117 ITAT Hyderabad: ITA No. 1914/Hyd/2025 Tulsi Dasari Vs. The Income Tax Officer 08th April 2026

ITAT held that notice issued by the AO u/s 148 for AY 2015-16 was barred by limitation as per first proviso to Section 149 as introduced by Finance Act, 2021; As per pre-amended section 149(1)(b), a notice u/s 148 for AY 2015-16 could be issued by the AO latest by March 31, 2022; The provisions contemplated in the "fifth proviso" of Section 149(1) of the Act (post amended), and also the extension of time limit to seven days in a case where after the exclusion of the time limit contemplated in the "fifth proviso" the period remaining is less than seven days (as per the "sixth proviso"), cannot be read into the first proviso, for the purposes of computing the period of limitation for issuance of notice under Section 148 of the Act.

LD/74/118 ITAT Mumbai: ITA No. 4286/MUM/2025 The Dy. Commissioner of Income Tax Vs. A P Trading Co. 07th April 2026

ITAT deleted addition u/s 68 on account of unsecured loan noting that AO misinterpreted repayment as fresh credit and Assessee discharged its onus by proving the identity, creditworthiness, and genuineness; Repayment of an existing loan cannot be treated as unexplained cash credit u/s 68 in a subsequent AY; Lender company responded to notices issued under Sections 133(6) and 131 by furnishing relevant documents; Mere absence of the director's personal appearance or the lender companies' low income/negative networth, could not justify invoking of Section 68.

LD/74/119 Delhi High Court: ITA 364/2024 The Prin. Commissioner of Income Tax Vs. Globe Capital Market Limited 07th April 2026

Assessee purchased its own shares pursuant to a buy back offer and the AO made the addition in the hands of the Assessee by invoking Section 56(2)(x); HC opines that the very hypothesis that the Assessee had acquired an asset at lesser rate than the FMV has no legs to stand on and "...Buy-back of its own shares is antitheses to buying an asset"; HC stated that as per Section 68(vii) of Companies Act, the Assessee must have destroyed the shares (via capital reduction) which the AO has sought to tax and a person cannot be taxed for so-called deemed profit from the property (shares) which accrues to it consequent to destruction of the very same property.

LD/74/120 ITAT Delhi: ITA No. 7537/Del/2025 BPTP Limited Resulting Company of Native Buildcon Pvt. Ltd. Vs. The Dy. Director of Income Tax 01st April 2026

ITAT held that TDS credit cannot be denied merely due to timing mismatch between revenue recognition and deduction year; ITAT noted Assessee's contention that since the time for revising returns of preceding AY had expired, it claimed TDS credit in AY in which such TDS was actually deducted and deposited; ITAT remitted the matter back to AO with a direction to verify whether the revenue pertaining to TDS had been offered to tax in preceding AY and if verification was confirmed, ITAT directed the AO to allow Assessee's claim.

LD/74/121 Gujarat High Court: R/Tax Appeal No. 1234 of 2007 The Commissioner of Income Tax Vs. Zydus Lifesciences Limited 12th March 2026

For AY 2001-02, HC held that the consideration received on "transfer of trademark along with goodwill", was not chargeable to tax since it was not an "asset" to attract the charging provisions of Section 45(1), and its assignment/transfer thus was not subject to income tax under the head of "capital gains"; SC judgment in B.C. Srinivasa Shetty relied upon; Amendment in Section 55(2) by Finance Act, 2001 wherein the words 'or a trademark or brand name associated with a business', was a prospective one w.e.f. 01/04/2002.; AO's approach in taxing the impugned consideration as business income u/s 28(iv) or 41(1), was unjustified.

LD/74/122 ITAT Delhi: ITA No. 5851/Del/2024 Jubilant Ingrevia Ltd Vs. The Asst. Commissioner of Income Tax 17th March 2026

AO in both the draft assessment order as well as in final assessment order, started his computation of income from the income determined by the CPC u/s 143(1); Assessee had filed rectification applications u/s 154, both before the JAO and FAO, that were still pending for adjudication; AO ought to have taken cognizance of the grievance of the Assessee in the assessment order framed both u/s 143(3) r.w.s 144C(1) and 143(3) r.w.s. 144C(13); Intimation u/s 143(1) stood merged with the draft assessment order u/s 144C(1) and it was ought to have been adjudicated by the DRP; ITAT remanded matter back to AO to adjudicate the additions.

