

EVENT REPORT

Webinar on

Making Regulatory Reforms Inclusive and Sustainable

Saturday • 25 July 2020 • 1100-1200 hrs

1. Background

- 1.1. Over the years, the idea of regulatory reforms in India has become closely linked with ease of doing business. Measures like reducing compliance burden, making it easier to start a business, hire and retrench workers, particularly for large enterprises, have captured the imagination. It has been argued that, unfortunately, this approach has failed to consider concerns of informal entrepreneurs, micro small and medium enterprises, workers, and citizens, who bear disproportionate burden of our regulatory frameworks.¹ Such worries have gained prominence in light of developments on account of Covid-19 pandemic.
- 1.2. There is, thus, a need to rethink our approach towards regulatory reforms for making them inclusive and sustainable. This can happen by making citizen well-being and sustainable progress core objectives of regulatory reforms, and adopting a whole of government systems approach to design and implement such reforms. CUTS International has recently issued an appeal to the Prime Minister and Chief Ministers of all states of India on these lines (the appeal is available [here](#)). The appeal has been endorsed by more than 50 public intellectuals, including the SKOCH Group.

¹ Kulkarni and Agrawal, *The real issue: Businesses need to comply with 194 labour laws, spend Rs. 4.58 lakh per annum*, 18 July 2020, The Economic Times Rise, <https://economictimes.indiatimes.com/small-biz/sme-sector/the-real-issue-businesses-need-to-comply-with-194-labour-laws-spend-rs-4-58-lakh-per-annum/articleshow/77031688.cms>

1.3. In this light, CUTS International and SKOCH Group organised a webinar on **Making Regulatory Reforms Inclusive and Sustainable**, on Saturday, 25 July 2020. The discussion examined following issues:

- How to make regulatory reforms inclusive and sustainable?
- What are the implementable and practical ways to institutionalise mechanisms for enabling governments to understand concerns of vulnerable stakeholders and collectively design actions to make progress?
- What incentives and/ or disincentives are required in this regard?

1.4. This was first in the series of webinars being jointly organised by CUTS International and SKOCH Group on regulatory reforms.

2. Key speakers

2.1. Key speakers in the webinar were:

- Pradeep S. Mehta, Secretary General, CUTS International
- Sameer Kochhar, Chairman, SKOCH Group
- Arun Maira, Thought Leader and Author
- Jahnabi Phookan, President, FICCI Ladies Organisation, & Director, JTI Group
- Ajay Shankar, Former Secretary, Department of Industrial Policy and Promotion
- Rishi Agrawal, Co-founder and CEO, Avantis RegTech

2.2. The webinar attracted participation from diverse stakeholder groups, including policy influencers, experts, think tanks, academia, and media.² Close to 50 participants attended the webinar. The video recording of webinar is available [here](#).

² Some media coverage is available at <https://knnindia.co.in/news/newsdetails/sectors/regulatory-impact-assessments-needed-to-improve-ease-of-living-conditions-cuts-intl-skoch-group> and <https://www.daijiworld.com/news/newsDisplay.aspx?newsID=734372> and the press release is available at <https://cuts-ccier.org/for-ease-of-living-we-need-to-redesign-our-regulatory-architecture-to-listen-to-marginalised-stakeholders-cuts-international-and-skoch-group/>

