



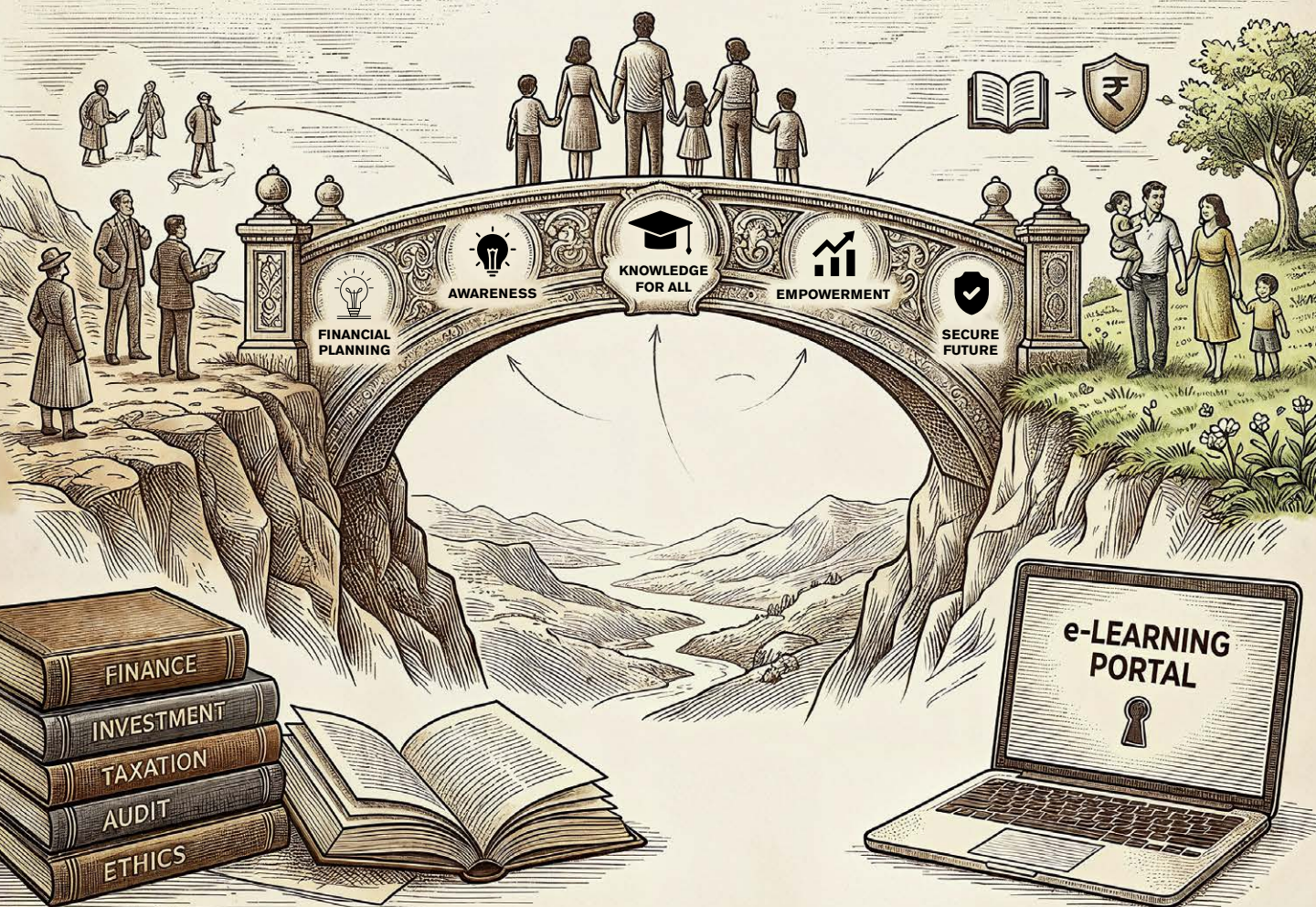
VOLUME 75 | NO. 03 | PAGES - 132 | SEPTEMBER 2026 | ₹100

THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Bridging the Gap to Financial Literacy

Educate, Empower, Elevate



ICAI - SET UP BY AN ACT OF PARLIAMENT





The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



CRAFTING CAPTIVATING THOUGHTS

Invitation to Write Articles

Chartered Accountants and other subject experts, with academic passion and flair for writing, are invited to share their expertise through the ICAI Journal – *The Chartered Accountant*. The article may cover any topic relevant to the **accounting world covering auditing, finance, laws, strategy, taxation, technology, artificial intelligence, sustainability, ethics, financial reporting** and so on. While submitting articles, please keep following aspects in mind:

- ★ The length of articles should be about 2000-2500 words.
- ★ Articles should not have been published or sent for publishing in any other print or electronic media.
- ★ An executive summary of about 100 words should accompany the article.
- ★ Articles should be engaging, original and aligned with Journal guidelines. Every selected article is subjected to Plagiarism check in line with Editorial Board's Plagiarism Policy.

Please send articles sharing your valuable insights and expertise to the ICAI Journal and help enrich the knowledge base of the accountancy profession. Attach photograph, editable soft copy of file, declaration of originality and assignment of copyright in the prescribed format along with the article. E-mails may be sent to eb@icai.in and eboard@icai.in

For detailed guidelines and formats of declaration of originality and assignment of copyright, visit: https://www.icai.org/post.html?post_id=2557



From Informed Choices to Trusted Decisions: Financial Literacy in the Digital Age

Financial literacy is not a new concept for Indians; its roots can be traced to the country's rich intellectual and economic traditions. Originating from the principles of *Artha* and prudent household management, these practices evolved into the sophisticated financial practices described in Kautilya's *Arthashastra*. India has demonstrated a nuanced understanding of wealth creation, saving, taxation, credit and accountability. The indigenous institutions such as *shrenis* (guilds), *hundis* and community-based financial arrangements further facilitated commerce and capital mobilisation. Financial wisdom was transmitted across generations through families, communities and commercial practices, with emphasis on thrift, ethical conduct, prudent borrowing and responsible usage of resources.

This enduring tradition of financial wisdom provides a strong foundation for understanding the changing contours of financial literacy in modern India. With the advent of digital finance, financial literacy is no longer confined to the ability to understand money; it now encompasses the capacity to make informed, responsible and secure decisions within an increasingly complex digital economy. Mobile banking, digital payments, online investment platforms and sophisticated financial products have made financial services more accessible than ever before. However, accessibility does not necessarily translate into financial understanding. The rapid expansion of social media, coupled with the growing influence of influencers and digitally disseminated financial content, to some extent, has complicated this landscape. While these platforms can democratise access to financial knowledge, the absence of adequate context, professional accountability and regulatory oversight may enable misinformation, oversimplified advice and unrealistic expectations to spread rapidly. Artificial Intelligence has added another dimension to this transformation. AI-powered tools can process vast volumes of information, generate personalised recommendations and assist individuals in making faster financial decisions. Nevertheless, their reliability ultimately depends on the quality of the underlying data, the transparency of the algorithms and the user's ability to critically assess and judiciously apply the insights generated.

The other side of the coin of the digital transformation of finance has been an increase in the risk of cyber-enabled fraud. Phishing, identity theft, fraudulent investment schemes, impersonation and manipulated digital transactions can cause serious financial and reputational harm, particularly to individuals unfamiliar with emerging technologies. News is flooded with reports of people being deceived through fake links, customer-care numbers, social-media promotions and unauthorised trading platforms which highlight the need for greater vigilance. Government is playing an active role by organising regulatory awareness

campaigns, advisories and financial education programmes that play an important role in promoting secure digital practices and timely reporting of fraud.

While these measures are essential for addressing the risks posed by digital finance, investor protection must adopt a broader and more preventive approach. It should extend beyond regulatory safeguards to developing the ability to identify risks, verify information, protect financial credentials and exercise independent judgement. Financially literate individuals are better equipped to question unsolicited advice, recognise unrealistic return promises and distinguish genuine opportunities from fraudulent propositions. Strengthening financial literacy is therefore essential to building a secure, accountable and resilient financial ecosystem in which technological progress is supported by informed participation.

Aligning with the steps taken by the government, India needs the force that can help in inculcating financial awareness from the grassroots, that can guide and nurture people and businesses in the realm of finance. Profession can play a transformative role by translating complex financial, tax and regulatory matters into practical guidance for individuals, businesses and communities by promoting sound budgeting, prudent borrowing, responsible investing, tax compliance, retirement planning and effective risk management. Profession's expertise can further help small businesses improve cash-flow management, internal controls, governance and access to formal credit.

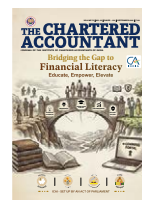
ICAI is also contributing significantly to the vision of a financially literate India. Through its committees and outreach initiatives, the Institute conducts financial-literacy programmes, workshops and similar initiatives to promote financial awareness at the grassroots. By educating citizens on prudent financial planning, responsible investing, tax compliance, digital security and protection against financial risks, ICAI is helping create not merely financially literate citizens, but financially discerning, confident and empowered individuals in India's economic progress.

It is right to conclude that money in the hands of a person who knows how to manage it always multiplies and creates opportunities for them. The journey from informed choices to trusted decisions therefore requires the combined efforts of the Government, regulators, financial institutions, professionals and citizens. With Chartered Accountants serving as educators, advisors and guardians of financial trust, India can move towards a more inclusive, secure and financially empowered future.

- Editorial Board ICAI
Partner in Nation Building

SEPTEMBER 2026 In this issue...

CONTENT



VOICE

- 331 Editorial**
From Informed Choices to Trusted Decisions: Financial Literacy in the Digital Age
- 334 From the President**
- 338 ICAI In Action**
- 435 Benevolence**
- 448 Rack the Brain**

MEMBERS

- 365 40 Under 40 Awards**
- 396 Learning Curve Analysis**
- 440 Know Your Ethics**
- 442 Opinion**
- 449 Professional Update**
- 450 Classifieds**



THEME

- 340 Educate, Empower, Elevate: Creating a Financially Literate India through Investor Education, Awareness and Tax Literacy**
- Joginder Singh
- 346 Promoting Investor Education and Financial Literacy: ICAI's Initiatives Towards a Financially Resilient India**
- CA. Jay Chhaira
- 351 Energy Price Risk Management In Dynamic Market**
Harnessing Volatility Using MCX Crude Oil, Natural Gas & Electricity Futures In A Geopolitical Evolving World
- CA. Ruchi Shukla
- 358 The 'Trust Folder' Your Family Will Thank You For**
A Small Habit That Spares Loved Ones Years of Searching
- Lt. Col. Aditya Sinha

- 361 Readability of IPO Disclosures and SEBI Audio Video Mandate**
- CA. (Dr.) Diwahar Sunder Nadar
- 366 Millennial-Driven Growth of Socially Responsible Investment Exchange Traded Funds in India**
- Prerna Jain Sharma



ACCOUNTING

- 372 Accounting for Crowdfunding: A Practical Approach with Proposed Journal Entries**
- Babu Lal Gedar
- Dr. Shilpa Lodha

DIRECT TAX

- 381 The End Of An Era: How The Income Tax Act 2025 Re-Writes Provisos After 65 Years**
- CA. Sukrati Agrawal
- 386 Faceless Schemes in Income Tax Administration: Constitutional Limits of Executive Power and Delegated Legislation**
- Arka Bhattacharya



GST

- 391 Transfer of property in goods used in Service Contracts: GST implications**
- CA. Sanjay Kumar Agarwal



IFC REPORTING

- 398 Internal Financial Control (IFC) – Regulation, Global Practices and Evolution**
- CA. Utkarsh Mishra



INSOLVENCY AND BANKRUPTCY

- 403 Creditor's Rights and the Persistence of Zombie Borrowing in India**
- Dr. Sudipta Majumdar
- Mahiraa Wadhawan



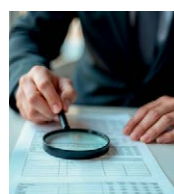
COOPERATIVES

- 408 Primary Agricultural Cooperative Credit Society (PACS) Act - Accounts - Audit**
- CA. B. Ashok



AUDIT

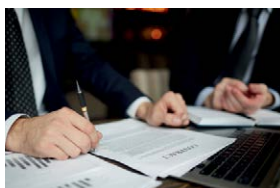
- 414 Journey of the Audit Profession**
- CA. (Dr.) Ashok Kumar Mishra