LD/74/123 ITAT Delhi: ITA No. 4979/Del/2025 Neeraj Kataria Vs. The Income Tax Officer 10th March 2026

ITAT quashed reassessment proceedings noting that the notice u/s 148 in the name of a deceased Assessee was void ab initio; Assessee expired prior to issuance of reassessment notice u/s 148; Reliance placed on Delhi HC judgment in Savita Kapila and Madras HC judgment in Alamelu; Section 292B cannot be invoked to rectify a fundamental jurisdictional error such as issuance of notice to a non-existent person; A proper course would have been to issue notice to the legal heirs in terms of Section 159, as per ITAT.

LD/74/124 ITAT Ahmedabad: ITA No. 1371/Ahd/2025 The Dy. Commissioner of Income Tax Vs. Hemantkumar Rajendrakumar Shah 10th March 2026

ITAT upheld CIT(A) order deleting the addition of Rs. 4.87 Cr made by estimating profit at 12% of turnover in the case of F&O transactions without any reasonable basis; Assessee's books of account were duly audited, and ITAT pointed out that the AO had not brought any material on record to justify rejection of books or to support estimation of profit at such a rate; As per ITAT, in the business of derivative trading, profit estimation based on turnover at a fixed percentage cannot be applied in an arbitrary manner.

DISCIPLINARY CASE

Engagement in coaching activities and involvement in business while in full-time practice – Conducting CA coaching classes without permission and holding the position of Director in private company – Held, the Respondent is guilty of Professional misconduct under Item (11) of Part I of the First Schedule and Item (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

In this case, the Respondent, while being in full-time practice and holding Certificate of Practice was alleged to be conducting coaching classes in a coaching institute and simultaneously acting as director in Private Limited Company. The Committee noted that Regulation 190A of the Chartered Accountants Regulations, 1988 prohibits a Chartered Accountant in practice from engaging in any business or occupation other than the profession of accountancy without prior permission of the Council. The Committee further observed that Appendix (9) to the Regulations permits teaching or coaching activities only subject to prescribed conditions and approval of ICAI. Though the Respondent contended that he had not undertaken any attest functions and that ICAI advisory did not specifically prohibit practicing members from conducting coaching classes, he failed to furnish any documentary evidence showing compliance with the prescribed requirements or obtaining specific permission from ICAI. The Committee also noted that despite opportunities granted, the Respondent neither submitted requisite documents nor appeared before the Committee to defend himself. With respect to the second charge, the Committee observed that though holding the position of director simplicitor is permissible for a practicing Chartered Accountant, the Respondent's role in the company reflected active business involvement. The Committee noted that the Respondent was a director in the company during the relevant period and held more than 99% shareholding therein as per MCA records. It was further observed that after receipt of the complaint, the Respondent appointed his wife as director and subsequently resigned from the company, though the relevant e-forms were filed belatedly with MCA. In view of the Respondent's substantial ownership and involvement in the company, the Committee rejected his contention that he was merely a director simplicitor. Accordingly, in absence of any substantive defence and considering the documents available on record, the Committee held the Respondent guilty of professional misconduct falling within the meaning of Item (11) of Part I of the First Schedule and Item (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949.

[PR/89/2018-DD/103/2018-DC/1323/2020]

Failure to exercise due diligence in certification of LLP records and audit reporting – Respondent certified Form 8 without proper verification, failed to qualify audit report for non-payment of statutory dues and omitted related party disclosure – Respondent held guilty under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949; exonerated from allegations relating to forgery and money laundering.