3. Summary of discussions

➤ Understanding the ground reality

- 3.1. The discussion began with highlighting the extent of problem. Existence of disproportional regulatory framework comprising innumerable legislations, regulations, returns, challans, and compliances, was pointed out. The prevailing regulatory framework has about 1,536 acts, 69,233 compliances, 6,618 different filings, across central, state, and local laws. This framework is updated frequently, resulting in unpredictability for stakeholders.
- 3.2. The complication in regulatory framework increases exponentially as a business moves from single location, single entity, single activity enterprise, to a multiple location, multiple entities, and multiple activities enterprise.
- 3.3. For instance, there are about 900 different permutations and combinations for minimum wages just in the state of Karnataka. Employee and wages are defined differently in 16 and 13 legislations, respectively. Muster rolls needs to be maintained in 10 different legislations and formats. Permissible overtime varies with state. The nature of permissible holidays also differs with states. This has resulted in a large number of businesses remaining dwarfs and stunted.
- 3.4. The challenges faced by women entrepreneurs are even greater. There are only about 8 million women entrepreneurs in the country, mostly micro entrepreneurs, out of more than 58 million entrepreneurs in total. Many women entrepreneurs are engaged in traditional businesses, such as agriculture, handloom, handicrafts, and have potential to prosper in sectors like tourism, and providing repair and maintenance services for household products, particularly in rural areas.
- 3.5. It was highlighted that women entrepreneurs face challenges in registering companies, complying with tax laws, making necessary market linkages, and building organisational skills. Significant information asymmetry exists and they are unaware of incentives and schemes launched by the government. Necessary legal and financial support is not available and women entrepreneurs face difficulties in accessing collateral free loans. Customised tools enabling financial and digital literacy, among others, are not available.
- 3.6. It was suggested that women entrepreneurs need more and better health and business insurance plans, reliable care economy to be able to go out and work, a strong network, incubation centres for ideation, and mentorship.

➤ **The way forward**

- 3.7. After highlighting the challenges faced by micro, small, and women entrepreneurs, the discussion turned to point out the reasons for such sub-optimal regulatory framework, and measures required to improve the scenario.
- 3.8. It was suggested that the excess of regulation is a legacy of colonial governance which has continued post-independence wherein the assumption is all wisdom lies with those governing. The stakeholder consultation process has remained weak, as a result. There is lip service to good processes like Regulatory Impact Assessment and bureaucratic attitude looking for success and recognition in short run is a disabler, as this may not be possible in a complex area like regulatory reforms.
- 3.9. Moreover, all reform discussion has been hitherto limited to the point of view of those relatively privileged. The citizen at the bottom of the pyramid is still not considered a natural stakeholder in discussion on regulatory reforms. There is a need to engage with citizens, think on their behalf, and articulate their concerns.
- 3.10. It was pointed out that the processes we use are not designed to listen to people who talk about things other than those we think are important, don't talk in numbers, and talk in phrases that don't seem educated to us. As a result, ordinary citizens have been marginalised from policy making processes.
- 3.11. In order to initiate regulatory reforms, it is important to understand the situation on the ground and identify the problem. For this, listening to different stakeholders is the key, and understanding what does well being and ease and living mean for them. The responses will be qualitative in nature, but need to be heard and understood. There is a need to put different perspectives together.
- 3.12. While it reassuring that ease of living is being given as much importance as ease of doing business, it is also worrying, as the measurement of ease of doing business is flawed. If we were to take a similar check-the-box approach to attain ease of living, it may be difficult to achieve the desired objectives. There is a need to build capacity among state and central governments to deep dive into specific issues and understand ground level realities.
- 3.13. It was pointed out that until now, regulatory frameworks have been trying to distort nature to fit into machines' world, forcing informality to transition into formality, and expecting women to play by men's rules. This needs to stop. We need to realise that the paradigm is shifting and nature, informality, and women will need to be given their due to ensure resilience, inclusivity, and sustainability.

Consequently, going forward, regulatory reforms will need to take into account perspectives of nature, women, and informal enterprises.

4. Way forward

4.1. Following specific suggestions came out from the discussion:

- Creation of an open source Wikipedia kind of process to put in public domain all kinds to rules, regulations and compliances.
- Setting up a dedicated Compliance Commission/ Regulatory Reforms Commission within the central and state governments to work with a focussed agenda of regulatory reform and reducing compliances.
- Building domain capacity within central and state governments to deep dive, reach out to, and considering, varied stakeholder perspectives.
- Creating a matrix of indicators on sustainable regulatory reforms, making them public, and holding specific policy makers and public servants/ bureaucrats accountable on such matrix.