COMMERCIAL LAWS

418 The Mediation Act, 2023: An Overview and the Road Ahead

- Dr. Rohit Moonka
- Dr. Silky Mukherjee



BANKING

422 Transition of Basel III as an approach towards Improving Risk Management in the Banking Sector

- Dr. Saptarshi Ray
- Harsh Jindal



FINANCE

430 Beyond Traditional Banking – Tailored debt products to suit changing business needs

- CA. Harsh Poddar



FIRMS

436 Talent Acquisition, Training, and Retention Strategies in CA firms

- CA. Monika Ahuja

UPDATES

380 ICAI Awards for Excellence in Financial Reporting 2025-26

450 Accountant's Browser

451 Legal Updates

454 ICAI NEWS

455 ICAI In Media

EDITOR-IN-CHIEF CA. PRASANNA KUMAR D
President

JOINT EDITOR CA. MANGESH P KINARE
Vice-President

MEMBERS CA. JAY CHHAIRA
CA. PRITI PARAS SAVLA
CA. DAYANIWAS SHARMA
CA. RAJENDRA KUMAR P
CA. SRIDHAR MUPPALA
CA. SANJIB SANGHI
CA. (DR.) ANUJ GOYAL
CA. CHARANJOT SINGH NANDA
CA. HANS RAJ CHUGH
CA. RAJESH SHARMA
SHRI SANJAY SHARAN
JUSTICE (FORMER) SHASHI KANT GUPTA

CO-OPTED MEMBERS CA. DEVARAJA REDDY MOSALI
CA. (DR.) DEBASHIS MITRA
CA. THANGARAJ G
CA. PULIPAKA VENKATA SIVA PRASAD KUMAR
CA. JAGAN MOHAN RAO BYSANI
CA. VENKATESU REDDY T
CA. MOHANA RAO P

ICAI EDITORIAL TEAM: KUNAL SHARMA,
SECRETARY, EDITORIAL BOARD
DR. NEETU SINGH, ASSISTANT SECRETARY
MS. SHIKHA SHARMA BHARDWAJ,
ASSISTANT SECRETARY

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ICAI Bhawan, Post Box No.7100, Indraprastha Marg,
New Delhi-110002, Tel: +91 (11) 39893989.
E-mail: eboard@icai.in, Website: www.icai.org

SUBSCRIPTION RATES

Inland subscribers : ₹ 1,000 per annum
Overseas : \$170 per annum
(subscribers by air mail)

For Overseas Members/Subscribers

• Air Mail Surcharge : ₹ 5,400 per annum
CA Students : ₹ 1,400 for 3.5 years
: ₹ 400 per annum

Other students & faculties : ₹ 600 per annum

CLASSIFIEDS:

Minimum ₹ 2,000/- for the first twenty five words or part thereof and ₹ 500/- for five words or part thereof over and above first twenty five words. Please contact: The Journal Section at ICAI Bhawan, Indraprastha Marg, New Delhi 110 002 or call at +91-11-30110472 or e-mail at eboard@icai.in

EDITORIAL SUPPORT & DESIGN

Druck Media Private Limited
Plot No. 8 Udyog Vihar, Greater Noida, Uttar Pradesh, India- 201306

ICAI RESERVES THE RIGHT TO REJECT ADVERTISEMENTS.

Printed and published by Jai Kumar Batra on behalf of
The Institute of Chartered Accountants of India (ICAI)

Editor – CA. Prasanna Kumar Dondeti

Published at The Institute of Chartered Accountants of India, I. P. Marg,
New Delhi - 110002 and printed at Druck Media Private Limited, Plot
No.8, Udyog Vihar, Greater Noida, Uttar Pradesh, India- 201306

The views and opinions expressed or implied in THE CHARTERED ACCOUNTANT are those of the authors and do not necessarily reflect those of ICAI. Unsolicited articles and transparencies are sent in at the owner's risk and the publisher accepts no liability for loss or damage. Material in this publication may not be reproduced, whether in part or in whole, without the consent of ICAI.

DISCLAIMER: The ICAI is not in any way responsible for the result of any action taken on the basis of the advertisements published in the Journal. The members, however, may bear in mind the provisions of the Code of Ethics while responding to the advertisements.

Total Circulation: 67,754
Total No. of Pages: 132 including Covers
E-Journal circulation (Soft copy): 4,72,648

From the President



CA. Prasanna Kumar D
President, ICAI

Dear Professional Colleagues,

India stands at the inflection point in the realm of its financial journey. The country is deepening the foundations of financial literacy and expanding the dimensions within which financial inclusion translates into meaningful participation, economic opportunity becomes more accessible, and prosperity becomes enduring.

This transformation of India's financial landscape over the past decade has been remarkable, not only in the scale and speed of institutional and technological change but also in the way citizens have embraced newer avenues of saving, spending, borrowing, and investing. The numbers bear testimony to this transformation as India's Financial Inclusion Index rose to 70 in March 2026, marking a significant increase of 27% from 2017. The World Bank's Global Findex Database 2025 highlights India's remarkable progress in financial inclusion, with Account ownership recording 89% since 2011, reflecting increased access to formal financial services and active account usage over the past decade.

In addition, government initiatives like Pradhan Mantri Jan Dhan Yojana, Aadhaar-enabled financial services (JAM Trinity), and widespread mobile connectivity have brought millions of citizens within the ambit of the formal financial system. The rapid adoption of the Unified Payments Interface (UPI) and digital payments has further reshaped everyday financial interactions, making transactions

faster, more accessible, and increasingly seamless. It is a remarkable welfare feat that in a country as heterogeneous and vast as India, the direct benefit transfer has stood at INR 52 lakh crore in 320 schemes of the government till 10th August 2026. At the same time, wider access to insurance and pension products, coupled with growing participation in investment avenues, is gradually deepening the financial security and resilience of households.

The country is gradually moving beyond the traditional paradigm of saving to a more diversified culture of informed and purposeful investment. Citizens are increasingly exploring formal investment avenues, seeking to channelise their savings towards wealth creation while developing a greater understanding of risk, return, and long-term financial goals. This evolution marks an important transition from financial exclusion to financial participation and now towards financial empowerment. Yet participation alone cannot ensure lasting financial well-being; it needs to be supplemented by awareness, prudence, and financial discipline.

In my view, while financial inclusion has laid the pathway for a robust financial ecosystem and provides the necessary infrastructure as its backbone, it is financial literacy, acting as the central nervous system, which strengthens the ability to funnel it effectively by reaching the desired audience through rightly communicated and reinforced measures. Such financial capability provides the confidence to make informed decisions, and financial discipline ensures that those decisions remain risk-free and sustainable. The true measure of a financially empowered India, therefore, lies not merely in the number of citizens who have access to financial services but in their ability to understand, evaluate, and make prudent choices within an increasingly complex financial ecosystem.

The changing contours of India's financial landscape have fundamentally transformed the meaning of financial literacy. It no longer remains confined to operating a bank account or understanding the importance of saving. In an increasingly sophisticated financial ecosystem, financial literacy encompasses the ability to plan, protect, manage and grow one's financial resources responsibly. I firmly believe that its foundations must be laid early in life. Introducing young minds to the principles of saving, insurance, pension, credit, investment, taxation, and financial planning can cultivate sound financial habits and enable them to recognise both the opportunities and risks associated with financial decisions.

The digital transformation of financial services has added another vital dimension to this responsibility. UPI, digital banking, online financial services, KYC and technology-enabled authentication have made financial transactions

more accessible, convenient and seamless. Yet, accessibility without awareness can create vulnerabilities of its own. The same technology that has democratised financial access can also be misused through phishing, impersonation, fraudulent investment schemes, misinformation and other forms of digital fraud. The growing sophistication of Artificial Intelligence has further amplified these risks by making manipulation increasingly convincing. This makes digital financial literacy an integral component of financial literacy, empowering citizens to verify information, safeguarding their credentials, questioning improbable promises and recognising the warning signs of fraud.

A financially aware individual contributes to a financially informed household, which in turn strengthens a financially resilient society. Financial literacy must reach students, rural and semi-urban communities, first-time investors, households and MSMEs, while recognising their distinct financial needs. At the heart of this endeavour remains trust - the trust that citizens place in institutions, financial systems and, more importantly, in professionals who guide them in managing their financial affairs. I firmly believe that every Chartered Accountant can become an ambassador of financial literacy and contribute to building a financially informed and responsible society.

As the torchbearer of the Institute committed to the public interest, I am proud that ICAI has been consistently advancing this responsibility through a wide spectrum of initiatives like Vittiya Gyan – ICAI Ka Abhiyaan, Vittiya Gyan Melas, Investor Awareness Programmes and targeted financial & tax literacy initiatives. The Institute has taken financial education beyond conventional forums, deep into communities encompassing students, entrepreneurs, professionals, rural communities, self-help groups, and other segments of society. Meanwhile, at the top level, our engagement with government bodies and institutions has enabled us to widen the reach of this knowledge.

Initiatives, such as Project Vanijya, further seek to introduce students from an early age to commerce, banking, money management, taxation, and ethical business practices, thereby nurturing financial capability from their formative years. Similarly, our continued collaboration with the Investor Education and Protection Fund Authority and other stakeholders has further strengthened our efforts towards investor awareness and protection. Further, our outreach to tribal and rural communities reflects our commitment to ensuring that the benefits of financial knowledge reach the grassroots. These efforts reaffirm our belief that financial literacy cannot be a one-time campaign; it must evolve into a sustained culture of informed financial decision-making.

Let's have a look at some important developments related to the profession:

IFAC Board Meeting

In a historic landmark for the Indian accountancy profession, the Institute is proud to host the International Federation of

Accountants (IFAC) Board Meeting in India, scheduled for September 2–3, 2026, in New Delhi.

The hosting of this prestigious global congregation in India is a significant recognition of the country's growing influence in the international accountancy ecosystem. It reflects the increasing global role of Indian Chartered Accountants, whose expertise, talent and professional capabilities are contributing to the evolution of the profession across borders.

Strengthening Global Pathways for Indian Chartered Accountants

My visit to Singapore, along with CA. Mangesh Kinare, Vice President, ICAI, provided an important opportunity to strengthen ICAI's international engagement and advance avenues for global mobility for our members in the region.

• ICAI International Conference – ASEAN

ICAI organised its first ICAI International Conference – ASEAN on August 21–22, 2026, under the theme “*Beyond Borders: Connecting Ideas, Creating Opportunities*”. The conference brought together members and professionals from across the world and provided a valuable platform for dialogue on the changing role of the accountancy profession in an increasingly interconnected world. CA. Piyush Goyal, Hon'ble Minister of Commerce and Industry, inaugurated the conference as the Chief Guest. He emphasised that as India assumes a larger role in the global growth landscape, Chartered Accountants have an important opportunity and responsibility to strengthen trust, enable investment and support the nation's journey towards sustainable and globally integrated economic growth. The conference was well received by the delegates and reflected the growing need for the profession to remain globally connected, technologically prepared, and future-ready.

• ICAI-ISCA: Building Professional Pathways

One of the significant outcomes of the visit was the progress made towards strengthening professional pathways between the ICAI and the Institute of Singapore Chartered Accountants (ISCA). I am pleased to share that the ISCA has granted ICAI members full exemption from its Foundation-level course. ICAI is also actively engaging with ISCA to secure further exemptions at the Professional level. This is an important step for our members. A smoother pathway towards the ISCA qualification can enhance opportunities for professional mobility, international recognition and career growth, particularly for Chartered Accountants who are already based in Singapore or planning to move there.

Subject to the approval of the Government of India, ICAI Council has agreed that eligible ISCA members would be granted exemption from all four papers of the ICAI

FROM THE PRESIDENT • THE CHARTERED ACCOUNTANT

Foundation Course and specified papers of the ICAI Intermediate Course, subject to the eligibility criteria and requirements prescribed by ICAI.

Further, the two institutes exchanged a Letter of Intent to work together toward capacity building in Artificial Intelligence, reflecting shared commitment to strengthen AI capabilities across the profession.