Held:

In this case, the Respondent, statutory auditor of LLP for FYs 2013-14 and 2014-15, was alleged to have improperly certified LLP records, failed to report statutory non-compliances and participated in forged documentation and money laundering activities. The Committee noted that though the deed of reconstitution reflected retirement of the Complainant from the LLP and admission of a new partner, Form 8 filed with ROC was digitally signed by the Complainant as partner and verified by the Respondent without raising any objection. The Respondent contended that the ROC records had not been updated and therefore Form 8 could not be uploaded without the Complainant's signature. However, the Committee observed that the Respondent was aware of the changes in the LLP and failed to verify relevant records and forms, including Form 4 under the LLP Act, before certifying Form 8. Though no evidence was found to establish that the Respondent had illegally expelled the Complainant from the LLP, the Committee held that he failed to exercise due diligence while certifying Form 8. With respect to the allegation relating to forged documents used for opening a bank account, the Committee observed that the Respondent had merely signed the deed of reconstitution as a witness and no material was brought on record to establish that the document was forged. The Committee also noted the police closure report and dismissal of the writ petition relating to the allegation of forgery. Accordingly, the Respondent was exonerated from the said charge. The Committee further noted that despite substantial non-payment of service tax by LLP, the Respondent failed to qualify for his audit reports for the relevant financial years. Though the Respondent later sought clarification from the partners regarding service tax dues, such clarification was obtained after completion of audit, and no qualification was made in the audit report. The Committee also observed that payments made by the LLP to the Respondent's wife regarding professional fees were not disclosed in the audit report and no documentary evidence was produced to substantiate rendering of such services. However, no evidence was found to establish involvement of the Respondent in money laundering or illegal gratification. Accordingly, considering the material available on record, the Committee held the Respondent guilty of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR/112/16/DD/152/2016/DC/1312/2020]

The section on Legal Updates has been contributed by CA. Sahil Garud and Disciplinary Directorate.

ANNOUNCEMENT

Examination Department
The Institute of Chartered Accountants of India
2nd May 2026

IMPORTANT ANNOUNCEMENT

No. 13-CA (EXAM)/SEPTEMBER – NOVEMBER/2026: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to announce that the next Chartered Accountants Foundation, Intermediate and Final Examinations will be held on the dates and places which are given below provided that sufficient number of candidates offer themselves to appear from each of the below mentioned places.

Similarly, Examination in Post Qualification Course under Regulation 204, i.e., International Taxation – Assessment Test (INTT – AT) and Insurance and Risk Management (IRM) Technical Examination (which is open to the members of the Institute) will be held on the dates and places (cities in India only) which are given below provided that sufficient number of candidates offer themselves to appear from each of the below mentioned places.

INTERMEDIATE COURSE EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 28 F of the Chartered Accountants Regulations, 1988.]

| |
|---|
| Group -I: 1st, 3rd & 6th September 2026 |
|---|

| |
|---|
| Group -II: 8th, 10th, & 12th September 2026 |
|---|

FOUNDATION COURSE EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 25 F of the Chartered Accountants Regulations, 1988.]

| |
|---|
| 2nd, 5th, 7th & 9th September 2026 |
|---|

FINAL COURSE EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 31 of the Chartered Accountants Regulations, 1988.]

| |
|---|
| Group-I: 2nd, 4th & 6th November 2026 |
|---|

| |
|--|
| Group-II: 9th, 11th & 13th November 2026 |
|--|

MEMBERS' EXAMINATION

INTERNATIONAL TAXATION – ASSESSMENT TEST (INTT – AT)

| |
|--|
| 11th & 13th November 2026 |
|--|

INSURANCE AND RISK MANAGEMENT (IRM) TECHNICAL EXAMINATION

| | |
|------------------------|--|
| Modules I to IV | 6th, 9th, 11th & 13th November 2026 |
|------------------------|--|

It may be emphasized that there would be no change in the examination schedule in the event of any day of the examination schedule being declared a Public Holiday by the Central Government or any State Government / Local Bodies.

Paper(s) 3 & 4 of Foundation Examination are of 2 hours duration. Similarly, Paper – 6 of Final Examination and all papers of International Taxation – Assessment Test (INTT – AT) are of 4 hours duration. However, all other examinations are of 3 hours duration, and the examination wise timing(s) are given below:

| Examination | Paper(s) | Exam. Timings (IST) | Duration |
|---|--------------|---------------------|----------------|
| Foundation | Paper 1 & 2 | 2 PM to 5 PM | 3 Hours |
| | Paper 3 & 4* | 2 PM to 4 PM | 2 Hours |
| Intermediate | All Papers | 2 PM to 5 PM | 3 Hours |
| Final | Paper 1 to 5 | 2 PM to 5 PM | 3 Hours |
| | Paper 6 | 2 PM to 6 PM | 4 Hours |
| Post Qualification Course Examination i.e., International Taxation – Assessment Test (INTT – AT) | ALL* | 2 PM to 6 PM | 4 Hours |
| Post Qualification Course Examination i.e., Insurance and Risk Management (IRM) Technical Examination | ALL* | 2 PM to 5 PM | 3 Hours |

*In Paper 3 and 4 of Foundation Examination and all papers of Post Qualification Course Examinations there will not be any advance reading time, whereas in all other papers / exams mentioned above, an advance reading time of 15 minutes will be given from 1.45 PM (IST) to 2 PM (IST).

PLACES OF EXAMINATION CITIES:

The Chartered Accountants Examinations, September / November 2026 will be held in the following Indian cities:

| Name of the State | (No. of Cities) | Name of the Examination City |
|-----------------------------|-----------------|--|
| Andaman and Nicobar Islands | 1 | Port Blair |
| Andhra Pradesh | 14 | Anantapur, Eluru, Guntur, Kadapa, Kakinada, Kurnool, Nellore, Ongole, Rajamahendravaram, Srikakulam, Tirupati, Vijayawada, Visakhapatnam and Vizianagaram |
| Assam | 6 | Dibrugarh, Guwahati, Jorhat, Silchar, Tezpur and Tinsukia |
| Bihar | 12 | Begusarai, Bhagalpur, Darbhanga, Gaya, Madhubani, Motihari, Muzaffarpur, Patna, Purnea, Samastipur, Sitamarhi and Siwan |
| Chhattisgarh | 6 | Bilaspur, Durg, Korba, Raigarh, Raipur and Rajnandgaon |
| Chandigarh | 1 | Chandigarh |
| Delhi / New Delhi | 1 | Delhi / New Delhi |
| Goa | 2 | Mapusa and Margao |
| Gujarat | 23 | Ahmedabad, Anand, Bharuch, Bhavnagar, Bhuji, Gandhidham, Gandhinagar, Himatnagar, Jamnagar, Junagadh, Mehsana, Morbi, Nadiad, Navsari, Palanpur, Patan, Porbandar, Rajkot, Surat, Surendranagar, Vadodara, Valsad and Vapi |