WOFA 2026

I am delighted to inform that Smt. Nirmala Sitharaman, Hon'ble Minister of Finance & Corporate Affairs, Government of India and Shri N. Chandrababu Naidu, Hon'ble Chief Minister, Government of Andhra Pradesh have graciously consented to inaugurate the World Forum of Accountants (WOFA) 2026 in Visakhapatnam.

Let us come together and make this landmark global gathering a proud moment for ICAI and a celebration of India's leadership in the global accountancy profession.

Strengthening Public Finance through Advocacy

As India advances the vision of Viksit Bharat, sound public financial management becomes a logical outcome of translating policies and optimising resources for sustainable development and better outcomes for the national good.

ICAI has further strengthened its role as a trusted partner in good governance, value creation and nation-building with an initiative to acquaint the elected representatives with public finance and governance, through a workshop for newly elected Members of the West Bengal Legislative Assembly on "Strengthening Governance in Public Financial Management: A Legislative Perspective." The programme focused on budget analysis, government accounting, fiscal responsibility, equipping public representatives with greater financial insight to support informed decision-making and effective oversight. The inaugural session was graced by the august presence of CA. Rathindra Bose, Hon'ble Speaker, West Bengal Legislative Assembly, and the workshop was attended by over 110 members of the Assembly.

New Professional Pathways in Emerging Financial Services

ICAI continues to anticipate evolving industry needs and strengthen the profession's capacity in emerging and specialised financial services, where increasing complexities demand higher order skills and expertise.

A recent example is the development of two Certificate Courses focused on the regulatory framework governing activities in India's International Financial Services Centre. The Certificate Course on Regulatory Framework for Fund Management in IFSC and the Certificate Course on Regulatory Framework for Capital Markets Intermediaries and Listing Requirements of IFSCA have been specified by IFSCA under the respective regulatory frameworks.

Successful completion fulfils the prescribed certification requirements for Fund Management Entities and Capital Market Intermediaries operating in the IFSC.

These certifications will enable members to undertake professional roles in areas such as fund management, investment management, capital market intermediation, compliance and regulatory functions, thereby expanding the professional opportunities within the rapidly growing IFSC ecosystem.

MoU signed with the Department of Higher Education, Government of Madhya Pradesh

In a significant step towards strengthening commerce education, the Institute and the Department of Higher Education, Government of Madhya Pradesh (DHEMP), signed a Memorandum of Understanding (MoU) to promote quality, industry aligned commerce education across the State. The MoU was signed during a one-day workshop on "Emerging Knowledge Domains, Advanced Curriculum: Vision, Direction and Implementation", organised in Bhopal on 4th August 2026. The collaboration will support initiatives to make commerce education more relevant, practical and aligned with emerging career opportunities.

All India Leadership Summit

Recognising the growing contribution of Chartered Accountants in public leadership, ICAI organised the first All India Leadership Summit on the theme "Enhancing the Role of Chartered Accountants in Governance, Public Institutions and Nation Building" during July 25–26, 2026, at Jaipur. The Summit served as a platform to bring together Chartered Accountants serving in leadership positions in the Legislature, Judiciary, All India Services, Group 'A' Services and Tribunals, to learn from their collective experience and expertise to further strengthen governance, public institutions and nation-building.

The Summit was graced by distinguished personalities, including CA. Suresh Prabhu, Former Union Cabinet Minister, Government of India; Justice (CA.) Anuroop Singhi, Judge, Rajasthan High Court; CA. Rathindra Bose, Hon'ble Speaker, West Bengal Legislative Assembly; and CA. Gourav Vallabh, Part-Time Member, Economic Advisory Council to the Prime Minister.

Strengthening the Financial Reporting Ecosystem

ICAI continues to work closely with regulators and stakeholders to strengthen the quality and credibility of financial reporting and auditing. Recently, ICAI in collaboration with the National Financial Reporting Authority (NFRA), organised a one-day workshop on "Creating a Better Financial Reporting Ecosystem" on 19th August 2026 in Ahmedabad. The workshop brought together the profession and the regulator to deliberate on key aspects of financial reporting and audit quality. The

workshop was graced by Shri Nitin Gupta, Chairperson, NFRA, and was attended by 100 members.

Further, the Centre for Audit Quality, ICAI, has released the “Tool for Audit Opinion Formation”, a practical decision support tool designed to assist members in evaluating audit findings and arriving at an appropriate audit opinion in a structured and systematic manner. The tool brings together key considerations such as materiality, pervasiveness, and disclosures, while reinforcing the importance of professional judgement and professional skepticism.

Navigating a Changing Tax Landscape

As tax laws and compliance requirements continue to evolve, ICAI is strengthening its efforts to ensure that members have access to practical guidance, current information and platforms that support them in their day-to-day professional work.

The Direct Taxes Committee has released the revised edition of its flagship Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961 (Revised 2026). Developed as a practical companion for members, the Guidance Note addresses real-world issues encountered during tax audits and seeks to bring greater consistency and accuracy to tax audit reporting. It also highlights the larger responsibility that comes with tax audit, recognising its role in promoting credible and disciplined tax compliance.

Complementing this guidance, the Direct Taxes Committee, jointly with the International Taxation Committee, has launched the ‘I-Kar Pe Charcha’ mobile application for members. The app will bring the latest publications and developments from the Committees together in one place on issues emerging in taxation practice.

ICAI Strategy Meet

With the vision towards shaping the future trajectory of the profession, the Strategy meeting was held in Tirupati on 5th August 2026. Building upon inputs from across the ICAI fraternity, 92 priority strategic areas were identified across five important areas, i.e., members, students, professional development, brand building, and governance & strategy. The deliberations reflected a shared vision to strengthen the profession in sync with India’s rapidly evolving economic landscape, emerging opportunities and changing stakeholder expectations. It is envisaged that 75% of the actionable priorities will be taken forward within the next 100 days.

SIRC Regional Conference

I was privileged to attend the 58th SIRC Regional Conference, “DAKSHA: Digital Horizons. Ethical Edge”, held on 7–8 August in Vijayawada. The conference brought together 2059 distinguished leaders and members of the profession for meaningful deliberations on preparing the profession for a rapidly evolving digital future. Shri Payyavula Keshav, Hon’ble Minister of Finance, Government of

Andhra Pradesh graced the conference as Chief Guest. He praised the profession’s meticulousness, deep dedication and global reputation which make Chartered Accountants trusted custodians of financial integrity. He made a special appeal to the CA fraternity to provide advisory and financial structuring services to young entrepreneurs and startups for the growth of economy. The Conference emphasised on digital transformation, ethical leadership and continuous learning that highlighted a powerful message - as technology reshapes our profession, trust, integrity and professional excellence must remain our enduring edge.

Samvaada 2026, Bengaluru

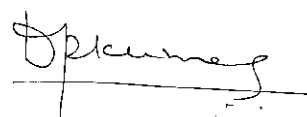
The Samvaada 2026 Conference organised by the Bengaluru Branch (SIRC) of the institute on 21-22 August 2026 provided a meaningful platform for dialogue on the evolving role of the profession in nation building. Addressing the gathering, Hon’ble Chief Minister of Karnataka, Shri D. K. Shivakumar, recognised Chartered Accountants as “Custodians of Trust” and called upon the profession to combine its professional expertise with public trust to support sustainable economic growth. The conference was attended by more than 1800 Chartered Accountants from across Karnataka.

Conclusion

A maxim reminds us, “A journey of a thousand miles begins with a single step”. The journey towards a financially empowered India must, therefore, begin with informed choices and responsible financial decisions by every citizen. Financial inclusion is a key enabler of inclusive growth and contributes significantly to the achievement of 7 of the 17 Sustainable Development Goals under the United Nations 2030 Agenda.

The movement for a financially literate India must extend from classrooms to households, villages to MSMEs, and first-time savers to emerging investors, enabling individuals to make financial decisions with confidence, prudence, and foresight. It is a collective responsibility that calls upon professionals, educators, institutions, and citizens to champion financial awareness.

I am confident that, through our collective efforts, we can transform financial literacy from mere awareness into a sustained movement for financial empowerment. Let us make financial literacy not merely a national aspiration but a shared national commitment, laying stronger foundations for a confident, resilient, and financially empowered Viksit Bharat.



CA. Prasanna Kumar D
President, ICAI
New Delhi, 31st August, 2026

58th Regional Conference of SIRC – DAKSHA

Shri Payyavula Keshav, Hon'ble Minister of Finance, Planning, Commercial Taxes and Legislative Affairs, Andhra Pradesh, along with CA. Prasanna Kumar D, President, ICAI; CA. Mangesh Kinare, Vice-President, ICAI and CA. Subba Rao Muppala, Chairman, SIRC of ICAI, graced the 58th Regional Conference of SIRC - DAKSHA, held on August 7 & 8, 2026 in Guntur.

ICAI 457th Central Council Meeting

CA. Prasanna Kumar D, President, ICAI and CA. Mangesh Kinare, Vice-President, ICAI along with ICAI Central Council welcomed Dr. Palanivel Thiaga Rajan, Former Minister for Finance, HRD, Information Technology & Digital Services, Government of Tamil Nadu at ICAI 457th Council Meeting held on July 28 & 29, 2026 in New Delhi.

All India Leadership Summit

CA. Prasanna Kumar D, President, ICAI; CA. Mangesh Kinare, Vice-President, ICAI; CA. Charanjot Singh Nanda, Immediate Past President, ICAI and Central Council Members- CA. (Dr.) Rohit Ruwatia; CA. Babu Abraham Kallivayalil and CA. Satish Kumar Gupta during the All India Leadership Summit held on July 25–26, 2026 in Jaipur.

The Summit was further enriched by the presence of CA. Suresh Prabhu, former Union Minister, Government of India, CA. Rathindra Nath Bose, Hon'ble Speaker, West Bengal Legislative Assembly, Justice (CA.) Sameer Jain & Justice (CA.) Anuroop Singhi, Hon'ble Judges, Rajasthan High Court, CA. Gourav Vallabh, Part-Time Member, Economic Advisory Council to the Prime Minister along with other dignitaries.

Meeting with Chairman, NABARD

CA. Prasanna Kumar D, President, ICAI along with CA. Mangesh Kinare, Vice-President, ICAI and Central Council Members- CA. Abhay Chhajed & CA. Piyush Chhajed met Shri Shaji K. V., Chairman, NABARD on July 30, 2026.

80th Independence Day Celebrations

On India's 80th Independence Day, CA. Prasanna Kumar D, President, ICAI, led the ICAI celebrations and hoisted the National Flag on August 15, 2026, at ICAI Bhawan, Noida, in the presence of Central & Regional Council Members, Secretary, ICAI and employees. The Independence Day was celebrated all across ICAI Regional Councils & Branches led by Past President's, Central & Regional Council Members and Branch Management Committee Members.

Workshop for the Hon'ble Members of the West Bengal Legislative Assembly

CA. Rathindra Nath Bose, Hon'ble Speaker, West Bengal Legislative Assembly; CA. Prasanna Kumar D, President, ICAI; CA. Mangesh Kinare, Vice-President, ICAI along with CA. Hans Raj Chugh, Chairman, Public and Government Financial Management Committee & CA. Arpit Kabra, Vice-Chairman, Public and Government Financial Management Committee and Central Council Members- CA. Ravi Patwa & CA. Sanjib Sanghi, during one-Day Workshop on "Strengthening Governance in Public Financial Management: A Legislative Perspective" organized for the Hon'ble Members of the West Bengal Legislative Assembly on August 18, 2026 in Centre of Excellence, Kolkata.

National Conference on Direct Taxes, Bhopal



CA. Prasanna Kumar D, President, ICAI along with Shri Alok Sharma, Hon'ble Member of Parliament and ICAI Central Council Members- CA. Pankaj Shah, CA. Pramod Jain & CA. Abhay Chhajed graced the National Conference on Direct Taxes held on August 8 & 9, 2026, in Bhopal.

Workshop in collaboration with NFRA



CA. Vishal Doshi, Chairman, Centre for Audit Quality Committee; CA. Pramod Jain, Vice-Chairman, Centre for Audit Quality Committee along with CA. Aniket Talati, Past President, ICAI and dignitaries from National Financial Reporting Authority (NFRA) during Workshop on "Creating a Better Financial Reporting Ecosystem" organized on August 19, 2026, in Ahmedabad.