| | | |
|------------------|----|---|
| Haryana | 19 | Ambala, Bahadurgarh, Bhiwani, Faridabad, Fatehabad, Gurgaon (Gurugram), Hisar, Jind, Kaithal, Karnal, Kurukshetra, Narnaul, Palwal, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamuna Nagar |
| Himachal Pradesh | 1 | Shimla |
| Jammu & Kashmir | 2 | Jammu and Srinagar |
| Jharkhand | 7 | Bokaro Steel City, Deoghar, Dhanbad, Hazaribagh, Jamshedpur, Ramgarh and Ranchi |
| Karnataka | 23 | Bagalkot, Belgaum, Bellary, Bengaluru, Chikkaballapur, Chitradurga, Davangere, Gadag, Hassan, Haveri, Hubli, Kalaburgi (Gulbarga), Kolar, Koppal, Mandya, Mangalore, Mysore, Raichur, Shimoga, Sirsi, Tumakuru, Udupi and Vijayapura |
| Kerala | 14 | Adoor, Alappuzha, Ernakulam, Idukki, Kalpetta, Kannur, Kasaragod, Kollam (Quilon), Kottayam, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram and Thrissur |
| Madhya Pradesh | 16 | Bhopal, Burhanpur, Chhatarpur, Chhindwara, Gwalior, Indore, Jabalpur, Katni, Khandwa, Mandsaur, Neemuch, Ratlam, Rewa, Sagar, Satna and Ujjain |
| Maharashtra | 37 | Ahmednagar, Akola, Amravati, Aurangabad (Chhatrapati Sambhajnagar), Badlapur, Baramati, Beed, Bhiwandi, Khamsaon (Buldhana), Chandrapur, Dhule, Gondia, Ichalkaranji, Jalgaon, Jalna, Kolhapur, Latur, Mumbai, Nagpur, Nanded, Nandurbar, Nashik, Navi Mumbai, Palghar, Panvel, Parbhani, Pimpri-Chinchwad, Pune, Ratnagiri, Sangli, Satara, Sindhudurg, Solapur, Thane, Vasai, Wardha and Yavatmal |
| Manipur | 1 | Imphal |
| Meghalaya | 1 | Shillong |
| Mizoram | 1 | Aizawl |
| Nagaland | 1 | Dimapur |
| Odisha | 10 | Balangir, Balasore, Berhampur (Brahmapur), Bhubaneswar, Cuttack, Jharsuguda, Puri, Rayagada, Rourkela and Sambalpur |
| Puducherry | 1 | Puducherry |
| Punjab | 8 | Amritsar, Bathinda, Jalandhar, Ludhiana, Mandi Gobindgarh, Pathankot, Patiala and Sangrur |
| Rajasthan | 24 | Ajmer, Alwar, Balotra, Banswara, Beawar, Bharatpur, Bhilwara, Bikaner, Bundi, Chittorgarh, Churu, Hanumangarh, Jaipur, Jhunjhunu, Jodhpur, Kishangarh, Kota, Nagaur, Pali - Marwar, Rajsamand, Sikar, Sirohi, Sri Ganganagar and Udaipur |
| Sikkim | 1 | Gangtok |
| Tamil Nadu | 28 | Chennai, Coimbatore, Cuddalore, Dharmapuri, Dindigul, Erode, Hosur, Kancheepuram, Karaikudi, Karur, Kumbakonam, Madurai, Nagapattinam, Nagercoil, Namakkal, Pudukkottai, Salem, Sivakasi, Thanjavur, Theni, Tiruchirapalli, Tirunelveli, Tirupur, Tiruvallur, Tiruvannamalai, Tuticorin, Vellore and Villupuram |
| Telangana | 8 | Adilabad, Hyderabad, Karimnagar, Khammam, Mahbubnagar, Nalgonda, Nizamabad and Warangal |
| Tripura | 1 | Agartala |
| Uttar Pradesh | 21 | Agra, Aligarh, Ayodhya, Bareilly, Bulandshahr, Firozabad, Ghaziabad, Gorakhpur, Hapur, Jhansi, Kanpur, Lucknow, Mathura, Meerut, Modinagar, Moradabad, Muzaffarnagar, Noida, Prayagraj, Saharanpur and Varanasi |
| Uttarakhand | 4 | Dehradun, Haldwani, Haridwar and Kashipur |
| West Bengal | 7 | Asansol, Durgapur, Hooghly, Kharagpur, Kolkata, Raniganj and Siliguri |

PLACES OF EXAMINATION CITIES OVERSEAS:

[FOR FOUNDATION, INTERMEDIATE AND FINAL EXAMINATIONS ONLY]

The September / November 2026 Examinations will be held at 3 (Three) overseas examination cities, namely:

| | |
|----------|--|
| Overseas | Bahrain, Dubai (UAE) and Kathmandu (Nepal) |
|----------|--|

The Examination commencement timing at Dubai Centre will be 12.30 PM i.e., Dubai local time corresponding / equivalent to 2 PM (IST). The Examination commencement timing at Bahrain Centre will be 11.30 AM i.e., Bahrain local time corresponding / equivalent to 2 PM (IST). The Examination commencement timing at Kathmandu (Nepal) Centre will be 2.15 PM Nepal local time corresponding / equivalent to 2 PM (IST).

The ICAI reserves the right to withdraw any city / centre at any stage without assigning any reason.