Samvaada, 2026, Bengaluru



Karnataka Chief Minister Shri D. K. Shivakumar inaugurated the Samvaada 2026 Conference on August 21, 2026 in Bengaluru, highlighting the significant role of the profession in advancing effective financial governance. Seen in the image are SIRC Regional Council members CA. Pampana B E & CA. Pramod R Hegde along with CA. Kavitha Paramesh, Chairperson and branch managing Committee members.

16th Meeting of the Strategy, Perspective Planning and Monitoring Committee



Launch of Certificate Courses on Fund Management and Capital Market Intermediaries (under the IFSCA regulatory framework)



Shri K. Rajaraman, Chairman, IFSCA along with ICAI Central Council Members- CA. Jay Chhaira, CA. Hans Raj Chugh & CA. Purushottam Khandelwal launched two specialised Certificate Courses on Fund Management and Capital Market Intermediaries under the IFSCA regulatory framework on July 30, 2026, in GIFT City, Gandhinagar.

Meeting with CGM, PFRDA



CA. Prasanna Kumar D, President, ICAI greeting Shri P. Arumugarangarajan, Chief General Manager, Pension Fund Regulatory and Development Authority (PFRDA) in the presence of ICAI Central Council Members- CA. Hansraj Chugh and CA. Sanjay Kumar Agarwal on August 9, 2026 in New Delhi.

MoU with the Institute of Singapore Chartered Accountants (ISCA)



CA. Prasanna Kumar D, President, ICAI exchanging Memorandum of Understanding (MoU) with Mr. Lee Boon Teck, President, the Institute of Singapore Chartered Accountants (ISCA) in the presence of CA. Mangesh Kinare, Vice-President, ICAI and other dignitaries, during visit to Singapore on August 21, 2026.

CA. Prasanna Kumar D, President, ICAI, CA. Mangesh Kinare, Vice President, ICAI, Sri Muddada Ravichandra, IAS, Executive Officer, Tirumala Tirupati Devasthanams (TTD), CA. Charanjot Singh Nanda, Immediate Past President, ICAI and Central Council, during the 16th Meeting of the Strategy, Perspective Planning and Monitoring Committee held on August 5, 2026, in Tirupati.



Joginder Singh

Vice President
National Stock Exchange of
India Limited (NSE)

Educate, Empower, Elevate: Creating a Financially Literate India through Investor Education, Awareness and Tax Literacy

India has expanded access to financial markets at an unprecedented pace, yet financial understanding has not grown at the same rate. With only about 27% of adults demonstrating basic financial literacy, millions of new investors remain vulnerable to misinformation, behavioural biases and fraud. Building a financially confident nation requires more than increasing participation in capital markets. It demands a coordinated

approach built on education, investor awareness, behavioural understanding and tax literacy. Together, these elements help individuals make informed decisions, protect their savings and convert long-term investing into sustainable wealth creation.

India's Investment Revolution Needs an Equal Revolution in Financial Literacy

India is witnessing one of the most significant shifts in its financial history. Investing, once largely confined to financial professionals and experienced market participants, has entered everyday conversations. Families discuss mutual funds over dinner, young professionals begin SIPs with their first salaries, and retirement planning is no longer reserved for those nearing the end of their careers.

Technology has accelerated this transformation. Aadhaar-enabled services, UPI, online KYC, smartphone-based investment platforms and simplified account opening have dramatically reduced the barriers to participating in financial markets. Investors from Tier-2 and Tier-3 cities now account for a growing share of market activity, while SIP contributions and demat account openings continue to reach new milestones.

The transition from a nation of savers to one increasingly willing to invest represents an important milestone in India's economic development.

Yet greater access has exposed a deeper challenge.

According to the National Centre for Financial Education (NCFE), only around 27% of Indian adults possess basic financial literacy. Comparable levels in countries such as the United States, the United Kingdom and Australia typically range between 55% and 70%. Financial inclusion has expanded rapidly, but the ability to understand investment products, assess risk and distinguish credible advice from misleading claims has lagged behind.

The consequences are visible across the investment ecosystem. Many individuals purchase financial products solely on recommendations from friends or relatives, confuse insurance with investment, or rely on social media stock tips without understanding the underlying risks. Regulatory studies consistently show that most retail

traders lose money, with behavioural factors such as overconfidence, herd behaviour and excessive trading often proving more damaging than lack of information alone.

Financial capability, therefore, cannot be measured by the number of investment accounts opened. It is measured by the quality of decisions investors make after entering the financial system.

That is where the framework *Educate. Empower. Elevate.* becomes relevant.

Pillar One: Educate Building the Foundation for Better Financial Decisions

Financial education is often misunderstood as teaching people how to predict markets or select winning investments. Its real purpose is much simpler and far more valuable.

An informed investor understands how money grows, why inflation matters, how risk and return are connected, and why patience frequently delivers better outcomes than speculation. Such

“According to the National Centre for Financial Education (NCFE), only around 27% of Indian adults possess basic financial literacy. Comparable levels in countries such as the United States, the United Kingdom and Australia typically range between 55% and 70%. ”

knowledge enables individuals to ask informed questions, evaluate financial products critically and avoid mistakes that can have lasting consequences.

Recognising this need, India's financial regulators have worked together to strengthen financial education. The Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA) jointly established the National Centre for Financial Education (NCFE) to improve financial awareness across the country.

SEBI has complemented these efforts through the National Institute of Securities Markets (NISM), which offers free educational resources, certification programmes and Investor Awareness Programmes designed not only for finance professionals but also for ordinary citizens. Increasingly, trained resources are taking these programmes into schools, colleges and local communities, extending their reach well beyond metropolitan centres.

The Financial Concepts Every Investor Should Understand

While financial markets may appear complex, long-term success depends on mastering a handful of fundamental ideas.

Risk and Return

Higher potential returns almost always involve higher risk. Investments promising extraordinary or guaranteed returns with little or no risk deserve careful scrutiny rather than unquestioning trust. Healthy scepticism is one of an investor's strongest safeguards.

The Power of Compounding

Compounding rewards consistency and time. Someone who begins investing early often accumulates substantially greater wealth than someone who starts later, even if the latter invests larger amounts. Time frequently becomes a more valuable asset than money itself.

Diversification Through Different Asset Classes

Equity, debt, gold and real estate each perform differently under changing economic conditions. Diversification reduces dependence on any single asset class and helps balance both opportunity and risk within a long-term portfolio.

Saving and Investing Are Not the Same

Saving protects capital; investing seeks to increase it. Maintaining emergency savings is essential, but relying exclusively on low-interest savings accounts for long-term goals allows inflation to erode purchasing power over time.

Understanding Financial Documents

Mutual fund factsheets, insurance contracts, loan agreements and investment disclosures contain critical information on costs, risks, exclusions and obligations. Reading these documents carefully before making commitments helps prevent expensive misunderstandings later.

Closing India's Financial Literacy Gap

India's financial literacy challenge extends beyond numbers.

Urban literacy levels are estimated at roughly 33%, compared with approximately 24% in rural areas. Women consistently record lower financial literacy than men despite increasing educational attainment and workforce participation. These differences often arise from unequal exposure to financial decision-making rather than differences in capability.

Traditional investment preferences also continue to shape household behaviour. Gold and real estate remain dominant stores of wealth for many families. While these choices reflect cultural experience and perceived safety, they also illustrate the limited familiarity many households have with financial products that appear unfamiliar or difficult to understand.

Addressing these disparities requires meeting people where they are.

Educational programmes must be delivered in regional languages, adapted to local realities and supported by trusted community educators. Financial concepts such as budgeting, inflation, borrowing, investing and retirement planning should become part of school education long before young adults begin earning.

Financial education is not a one-time intervention. It evolves with every stage of life. Students require different knowledge than young professionals. Parents planning children's education face different decisions from individuals preparing for retirement. An effective financial literacy ecosystem must support learning throughout this entire journey.

Knowledge alone, however, does not guarantee sound decisions.

Many investors understand financial principles yet still succumb to emotional decision-making, misleading advice or sophisticated fraud.

That is why education must be followed by empowerment.

“Equity, debt, gold and real estate each perform differently under changing economic conditions. Diversification reduces dependence on any single asset class and helps balance both opportunity and risk within a long-term portfolio.”

Pillar Two: Empower Turning Financial Knowledge into Sound Judgement

Financial education answers an important question: *What should investors know?* Investor empowerment addresses a different one: *Will they apply that knowledge when it matters most?*

Experience suggests the answer is not always yes.

Many people understand basic investment principles but still become victims of misleading advice, speculative trends or outright fraud. Knowledge alone rarely protects investors when decisions are influenced by emotion, urgency or misplaced trust. Empowerment bridges that gap by developing judgement i.e. the ability to question extraordinary claims, verify information and remain disciplined when markets become volatile.

Investor protection begins long before a complaint is filed. It starts with informed decision-making.

Recognising the Red Flags

Financial scams continue to evolve, but their psychology has changed very little. Most succeed not because they are technically sophisticated, but because they exploit predictable human emotions such as greed, fear, urgency and the fear of missing out.

Several warning signs appear repeatedly across fraudulent schemes.

The first is the promise of unusually high or guaranteed returns with little or no risk. Genuine investments always involve trade-offs. If returns appear unrealistic, caution is warranted.

A second warning signal is manufactured urgency. Fraudsters often insist that investors must act immediately before a supposedly exclusive opportunity disappears. Sound investments rarely require rushed decisions.

Requests for secrecy should also raise concern. Anyone discouraging consultation with family members, financial advisers or independent experts is usually attempting to prevent verification.

Finally, credibility should never rest on popularity alone. Social media influence, celebrity endorsements or charismatic personalities are poor substitutes for regulatory registration, transparent disclosures and independently verifiable information.

Disciplined investors pause before acting. They verify first and invest later.

Financial Fraud in the Digital Age

Technology has transformed investing, making financial products available with a few taps on a smartphone. The same technology has also expanded the reach and sophistication of fraud.

Counterfeit trading platforms now closely imitate legitimate applications. Artificial intelligence enables convincing deepfake videos featuring respected market professionals apparently endorsing dubious schemes. Unregistered financial influencers or “finfluencers” can build large online audiences before promoting speculative investments or participating in pump-and-dump operations.

This has fundamentally changed the meaning of financial literacy.

Investors must now evaluate not only the investment itself but also the credibility of the platform, application or individual promoting it. A professionally designed website, polished videos or millions of online followers do not establish legitimacy. Regulatory registration and independent verification remain the only reliable standards.

Financial literacy and digital literacy have become inseparable.

Knowing Your Rights

Even well-informed investors may occasionally face disputes or misconduct. Confidence in financial markets depends not only on preventing problems but also on ensuring that effective remedies exist when they occur.

India has developed several institutional mechanisms to safeguard investors.

SEBI’s SCORES platform enables investors to file and monitor complaints electronically through a multilingual interface. Banking-related grievances can be addressed through the RBI Ombudsman, while insurance complaints are handled through mechanisms established by IRDAI.

These systems reinforce an important principle: seeking redress is a legal right rather than an adversarial act.

Many first-time investors hesitate to complain because they assume financial institutions cannot be challenged. Investor awareness must therefore include an understanding of both responsibilities and rights.

Behavioural Finance: Why Intelligent Investors Still Make Costly Mistakes

Classical finance assumes that investors make rational decisions once they possess adequate information.

Real-world behaviour tells a different story.



People frequently act against their own long-term interests despite understanding fundamental investment principles. Emotions, mental shortcuts and cognitive biases often override careful analysis, particularly during periods of market optimism or panic.

Recognising these behavioural tendencies is therefore an essential aspect of investor protection.

Behavioural Biases Every Investor Should Recognise

Loss Aversion

Most people experience the pain of losses more intensely than the satisfaction of equivalent gains. Investors therefore continue holding weak investments simply to avoid acknowledging a mistake.

Overconfidence

Success during favourable markets often creates an exaggerated belief in one's ability to predict future outcomes. Excessive trading, underestimated risks and unwarranted confidence frequently follow.

Herd Behaviour

When everyone appears to be investing in the same opportunity, resisting collective enthusiasm becomes difficult. Recent investor interest in certain small-cap and

mid-cap funds demonstrates how fear of missing out can overshadow careful evaluation of valuations and fundamentals.

Anchoring

Investors frequently focus on irrelevant reference points, such as the original purchase price or a previous market peak, instead of assessing an investment's current prospects.