Online filling Up of Examination Forms:

All candidates in respect of Foundation, Intermediate and Final Examinations will be required to apply online at <https://eservices.icai.org> (Self Service Portal - SSP) for September / November 2026 Examination and also pay the requisite examination fee online. These forms are based on the eligibility of the course based on announcements and regulations. These forms will be available on SSP, the students be requested to login with their credentials (Username <SRN@icai.org> and password). These Exam forms will be available in SSP effective designated dates as announced on www.icai.org.

Kindly Note: If the students had never registered as a user in SSP, they have to open the following URL: <https://eservices.icai.org>. They have to use forgot password option in case they have forgotten or lost the password. Students are also requested to Create Username, Register Course, Convert Course, Revalidate, Update Photo, Signature and Address on SSP only.

Members desirous to apply for Post Qualification Course Examination i.e. International Taxation – Assessment Test (INTT – AT) and Insurance and Risk Management (IRM) Technical Examination [which is open to the members of the Institute] are required to apply online at pqc.icaiexam.icai.org and also pay the applicable examination fee online only.

OPENING & CLOSING OF ONLINE WINDOW FOR SUBMISSION OF EXAMINATION APPLICATION FORMS.

The following dates(s) may be noted:-

| Details | Dates |
|---|---|
| Commencement of submission of online examination application forms | 6th July 2026 [Monday] |
| Last date for submission of online examination application forms (without late fees) | 19th July 2026 [Sunday] |
| Last date for submission of online examination application forms (with late fees of ₹600/- or US \$ 10) | 22nd July 2026 [Wednesday] |
| Students seeking change of examination city / medium, the correction window for the examination forms already filled will be available during the dates mentioned | 23rd July 2026 [Thursday] To 25th July 2026 [Saturday] |

Examination Fee

The examination fee(s) for various courses are as under:

| Intermediate Course Examination | |
|---|------------|
| For Indian Centre(s) | |
| Single Group / Unit (All except 2) | ₹ 1500/- |
| Both Groups / Unit 2 | ₹ 2700/- |
| For Overseas Centre(s) – Excluding Kathmandu (Nepal) Centre(s) | |
| Single Group / Unit (All except 2) | US\$ 325 |
| Both Groups / Unit 2 | US\$ 500 |
| For Kathmandu (Nepal) Centre(s) | |
| Single Group / Unit (All except 2) | INR ₹ 2200 |
| Both Groups / Unit 2 | INR ₹ 3400 |
| Final Course Examination | |
| For Indian Centre(s) | |
| Single Group | ₹ 1800/- |
| Both Groups | ₹ 3300/- |
| For Overseas Centre(s) – Excluding Kathmandu (Nepal) Centre(s) | |
| Single Group | US\$ 325 |
| Both Groups | US\$ 550 |
| For Kathmandu (Nepal) Centre(s) | |
| Single Group | INR ₹ 2200 |
| Both Groups | INR ₹ 4000 |
| Foundation Course Examination | |
| For Indian Centre(s) | |
| | ₹ 1500/- |
| For Overseas Centre(s) – Excluding Kathmandu (Nepal) Centre(s) | |
| | US\$ 325 |
| For Kathmandu (Nepal) Centre(s) | |
| | INR ₹ 2200 |
| INTERNATIONAL TAXATION – ASSESSMENT TEST (INTT -AT) | ₹ 2000/- |
| INSURANCE & RISK MANAGEMENT (IRM) TECHNICAL EXAMINATION | ₹ 2000/- |

The late fee for submission of examination application form after the scheduled last date would be ₹ 600/- (for Indian / Kathmandu (Nepal) Centres) and US \$ 10 (for Abroad Centres) as decided by the Council.

Examination fee can be remitted online by using VISA or MASTER or MAESTRO Credit / Debit Card / Rupay Card / Net Banking / Bhim UPI.

OPTION TO ANSWER PAPERS IN HINDI:

Candidates of Foundation, Intermediate & Final Examinations will be allowed to opt for English / Hindi medium for answering papers. Detailed information will be found in guidance notes hosted at <https://eservices.icai.org>. However, the medium of Examinations will be only English in respect of Post Qualification Course viz.: International Taxation – Assessment Test (INTT – AT) and Insurance and Risk Management (IRM) Technical Examination.