Disposition Effect

Many investors sell profitable investments too early while continuing to hold losing positions in the hope that prices will recover. The result is often the opposite of disciplined long-term investing.

Mental Accounting

Money is often treated differently depending on its source. Bonuses, gifts and investment gains are commonly spent more freely than regular income despite having identical value.

Recency Bias

Recent events exert disproportionate influence over expectations. Bull markets encourage excessive optimism, while market declines create undue pessimism, leading investors to buy near peaks and sell near lows.

Confirmation Bias

Once people form an opinion, they naturally seek information supporting their existing beliefs while ignoring contradictory evidence. Social media communities frequently reinforce this tendency.

Familiarity Bias

Many investors allocate excessive portions of their portfolios to companies, industries or employers they know well, assuming familiarity reduces risk. In practice, concentration often increases vulnerability.

Designing Better Investment Behaviour

Behavioural biases cannot be eliminated because they are rooted in human psychology.

What can be improved is the environment in which financial decisions are made.

The most effective investor protection strategies reduce opportunities for emotional mistakes rather than relying entirely on self-control.

Systematic Investment Plans (SIPs) provide an excellent example. By automating regular investments, they minimise attempts to time the market and encourage disciplined investing across market cycles.

Similarly, automatic retirement contributions, sensible default asset allocations and standing investment instructions reduce impulsive decision-making.

Empowerment, therefore, extends beyond education. It equips investors to recognise manipulation, understand their own behavioural tendencies and develop habits that support consistent, long-term decision-making.

Only when knowledge is reinforced by judgement can investors navigate increasingly complex financial markets with confidence.

Pillar Three: Elevate

Transforming Financial Knowledge into Long-Term Wealth

Understanding investments is only one part of financial success. Preserving and growing wealth requires equal attention to taxation, retirement planning and disciplined financial habits.

Making the Right Tax Choices

India's dual tax regime has made financial planning more nuanced.

Since FY 2023–24, taxpayers have been able to choose annually between the Old and New Tax Regimes. The decision should never be based on assumptions or popular opinion. It should follow a careful evaluation of

“Financial education is not a one-time intervention. It evolves with every stage of life. Students require different knowledge than young professionals. Parents planning children’s education face different decisions from individuals preparing for retirement.”

income, deductions and long-term financial objectives.

The Old Tax Regime permits deductions and exemptions under provisions such as Section 80C, Section 80D and House Rent Allowance (HRA). It generally suits individuals who invest regularly, maintain insurance, contribute to retirement savings or claim eligible deductions.

The New Tax Regime offers lower tax rates while restricting most deductions and exemptions, making it attractive for taxpayers seeking a simpler structure with fewer deductible investments.



For FY 2025–26, resident individuals choosing the New Tax Regime effectively pay no income tax on taxable income up to ₹12 lakh after rebate, while salaried taxpayers benefit up to ₹12.75 lakh after considering the standard deduction.

Neither regime is universally superior. The appropriate choice depends entirely on an individual’s financial circumstances.

Why Capital Gains Tax Matters

Investment returns cannot be evaluated in isolation from taxation.

As applicable in July 2026:

- **Short-Term Capital Gains (STCG)** on listed equity investments held for less than twelve months are taxed at 20%.
- **Long-Term Capital Gains (LTCG)** on listed equity investments held for more than twelve months are taxed at 12.5%, with the first ₹1.25 lakh of gains exempt during a financial year.

Sometimes, the difference between these tax treatments is only a single additional day of holding an investment. Behavioural finance offers an interesting insight here. Investors often sell successful investments prematurely simply to “book profits.” That impulse not only interrupts the power of compounding but may also result in a higher tax liability. Emotional decision-making and avoidable taxation frequently arise from the same behaviour.

Building Wealth Through Discipline Rather Than Prediction

Sustainable wealth rarely comes from a handful of exceptional investments. It is usually the result of consistent habits maintained over many years.

Several financial instruments continue to play a central role.

Systematic Investment Plans (SIPs) encourage disciplined investing by automating regular contributions and reducing the temptation to time market movements. Rupee-cost averaging further smooths the effect of market volatility over long investment horizons.

Employees’ Provident Fund (EPF) and Public Provident Fund (PPF) remain important pillars of retirement planning. Besides offering government-backed savings, both provide tax benefits under Section 80C and contribute significantly to long-term financial security.

The National Pension System (NPS) complements retirement planning with meaningful tax advantages. Taxpayers under the Old Tax Regime may claim an additional deduction under Section 80CCD(1B) beyond the Section 80C limit, while employer’s contributions under Section 80CCD(2) remain deductible under both tax regimes.

Risk protection deserves equal attention. Health insurance shields long-term savings from rising medical expenses, while term life insurance protects dependants against financial hardship. These are not investment products; they are essential safeguards that preserve financial stability when unexpected events occur.

Every household should also maintain an emergency fund covering approximately three to six months’ living expenses. Such reserves reduce the need to liquidate long-term investments during market downturns or personal crises, allowing financial plans to remain intact.

Making Financial Literacy Truly Inclusive

India’s progress in financial inclusion has not eliminated disparities in financial capability.

Women continue to score lower than men in financial literacy assessments despite growing workforce participation and educational attainment. In many households,

financial decision-making remains concentrated among male members.

Young professionals face a different challenge. Comfortable with digital platforms and eager to begin investing early, many have never experienced a full market cycle. Their confidence with technology can create a false sense of investing expertise, leaving them vulnerable to speculative trends, unrealistic expectations and social media-driven advice.

Rural India presents another dimension. Digital banking, UPI and online investment platforms have expanded access dramatically, but accessibility alone does not ensure informed decisions. Financial education must therefore be delivered in regional languages, adapted to local contexts and supported by trusted community educators who understand local financial realities.

The Road Ahead: Technology Must Build Trust, Not Just Convenience

Technology has fundamentally changed how Indians save, invest and manage money.

Interactive mobile applications, AI-enabled learning platforms, personalised educational content and gamified learning experiences



“SEBI’s SCORES platform enables investors to file and monitor complaints electronically through a multilingual interface. Banking-related grievances can be addressed through the RBI Ombudsman, while insurance complaints are handled through mechanisms established by IRDAI.”

offer unprecedented opportunities to expand financial education quickly and economically.

Yet technology has also introduced new vulnerabilities. Artificial intelligence can now generate convincing deepfake videos, fabricate endorsements, imitate legitimate investment platforms and amplify misinformation at remarkable speed.

As financial services become increasingly digital, investors must learn to evaluate not only financial products but also the authenticity of the digital channels through which those products are promoted.

Digital literacy has become an integral component of financial literacy.

Financial capability cannot be created through a single seminar or awareness campaign. It develops gradually through continuous reinforcement, practical experience and systems that encourage disciplined behaviour.

Conclusion: A Blueprint for a Financially Confident India

India stands at a defining moment in its financial evolution. Millions of citizens have entered the formal investment ecosystem, creating unprecedented opportunities for wealth creation and economic growth. The success of this



transformation, however, will depend less on the number of investment accounts opened than on the quality of the decisions investors make throughout their financial lives.

The *Educate. Empower. Elevate.* framework offers a practical roadmap.

Education provides the knowledge required to understand financial products, evaluate risk and make informed choices. Empowerment strengthens that knowledge by cultivating investor awareness, behavioural discipline and confidence to recognise fraud, challenge misinformation and exercise legal rights. Elevation completes the process by combining disciplined investing with tax-efficient planning, retirement preparedness and prudent risk management.

Knowledge without judgement leaves investors exposed. Awareness without financial competence limits wealth creation. Pursuing higher returns without discipline, behavioural insight or tax planning often results in avoidable mistakes and diminished long-term outcomes.

Educate. Empower. Elevate. is more than a theme for investor awareness. It is a practical blueprint for creating a financially literate, empowered and prosperous India.

Author may be reached at
eboard@icai.in



CA. Jay Chhaira

Member of the Institute

Promoting Investor Education and Financial Literacy: ICAI's Initiatives Towards a Financially Resilient India

"An informed investor is a protected investor, and a financially literate citizen is the foundation of a resilient economy."

In today's rapidly changing economy, the ability to understand and manage money is becoming increasingly important. Individuals are making financial decisions almost every day, whether it's opening a bank account, investing in financial products, planning for retirement, getting insurance, paying taxes, or making digital payments. All these decisions directly influence their financial well-being. However, with the rise of complexity of financial products and the rapid expansion of digital financial services, the risk of fraud, misinformation, and poor financial decision-making has also increased.

A well-informed citizen can manage personal finances, evaluate investment opportunities, understand financial rights, and safeguard against financial fraud in a better manner. Hence, the promotion of financial literacy and investor awareness has become an important national agenda for achieving inclusive and sustainable economic development.

Recognising this national mandate, the Institute of Chartered Accountants of India (ICAI), through its Financial Markets and Investors' Awareness Committee (FM&IAC), has been continuously working on promoting investor education, financial literacy, and responsible investment practices across the country.

Guided by its vision, the Committee has taken several major initiatives to support the objective of building an informed investor community and enhancing financial inclusion.

Investor Awareness Programmes: Strengthening Financial Literacy Nationwide

One of the flagship initiatives undertaken by ICAI is conducting

Investor Awareness Programmes (IAPs) under the aegis of the Investor Education and Protection Fund Authority (IEPFA), Ministry of Corporate Affairs, Government of India. These programmes are aimed at educating citizens about the fundamentals of investing, encouraging responsible financial behaviour, and creating awareness about investor rights and their protection mechanisms.

The objective of the programmes is to empower individuals with the right knowledge needed to make informed financial decisions, understand the functioning of financial markets, and know how to protect themselves from fraudulent investment schemes.

Since 2008, ICAI has successfully organised over 9000 programmes, benefiting over 4.66 lakh participants, including approximately 1.98 lakh



women participants. During 2026 alone, the committee has already organised more than 100 awareness programmes, reaffirming ICAI's commitment to strengthening investor confidence and financial literacy across the country.

The programmes have had a positive impact on financial literacy, particularly in enhancing awareness regarding:

- investment opportunities and government schemes,
- financial rights and responsibilities,
- grievance redressal mechanisms, and
- risks associated with fraudulent schemes such as Ponzi and chit funds.

The programmes have contributed significantly to improving awareness regarding formal financial systems, banking services, investment opportunities, taxation, and government welfare schemes. They have also strengthened public confidence in using regulated financial products and encouraged responsible investment practices among citizens.

Vitiyagyan Mela – A Nationwide Movement for Financial Literacy

As part of the committee's efforts to strengthen financial inclusion at the grassroots level, ICAI proposes to organise Vitiyagyan Mela Week, a nationwide outreach initiative aimed at empowering citizens with essential financial knowledge and promoting informed financial decision-making.

Under this, branches are encouraged to adopt at least one village in their vicinity to undertake structured financial literacy activities in the adopted village, enabling citizens to make informed financial decisions, understand budgeting and investment principles, and achieve sustainable financial empowerment. The Mela also involves the participation of beneficiaries of the financial literacy

“ Since 2008, ICAI has successfully organised over 9000 programmes, benefiting over 4.66 lakh participants, including approximately 1.98 lakh women participants. During 2026 alone, the committee has already organised more than 100 awareness programmes, reaffirming ICAI's commitment to strengthening investor confidence and financial literacy across the country. ”

initiatives, thereby fostering greater community engagement and ensuring the sustainability of the initiative.

For this purpose, the committee has also developed a dedicated financial literacy website, available in more than ten regional languages, such as Hindi, Gujarati, Tamil, Telugu, Marathi, Bengali, Kannada, Urdu, Malayalam, Punjabi, and Odia (Oriya), to ensure wider accessibility. The portal is a one-stop digital learning platform and includes financial calculators, like simple and compound interest calculators, goal savings calculators, SIP, FD and RD calculators, net worth calculators, loan eligibility and prepayment calculators, retirement corpus calculators, pension, GST and income tax calculators, inflation calculators, and emergency fund calculators; financial literacy articles; educational videos; and awareness material on investment and taxation.