The Candidates are advised to note the above and stay in touch with the website of the Institute, www.icai.org.

CA. ANAND KUMAR CHATURVEDI
JOINT SECRETARY (EXAMINATIONS)



ICAI updates CA curriculum to keep pace with digital transformation

Professionals cannot completely rely on technology as human judgement, professional scepticism, and ethical values remain irreplaceable in workplaces, writes Zubin Billimoria

Over the past two decades, the rapid expansion of internet access, digitisation of records, online tax filing, and the rollout of GST have fundamentally transformed the way businesses operate in India. These changes have in turn influenced the roles and responsibilities of Chartered Accountants (CAs). The current role of CAs has become much more dynamic as compared to previous years. The basics such as accounting, auditing, and taxation continue to remain, CAs now play a much more diversified role as business advisors, strategisers, and decision-makers.

CAs have started working in emerging areas such as AI, forensic accounting and auditing, social auditing, financial modelling, insolvency, risk management, corporate governance, and global business advisory, among others. Understanding the evolution, ICAI has revamped the entire CA education framework to ensure alignment with technology changes. The shift was brought in July 2023, through the launch of the New Scheme of Education and Training. The new scheme departs from the existing pattern, focusing more on application, analysis, and practicality in learning. The new CA education scheme aligns with the International Education Standards as well as the NEP 2020. The new scheme aims to produce globally competent professionals with an international orientation in their skill set. Technology has become an integral part of the new education scheme. The new scheme has provided a systematic two-level Information Technology (IT) training program for students. At each stage, students gain knowledge about data systems, di-



Data analytics, cybersecurity, and digital ecosystems have been incorporated into study materials

tant, but there have been notable changes introduced.

Currently, audit firms use digital tools and technologies to automate many activities, comply with regulatory requirements, and provide advisory services. Therefore, CAs undergoing practical training get hands-on experience with audit software, digital accounting, tax, and other digital tools and software.

AI Influence

Introduction of Generative AI tools is expected to influence the role of CAs in the coming years. AI has immense potential to automate many activities performed by professionals including data gathering, analysis, compliance checks, and preparing reports, among others. In addition to automating the above activities, AI may prove beneficial in assisting CAs with tasks such as fraud detection, identifying risks, and providing recommendations for better decision-making. AI enables the professionals to engage in tasks that add more value and increase the scope of work for CAs. However, it should be remembered that despite all the potential benefits of AI, technology has certain limitations. Professionals cannot completely rely on technology. Human judgment, professional scepticism, and ethical values remain irreplaceable in the CA profession.

(The author is president, Bombay Chartered Accountants Society)

gital technologies, and emerging technologies.

Structural Changes

Additionally, data analytics, cybersecurity, and digital ecosystems have been incorporated into the study materials. Learning has changed significantly owing to developments in technology. Learning material is now readily available online, thus making learning much more convenient than in the days gone by. The new scheme brings many advantages for future CAs, especially with respect to strengthening academics and practical learning. The duration of practical training has been reduced to two years. In addition to two-year practical training, students may opt for specialised training for 9-12 months toward the completion of articleship training.

At the Final level, a mandatory paper in multidisciplinary case study has been added. At the Intermediate and Final levels, case study-based multiple-choice questions have been added. This addition will help students develop analytical skills and the ability to solve problems.

There is a renewed focus on ethics and IT, both of which have been included in the core syllabus. Such inclusion is aimed at developing skills in students related to ethical behavior as well as the use of digital technologies. The additions to the curriculum will enable students to align themselves with international practices, thereby facilitating internationalisation of education. Practical training is another area that needs special mention. Practical training remains impr-



Image: Generated by AI

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ICAI tightens forex-saving curbs on overseas travel

PTI NEW DELHI

Institute of Chartered Accountants of India will soon advise its members and officers to adopt foreign exchange-saving measures, including curbing overseas travel, following Prime Minister Narendra Modi's appeal amid the ongoing West Asia conflict. ICAI President Prasanna Kumar D

said the institute will issue an advisory encouraging chartered accountants and their families to reduce unnecessary foreign exchange spending.