This initiative aims to raise awareness among citizens on essential financial concepts and encourage good

financial decision-making. The programme covers a number of domains, including:

- Financial Planning and Wealth Creation
- Investment Awareness
- Basics of Taxation
- Digital Payment Ecosystem
- Protection against Digital / Financial Frauds

To ensure maximum public participation, the awareness activities are held in various formats like seminars, workshops, Nukkad Natak, Pad Yatras, etc. The objective is to promote informed financial behaviour and responsible investing behaviour across all sections of society.

The efficacy of this methodology was proved during Vittiya Gyan Mela Week 2025, during which 38 programmes were organised through ICAI Regional Councils and Branches, benefiting over 3,000 individuals across the nation.

Train the Trainer & Train the Trainee Modules

To strengthen financial literacy and investor awareness across India, the institute has developed two learning modules: Train the Trainer and Train the Trainee. Both are developed to provide a structured and organised framework for delivering financial literacy programmes and building a pool of trained resource persons to expand the reach of investor education initiatives.

The Train the Trainer module equips trainers and resource persons with the knowledge, information, abilities, and teaching methodology required to conduct successful financial literacy and investor awareness programmes. The Train the Trainee module offers simple, easy, practical, and learner-friendly content that enables participants to understand key financial concepts, make well-informed financial and investment decisions, and protect themselves against financial frauds.

As both modules are available in English and Hindi, which enables them to reach a larger audience across different regions of the country.

There are numerous benefits to the introduction of these structured learning modules. It greatly broadens the scope of investor education programmes, fosters standardisation in the execution of financial literacy programmes, and contributes to the creation of a sizeable pool of qualified resource people. More significantly, it guarantees that financial literacy develops into an ongoing, community-driven movement as opposed to a collection of discrete awareness campaigns.

Through this capacity-building approach, ICAI is not only educating but also developing future trainers who can further spread financial knowledge in local communities, companies, schools, colleges, and villages.

Radio Awareness Campaign

ICAI started a nationwide radio campaign to promote financial and investor awareness among the general public, including people in remote and rural areas. The campaign featured informative radio jingles on topics such as financial literacy and savings habits, fraud prevention and cyber safety,



government schemes and investor protection, and responsible financial decision-making.

To ensure wider accessibility, the campaign was executed in vernacular languages and implemented in a three-phase strategy, enabling sustained outreach across the nation.

Overall, the initiative was a great success; it reached more than 3.93 crore listeners, significantly contributing to the efforts to enhance financial literacy and investor awareness among different sections of society.

Outreach Initiative: Financial Literacy at the Grassroots

Recognising the requirement to spread financial awareness beyond urban areas, an “Outreach Initiative” has been launched to promote financial literacy in rural and semi-rural India.

The initiative encourages members and students of ICAI to voluntarily contribute their professional knowledge by conducting awareness programmes for:

- Farmers and rural households
- Women and Self-Help Groups
- Students and youth
- Senior citizens
- Small entrepreneurs
- Salaried and self-employed individuals

The sessions will focus on practical financial topics like budgeting and financial planning, savings and investment options, insurance, digital payments, fintech awareness, protection against cyber and financial fraud, basic taxation awareness, etc.

Chartered Accountants and CA students participate in this project as resource people as well as financial experts. By raising awareness of savings, investments, digital financial services, taxes, and safeguards against financial fraud, among other

topics, this outreach initiative seeks to develop knowledgeable and responsible investors. By developing a pool of qualified resource people who can lead awareness workshops, it also aids in expanding the reach of financial literacy initiatives. This strategy makes it possible for financial information to reach a wider audience, guaranteeing that more people gain from investor education and are better able to make wise financial decisions.

Niveshak Shivirs: Bringing Investor Services Closer to Citizens

ICAI, being the Knowledge Partner of IEPFA, has actively participated in conducting Niveshak Shivirs programmes across the country, providing practical assistance to investors in resolving their issues related to dividends and shares that are unclaimed.

From 2024 onwards, ICAI has successfully organised nine Niveshak Shivirs programmes in Mumbai, Ahmedabad, Pune, Hyderabad, Gandhinagar, Amritsar, Jaipur, Bengaluru, and Bhubaneswar. These programmes have helped investors in filing IEPF Form-S, resolving investor-related grievances through expert guidance.

To further strengthen the cause of this initiative, the institute intends to host Niveshak Shivirs through various regional councils / branches nationwide during Vittiya Gyan Mela Week, significantly expanding access to investor assistance services.

Special Initiatives, Impact and the Way Forward

There are also special initiatives taken by ICAI aimed at reaching specific stakeholder groups. A brief is mentioned below.

1. Financial Literacy Programmes at Raj Bhavans and Government Institutions

To strengthen financial awareness among government officials,

specialised financial literacy programmes were conducted at the Raj Bhavans of Uttarakhand and Meghalaya for their secretariat staff. These programmes focused on improving understanding of personal financial management, investment planning, digital financial services, taxation, and investor protection.

Additionally, a dedicated financial literacy workshop was organised for the officials of the Chief Minister's Secretariat, Meghalaya, emphasising the importance of well-informed financial decision-making and responsible investment practices.

2. Empowering Women through Self-Help Groups

Women's financial empowerment is a key component of inclusive economic development. Recognising the transformative role played by Self-Help Groups (SHGs) in promoting entrepreneurship and community development, dedicated financial literacy programmes for women-led SHGs in the North-Eastern States have been conducted.

Special programmes were organised in Meghalaya, Mizoram, and Sikkim, benefiting more than 400 self-help groups. These sessions focused on practical financial topics such as household budgeting, savings, banking services, digital payments, responsible borrowing, and small business financial management.

The committee further strengthened these efforts by organising the following:

- Seminar on Financial Literacy for Women-Led Self-Help Groups of Arunachal Pradesh
- Workshop on Financial Literacy for Cluster-Level Federations of Tripura

These initiatives have enhanced financial awareness among

women and encouraged greater participation in formal financial systems, thereby supporting both financial inclusion and women-led economic development.

3. Digital Learning through the iGOT Platform

In line with the Government of India's digital capacity-building initiatives, ICAI has collaborated with the Capacity Building Commission (CBC) to develop and publish two e-learning modules on the Integrated Government Online Training (iGOT) Platform.

These digital modules aim to make financial literacy accessible to a larger audience by providing well-structured online learning resources that are accessible anytime and from anywhere. This programme demonstrates the Institute's dedication to leveraging technology to promote lifelong learning and increase the accessibility of financial education.

4. Citizen Engagement through the MyGov Platform

MyGov Platform, an initiative of the Government of India, has been actively used by ICAI to promote citizen engagement and participatory governance. Through this platform, ICAI has organised various initiatives, like

- Online quizzes
- Slogan writing competitions
- Poster-making competitions
- Reel-making competitions
- Poetry writing competitions

These awareness activities have attracted participation from more than 17,000 individuals, demonstrating how interactive learning methods can effectively increase public interest in financial education.

By encouraging citizens to actively participate rather than passively

receive information, the initiative has contributed to greater awareness of financial planning, responsible investing, and investor protection.

5. Financial Literacy for Enforcement Agencies

Specialised financial literacy programmes were organised for personnel of the Central Reserve Police Force (CRPF) across several locations, including Bengaluru, Chennai, Gandhinagar, Hyderabad, Rangareddy, and Thiruvananthapuram.

In addition, workshops for officials of the Central Bureau of Investigation (CBI) were also organised at Ranchi, Jharkhand.

Future Roadmap and Plan of Action

With a continued commitment to promoting financial literacy and investor awareness, ICAI is developing several forward-looking initiatives to enhance the accessibility, effectiveness, and nationwide impact of its outreach efforts.

1. Animated Financial Literacy Videos

Following the successful nationwide radio awareness



campaign, short, animated videos are being developed on various aspects of financial literacy and investor awareness in collaboration with leading media houses. These videos will simplify financial concepts through engaging visuals and easy-to-understand storytelling, making financial education more accessible to people of all age groups.

2. Strategic Partnership for Financial Inclusion in Arunachal Pradesh

As part of its commitment to strengthening financial inclusion at the grassroots level, ICAI is in the process of signing a Memorandum of Understanding (MoU) with the Arunachal State Rural Livelihoods Mission (ArSRLM) in collaboration with NABARD and the Arunachal Pradesh Rural Bank.

The proposed collaboration aims to promote financial literacy and financial inclusion among rural communities by leveraging the combined expertise and outreach of the participating institutions. The key objectives of the MoU include:

- Promoting financial literacy and responsible financial behaviour among rural households.
- Strengthening the capacity of community-level cadres and cooperative institutional staff through structured training and awareness programmes.
- Enhancing financial inclusion by encouraging the use of formal banking and financial services.
- Providing career guidance, skill development, and empowerment opportunities for members of Self-Help Groups (SHGs) and their families.
- Supporting sustainable livelihood development

“ICAI has established a strong platform for improving financial literacy among various segments of society through programmes like Investor Awareness Programmes (IAPs), Vittiya Gyan Mela, Train the Trainer and Train the Trainee Modules, Outreach Initiatives, Radio Awareness Campaigns, Niveshak Shivirs, and numerous digital and community-based initiatives.”

through improved financial knowledge and informed decision-making.

Conclusion

Building an informed, financially secure, and economically empowered society requires financial literacy. Acknowledging its significance, ICAI has launched numerous programmes to encourage responsible financial behaviour and investor awareness throughout the nation.

ICAI has established a strong platform for improving financial literacy among various segments of society through programmes like Investor Awareness Programmes (IAPs), Vittiya Gyan Mela, Train the Trainer and Train the Trainee Modules, Outreach Initiatives, Radio Awareness Campaigns, Niveshak Shivirs, and numerous digital and community-based initiatives.

The committee's commitment to embracing innovative delivery mechanisms and bolstering grassroots financial inclusion is reflected in its future initiatives, which include the creation of animated financial



literacy videos in partnership with media outlets and the proposed Memorandum of Understanding with the Arunachal State Rural Livelihoods Mission (ArSRLM), in partnership with NABARD and the Arunachal Pradesh Rural Bank.

ICAI is dedicated to broadening its reach through creative projects, strategic alliances, and technology-driven learning solutions as India advances toward greater financial inclusion and digital transformation. The goal of a financially literate, financially robust, and economically empowered India will be greatly advanced by these persistent initiatives, which will also continue to raise investor awareness and encourage wise financial decision-making.



Author may be reached at
eboard@icai.in



CA. Ruchi Shukla

Head-Energy, MCX

Energy Price Risk Management In Dynamic Market

Harnessing Volatility Using MCX Crude Oil, Natural Gas & Electricity Futures In A Geopolitical Evolving World

India's strong economic growth is underpinned by its ability to navigate a high degree of dependence on imported crude oil, with nearly 89% of its crude oil requirements sourced internationally, while demonstrating resilience and adaptability amid unprecedented shifts in global energy markets. The

joint US-Israel military strikes on Iran (Operation Epic Fury, February 28, 2026) and Iran's consequent closure of the Strait of Hormuz drove energy commodity prices and slashed OMC earnings estimates. Against this backdrop, Multi Commodity Exchange of India Limited's (MCX) complete energy hedging suite – crude oil futures and options, natural gas futures, and India's first electricity futures contract – offers India's energy value chain participants a transparent, liquid, INR-denominated toolkit to manage price risk. This article examines the geopolitical drivers reshaping global energy trade through 2026, the resulting price volatility across crude, gas and power markets, and how systematic hedging by India's energy value chain, OMCs, fertiliser producers, generators, DISCOMs and energy-intensive industries can materially protect margins and strengthen national energy security.

The Geopolitical Reshaping of Global Energy Markets: 2022-2026

India's energy security landscape has been shattered and remade twice in four years. The Russia-Ukraine war India's energy sector has shown remarkable resilience through four years of unprecedented global disruption, adapting twice over to reshape its energy security strategy. The Russia-Ukraine war restructured global crude supply chains from 2022. Now, the conflict triggered by joint US-Israel strikes on Iran, launched on February 28 under Operation Epic Fury, has evolved into a prolonged and repeatedly escalating crisis rather than a contained shock. Iran's initial closure of the Strait of Hormuz gave way to a fragile ceasefire and memorandum of understanding in June, but the truce

collapsed within weeks after Iran struck commercial vessels that had bypassed its preapproved shipping corridor. A drone strike on a cargo ship on June 25 set off a chain of hostilities that put the US and Iran back on a path toward all-out war less than a month after they had agreed to stop fighting.

By mid-July the conflict had resumed in full, with US forces reporting strikes on roughly 140 Iranian military targets in a single week and the US disabling an empty oil tanker sailing toward Kharg Island, effectively blockading Iran's key export terminal. For India, caught in both shocks simultaneously and now navigating a conflict that has already outlasted several predicted end-dates, the case for systematic energy price risk management has moved from prudent to essential.

The initial post-February price spike has since given way to a second, sharper leg up rather than the gradual normalisation many analysts had expected. Crude oil prices have risen more than 14% over the past month and are up nearly 29% year-on-year, with WTI rallying to a five-week high as escalating hostilities kept the Strait of Hormuz closed and tightened global supplies. The volatility is being compounded by contagion beyond the Gulf itself: Houthis militants have threatened to block Saudi maritime traffic in the Red Sea, prompting at least one Saudi tanker to reverse course, while attacks on the Caspian Pipeline Consortium terminal on Russia's Black Sea coast have disrupted Kazakh exports as well. Markets have been whipsawed between escalation and diplomacy throughout July,

“The IEA called the 2026 Hormuz crisis the greatest global energy security challenge in history. India’s OMC earnings were slashed 28-47%. Every crore lost to unhedged energy price exposure is a crore that systematic hedging on MCX could have protected.”

rallying on fresh strikes and pulling back on reports of proposed truces, including a floated 10-day ceasefire late in the month.

Amid this, rather than retreating from Russian barrels because of Gulf risk, Indian refiners have leaned further into them. Russian crude has continued to account for roughly half of India’s oil imports through July, averaging around 2.5 million barrels per day, with Kpler describing it as India’s strongest energy-security hedge, particularly since the Strait of Hormuz disruptions began.

India’s Russian crude purchases hit an all-time high in June 2026, worth an estimated €4.5 billion, a 34% increase over May. At the same time, refiners are visibly rebuilding Gulf supply lines as a hedge against sanctions risk: Saudi crude purchases jumped more than 150% month-on-month in July even as Russia held its share above half of the basket, while imports

from the United States dropped sharply as refiners continued to favour discounted Russian barrels over long-haul Atlantic cargoes. This dual-track strategy of record Russian intake alongside a simultaneous Gulf-supply rebuilds functions as a hedge against two distinct tail risks: a Hormuz-driven Gulf supply stops and a US-driven sanctions or tariff clampdown on buyers of Russian oil, a risk sharpened by Washington’s proposal to impose 100% tariffs on such buyers.

Indian refiners have, so far, converted this disruption into margin. India’s fuel exports are on track to hit a 10-month high of about 1.4 million barrels a day in July, roughly a fifth higher than a year earlier and nearly 50% above May’s volumes, as war-driven shortages elsewhere lift refining margins.

Lower export taxes and domestic inventories sufficient for 75–80 days have supported this run, though any disruption to Hormuz flows could quickly alter the picture. That, in essence, is the crux of the risk-management argument for India’s energy ecosystem: the same geopolitical premium currently boosting refiners’ margins is a two-sided exposure, and a sudden Hormuz closure or a Russian-sanctions shock could reverse it just as quickly as it arrived. Financial risk management, in other words, is no longer a hedge against a single crisis, it is now the operating condition for participating in Indian energy markets at all.

In this evolving environment, the role of energy derivatives traded on the MCX has gained strategic importance. MCX crude oil, natural gas, and electricity futures are increasingly emerging as essential instruments for managing volatility, stabilising procurement costs, protecting margins, and improving financial resilience across India’s energy value chain.

The IEA called the 2026 Hormuz crisis the greatest global energy security challenge in history. India’s OMC earnings were slashed 28-47%. Every crore lost to unhedged energy price exposure is a crore that systematic hedging on MCX could have protected.

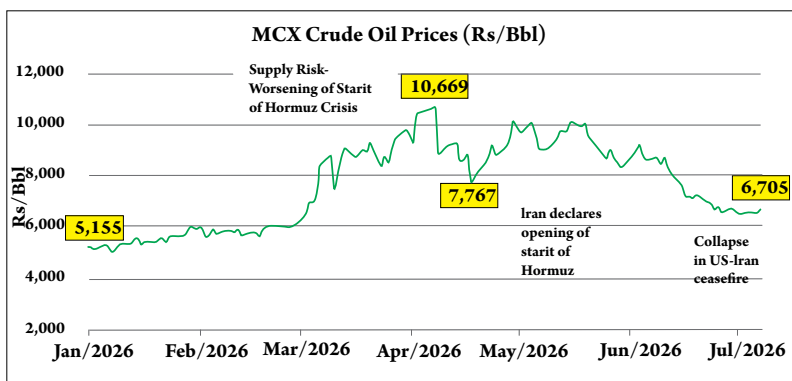
Why Energy Price Risk has Become Structural

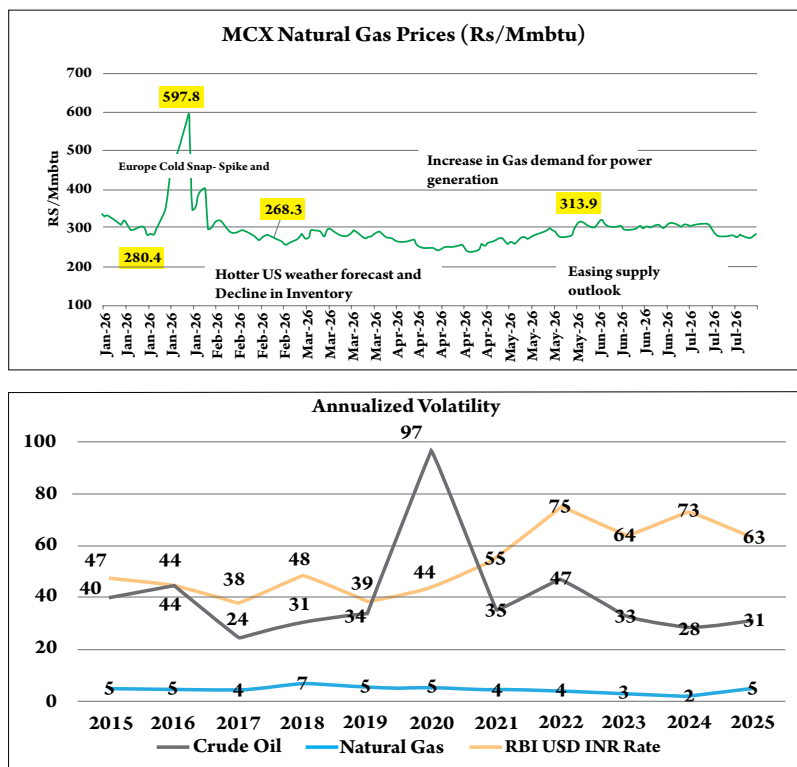
Historically, energy price volatility was often viewed as cyclical and temporary. However, the events of the last few years suggest that volatility has become structural.

Several long-term factors are driving this transformation:

- Geopolitical fragmentation and sanctions
- Military conflicts in energy-producing regions
- Climate-driven weather disruptions
- Supply-chain vulnerabilities
- Renewable energy intermittency
- Shipping bottlenecks
- Currency fluctuations
- Rapid changes in global demand patterns

The Iran conflict of 2026 has intensified all these pressures simultaneously. According to the IEA, crude and oil-product flows through the Strait of Hormuz plunged from nearly 20 million barrels per day to just above 2 million barrels per day during the peak disruption period. Gulf producers were forced to reduce production while global inventories declined rapidly. The impact has extended beyond oil





markets. LNG cargo availability has tightened, bunker fuel prices have surged, freight costs have increased sharply and electricity markets across Asia have become increasingly volatile.

For India, these developments have direct economic implications because energy imports influence the following:

- Inflation
- Industrial competitiveness
- Fiscal balances
- Transportation costs
- Manufacturing economics
- Electricity tariffs

This is why energy price risk management is now becoming a strategic necessity rather than a financial option.

MCX Crude Oil Futures and India's Refining Sector

Crude oil remains India's largest energy import exposure. With nearly 85% dependence on imported

crude, India's economy remains highly sensitive to global oil price movements. The ongoing geopolitical crisis has demonstrated how quickly procurement economics can change. Refiners have faced rising feedstock costs due to:

- Higher WTI crude prices
- Elevated tanker freight rates
- Increased marine insurance premiums
- Delays in cargo movement
- Market uncertainty regarding Gulf supplies

Refining margins have become increasingly volatile because downstream product prices often adjust with a lag while feedstock costs rise immediately. In this environment, MCX crude oil futures linked to WTI benchmarks provide an important hedging mechanism for refiners and downstream companies.

By hedging a portion of future crude procurement through futures contracts, refiners can partially reduce

exposure to sudden price spikes and improve visibility regarding procurement costs. Hedging cannot eliminate all market risk, but it allows companies to stabilise cash flow and improve financial planning.

The strategic value of such hedging becomes particularly important during geopolitical crises. During the 2026 Iran conflict, crude oil prices reacted sharply to every military escalation, ceasefire rumour, or disruption in shipping activity. For Indian refiners, the ability to manage this volatility through domestic exchange-traded contracts has become increasingly valuable. The aviation sector faces similar challenges. Aviation turbine fuel prices are closely linked to crude oil markets, and rising fuel costs have placed enormous pressure on airline profitability globally. Analysts have noted that refined products such as jet fuel and diesel have risen even faster than crude itself due to downstream supply constraints.

MCX crude oil futures, therefore, provide aviation and logistics companies with a mechanism to partially stabilise fuel costs and improve budgeting certainty.

Natural Gas Volatility and The Growing Importance of Gas Hedging

India has actively promoted natural gas as a transition fuel capable of supporting industrial growth while reducing emissions relative to coal and oil. LNG import infrastructure has expanded significantly, city gas distribution networks have grown rapidly, and industrial gas consumption continues to rise. However, the current geopolitical crisis has exposed the vulnerability of global LNG supply chains.

Qatar remains one of the world's largest LNG exporters, and disruptions in the Strait of Hormuz have created serious concerns regarding LNG availability across Asia. Reports suggest that LNG spot prices in Asia surged dramatically

after fears emerged regarding interruptions to Gulf exports.

For Indian LNG importers and city gas distribution companies, procurement has become significantly more uncertain. Industrial consumers such as fertiliser manufacturers, ceramics producers, petrochemical companies, and glass manufacturers remain heavily dependent on natural gas as a feedstock or fuel source. Sharp increases in LNG prices directly affect profitability and production economics. MCX natural gas futures, therefore, play an increasingly important role in India's energy risk management ecosystem.

Natural gas futures allow companies to hedge future procurement exposure and partially protect themselves against sudden spikes in imported gas prices. Fertiliser companies can stabilise feedstock costs. Industrial users can improve fuel budgeting. City gas distribution companies can better manage procurement planning and tariff decisions.

The importance of these contracts increases significantly during periods of geopolitical uncertainty when LNG prices respond immediately to shipping disruptions, sanctions, or military developments. The 2026 crisis has reinforced the reality that gas procurement is no longer merely a sourcing issue. It has become a financial risk management function.

Electricity Futures and The Transformation of India's Power Markets

Electricity markets are undergoing profound transformation globally, and India is no exception.

Unlike crude oil or natural gas, electricity cannot easily be stored economically on a scale. Supply and demand must remain balanced in real time, making electricity markets inherently volatile.

India's power sector is becoming increasingly complex due to:

- Rapid growth in renewable energy
- Rising electricity demand
- Climate-driven heatwaves
- Renewable intermittency
- Transmission bottlenecks
- Thermal fuel uncertainties

During the summer of 2026, heatwaves pushed electricity demand to record highs across India. At the same time, uncertainty in global fuel markets increased pressure on thermal power generation economics.

Against this backdrop, the launch of electricity futures on MCX in 2025 represents a major milestone in India's evolving energy architecture. The contracts are linked to Day Ahead Market (DAM) prices and provide a transparent mechanism for managing electricity price risk. Their strategic relevance has become particularly clear during the current geopolitical and climatic environment.

Power-intensive industries such as steel, cement, aluminium, fertilisers, chemicals, and data centres now face significant uncertainty regarding future electricity costs. Electricity futures provide these industries with a mechanism to hedge future procurement prices and improve financial planning. Distribution companies (DISCOMs) may derive even greater long-term benefits. Indian DISCOMs have historically struggled with fluctuating procurement costs and dependence on expensive short-term power purchases during peak demand periods. Electricity derivatives create the possibility of more structured procurement strategies.