Overseas travel for ICAI office-bearers and officials will be restricted, with virtual meetings preferred wherever possible. The move comes as rising crude oil prices and geopolitical tensions put pressure on India's

foreign exchange reserves and the rupee. Modi has urged citizens to cut fuel consumption, avoid destination weddings abroad, reduce edible oil usage and adopt public transport and electric vehicles to help conserve foreign exchange.

Additionally, the institute plans to internally review discretionary expenditure linked to international events and overseas collaborations.

ICAI will also encourage members to support domestic economic resilience by promoting local spending and reducing non-essential imports.

The institute believes such collective measures can contribute meaningfully towards easing pressure on India's balance of payments situation at a time of elevated crude oil prices and currency volatility.



आईसीआई में ₹27 लाख तक का पैकेज

नई दिल्ली, प्र. सं.। इंस्टीट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (आईसीआई) के 64वें कैम्पस प्लेसमेंट कार्यक्रम में इस वर्ष चार्टर्ड अकाउंटेंट्स के लिए रोजगार के अवसरों में उल्लेखनीय वृद्धि दर्ज की गई है। अप्रैल-मई 2026 के दौरान आयोजित इस प्लेसमेंट कार्यक्रम में देशभर के 29 केंद्रों पर चयन प्रक्रिया चल रही है।

संगठनों की ओर से नौ लाख रुपये से लेकर 27.50 लाख रुपये वार्षिक वेतन पैकेज तक की पेशकश की जा रही है। संस्थान का कहना है कि छोटे शहरों में प्लेसमेंट विस्तार से स्थानीय स्तर पर रोजगार के अवसर बढ़ेंगे और अभ्यर्थियों को अपने गृह क्षेत्रों के निकट काम की सुविधा मिलेगी।



दैनिक भास्कर

भास्कर एजुकेशन फेयर; अंतिम दिन CA अपित काबरा बोले...

CA में टैलेंट ही असली पैमाना है, सिफारिश की नहीं जरूरत

बिटी पिछेरे • करीब के सभी विद्यार्थी तनाव और एग्जाम्स से प्रभावित होने के बिना संस्था को बिदुल आर्टिफिशियल में प्रवेश करके युवाओं को भीड़ जमड़ी। मैका था 'दैनिक भास्कर एजुकेशन एंड करियर फेयर-2026' के समान था। निम्न बुकिंग्स की थी और से प्रेजेंट इस फेयर में देशभर के प्रमुख एजुकेशन इंस्टीट्यूट्स और प्रोफेशनल कॉलेजों में हिस्सा लिया। अंतिम दिन स्टूडेंट्स को नए कॉलेजों को जवाब दे रहे थे, साथ ही एग्जाम्स में परामर्श माहौल और करियर काउंसिलिंग को। फेयर के दौरान इंस्टीट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (ICAI) को करियर काउंसिलिंग सभित के चेयरमैन खैर अर्जुन काबरा ने युवाओं से संकेत किया। उन्होंने चार्टर्ड अकाउंटेंट (CA) प्रोफेशनल को बताने का इच्छा व्यक्त की।



CA प्रोफेशनल के ये हैं फायदे

- CA बनने के लिए सत्यमेव जयते, पारिवारिक बैकग्राउंड या सिफारिश माफने नहीं रहती। मेहनत और समर्पण ही सफलता का रास्ता है।
- ICAI की परीक्षा प्रणाली पारदर्शी और योग्यता आधारित है। कॉपीराइट की जगह ब्लॉकड इन्वेस्टमेंट से होती है।
- संस्था अंतरराष्ट्रीय और वैश्वीय छात्रों को स्कालरशिप देती है। कॉलेज शुरू होने पर नई कॉलेजों के जरिए परामर्श भी होता है।
- पढ़ाई के दौरान अनुभवी CA के साथ काम करने का मौका मिलता है, जिससे टैक्स, ऑडिट और विडनेस की समझ विकसित होती है। स्वच्छता से छात्र आत्मनिर्भर भी बनते हैं।





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