By locking in future electricity prices through exchange-traded contracts, DISCOMs can potentially reduce exposure to spot market volatility and improve procurement discipline.

Globally, mature electricity markets in Europe and North America rely extensively on derivatives for risk management and price discovery. India's

move toward electricity futures therefore aligns its market structure more closely with international practices.

Energy Derivatives and Industrial Competitiveness

The strategic importance of energy derivatives extends beyond energy companies themselves. For many industrial sectors, energy now represents one of the largest and most volatile components of operating expenditure. Steel plants, cement manufacturers, data centres, petrochemical facilities, fertiliser companies, and manufacturing industries all face increasing exposure to fluctuations in fuel and electricity costs.

The current geopolitical crisis has highlighted how rapidly energy volatility can affect industrial competitiveness. Rising oil and LNG prices have increased freight costs, manufacturing expenses, transportation charges, and inflationary pressures globally.

Modern treasury management therefore increasingly treats energy exposure similarly to currency or interest-rate risk. Companies capable of managing energy price risk effectively are likely to gain significant competitive advantages through:

- Stable operating costs
- Better financial planning
- Improved pricing visibility
- Reduced earnings volatility
- Greater resilience during market disruptions

In this context, energy derivatives are no longer speculative tools. They are strategic financial instruments that support long-term business stability.

Challenges in India's Energy Derivatives Ecosystem

Despite growing importance, India's energy derivatives market still faces several structural challenges. Liquidity in newer products such as electricity futures will require sustained participation from

utilities, industrial consumers, financial institutions, and traders.

Many Indian corporates still lack commodity risk management frameworks and internal expertise related to derivatives pricing, hedging strategies, and margin management.

Awareness regarding structured hedging remains uneven across industries. Some corporates continue to associate derivatives primarily with speculative trading rather than risk management. However, the current geopolitical crisis is gradually changing these perceptions.

Regulatory bodies in India have also pushed several initiatives aimed at strengthening corporate governance and transparency, holding listed entities to defined disclosure standards. A key example is the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, under which listed companies must disclose commodity price risk exposure as a mandatory part of their Corporate Governance Report, per Schedule V, clauses C(9)(n) and C(10)(g). In June 2017, SEBI also constituted the Kotak Committee on Corporate Governance to raise governance benchmarks among listed entities. Among its recommendations, the committee urged boards and management to treat disclosure and transparency not as compliance formalities but as tools for building stakeholder trust — encouraging proactive sharing of material information that could influence decision-making.

A further significant development has been India's move toward aligning domestic accounting standards with IFRS through the phased rollout of Ind AS. In this context, Ind AS 107 (Financial Instruments: Disclosures) mandates that entities provide detailed quantitative and qualitative disclosures on financial instruments in their financial statements — including exposure to commodity price risk arising from derivative and hedging positions.

Specifically, Ind AS 107 requires entities to disclose the nature and extent of risks arising from financial instruments, along with how those risks are managed. For commodity price risk, this translates into several concrete disclosure obligations. Entities must present a sensitivity analysis showing how profit or loss and equity would be affected by reasonably possible changes in relevant commodity prices, along with the methods and assumptions used to arrive at those figures. Where an entity uses derivative contracts — such as futures or options on crude oil, natural gas, or other commodities — to hedge price exposure, it must disclose the hedging relationship, the risk management strategy behind it, and how hedge effectiveness is assessed and measured.

The standard also requires disclosure of the carrying amounts of financial assets and liabilities by category, information on fair value measurement (including the valuation techniques and inputs used, categorized under the fair value hierarchy), and details of any hedge accounting applied under Ind AS 109. For companies with material commodity exposure — such as those in energy, metals, or agri-commodities — these disclosures are intended to give stakeholders a clearer picture of how price volatility could affect financial performance, and what risk mitigation measures, including exchange-traded derivatives, the entity has put in place.

Taken together, these requirements push companies beyond narrative statements about risk and toward quantified, comparable disclosures — reinforcing the broader governance push toward transparency.

For companies with commodity price exposure, exchange-traded derivatives — such as those available on MCX for crude oil, natural gas, and other commodities — offer a transparent, regulated route to hedge this risk while also generating the price and valuation data needed to meet Ind AS 107's disclosure requirements. By hedging

through standardized, exchange-traded contracts, companies can demonstrate defined risk management strategies and objectively measurable hedge effectiveness — helping translate the regulatory push for transparency into practical, auditable risk management on the ground.

The Future of Energy Security includes Financial Resilience

The events of 2026 have fundamentally altered how governments, companies, and investors think about energy security. The Iran conflict and repeated disruptions in the Strait of Hormuz demonstrated that energy markets can no longer be viewed solely through the lens of physical supply. Financial exposure to price volatility has become equally important.

For India, this shift carries profound implications. As the country moves toward becoming one of the world's largest energy consumers and fastest-growing economies, energy price risk management will become increasingly critical for protecting industrial competitiveness, financial stability, and economic resilience.

MCX crude oil, natural gas, and electricity futures are emerging as important instruments within this evolving framework. These contracts allow value chain participants, refiners, LNG importers, airlines, industrial consumers, DISCOMs, and other participants across the energy value chain to manage uncertainty more effectively and improve operational resilience.

India imports about two-thirds of its natural gas demand. Because of its peculiar nature and lack of enough cross-country pipelines for gas transportation, natural gas is largely imported in liquefied form, that is, LNG, and majorly from Qatar.

The MCX crude oil futures contract mirrors the NYMEX WTI crude oil price. Based on the authors' own analysis (see Methodology

Note below), Brent and WTI crude oil prices show more than 96% correlation. The figure clearly brings out the correlation between MCX crude oil and NYMEX WTI crude oil, which is 99.50%.

Methodology Note

The correlation coefficients cited in Fig. 1 (99.50% for MCX crude oil–CME WTI) reflect the authors' own calculations of running series of closing prices of the MCX WTI contract and the CME WTI contract. (From Jan 2023–July 2026).

The correlation coefficients cited in Fig. 2 (99.50% for MCX Natural Gas – CME Nymex Henry Hub Natural Gas) reflect the authors' own calculations of running series of closing prices of MCX Natural Gas contract and CME Nymex Henry Hub Natural Gas. (From Jan 2023 to July 2026).

Benefits of Hedging on Commodity Derivatives Exchanges

- Trading unit & trade timing in lieu of domestic requirements

MCX Commodity Hedging Examples

Example A1 — Crude oil refinery

Who Uses It: Oil Refinery Wanting To Lock In Purchase Price

	Detail
Situation	The refinery expects to buy 1,000 barrels in 30 days. Current MCX price: ₹6,800/bbl. Fear: price may rise
Hedge Action	BUY 10 MCX crude futures contracts @ ₹6,800/bbl today (long position).
Lots Required	10 lots × 100 bbl = 1,000 bbl
Price at Expiry	The spot price rises to ₹7,000/bbl.
Physical Buy	Buy 1,000 bbl in the spot market @ ₹7,000 = ₹7,000,000
Futures Gain	Sell 10 lots @ ₹7,000 → Profit = ₹200 × 1,000 = ₹200,000
Net Cost	₹6,800,000 - ₹200,000 = ₹6,600,000 ≈ ₹6,600/bbl ₹
Outcome	The refinery is protected from price rises.

Fig. 1: Correlation between MCX Crude oil price and NYMEX WTI Crude oil price

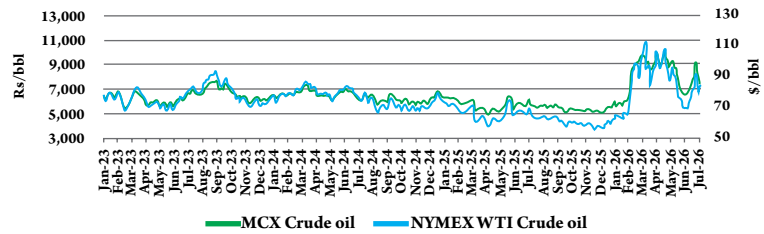
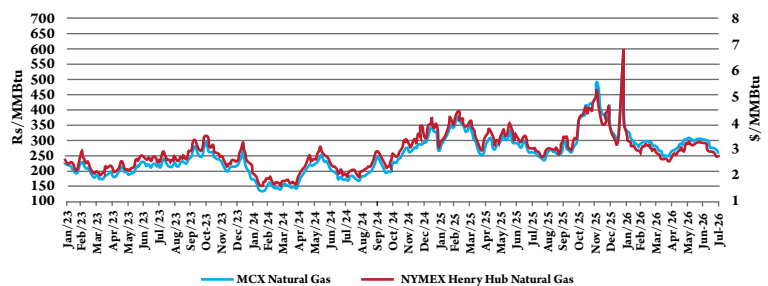


Fig. 2: Correlation between MCX Natural Gas price and NYMEX Henry Natural Gas price



- No counterparty risk involved & cash-settled INR-denominated contracts.
- Fixed daily price limits

Hedging by means of exchange-traded hedging instruments also has the advantage of avoiding the need to negotiate prices bilaterally in the future and giving both procuring and selling companies greater planning certainty.

Concerns have been voiced about how industry can cope with the high energy prices – will they wipe out the profitability of industrial companies? The answer is no. Hedging is a widely used and very convenient way for businesses to protect themselves against energy price volatility and manage their energy price risks.

Businesses typically love predictability – also when it comes to energy pricing. Industrial companies that manufacture goods use large amounts of energy, and price volatility makes it increasingly difficult to predict operational costs. This naturally affects business planning. Hedging helps companies reduce risks and maintain a clearer, more accurate outlook.

Example B1 — Natural Gas Producer

Who Uses It: A Natural Gas Production Company Wanting To Lock In A Selling Price

Field	Detail
Situation	The gas producer expects to deliver 1,250 MMBtu in 60 days. MCX price: ₹250/MMBtu. Fear: post-monsoon softening.
Hedge Action	SELL MCX natural gas futures lot @ ₹255/MMBtu today (short position)
Lots Required	1 lot × 1,250 MMBtu = 1,250 MMBtu
Price at Expiry	Spot falls to ₹220/MMBtu.
Physical Sale	Sell 1,250 MMBtu in the spot market @ ₹220 = ₹275,000
Futures Gain	Buy back 1 lot @ ₹220 → Profit = ₹35 × 1,250 = ₹43,750
Net Realisation	₹275,000 + ₹43,750 = ₹318,750 ≈ ₹255/MMBtu ✓
Outcome	The producer secured the target price despite the spot price fall.

Example B2 — Natural Gas Consumer

Who uses it: Gas-based power plant/fertiliser unit needing gas as fuel/feedstock

Field	Detail
Situation	The power plant needs 5,000 MMBtu next month. MCX price: ₹250/MMBtu. Fear: summer demand surge.
Hedge Action	BUY 4 MCX natural gas futures lots @ ₹253/MMBtu today (long position).
Lots Required	4 lots × 1,250 MMBtu = 5,000 MMBtu
Price at Expiry	The spot price rises to ₹310/MMBtu.
Physical Purchase	Buy 5,000 MMBtu in spot @ ₹310 = ₹1,550,000
Futures Gain	Sell 4 lots @ ₹310 → Profit = ₹57 × 5,000 = ₹285,000
Net Effective Cost	₹1,550,000 – ₹285,000 = ₹1,265,000 ≈ ₹253/MMBtu ✓
Outcome	Power plant capped fuel cost despite ₹60/MMBtu price surge.

The future of India's energy markets will depend not only on securing a reliable energy supply but also on building robust financial mechanisms capable of navigating persistent volatility. In an increasingly uncertain geopolitical environment, companies that manage energy risk intelligently may ultimately prove more resilient, competitive, and strategically

prepared for the energy economy of the future.

India's energy value chain managers who did not hedge before the Hormuz crisis bore losses that disciplined hedging would have prevented. The only rational response to the 2026 shock is to build the frameworks, governance, and expertise that ensure it never happens unprotected again.

References

- Petroleum Planning & Analysis Cell (PPAC), Ministry of Petroleum & Natural Gas, Government of India, crude oil import dependence data; reported in KNN India, "India's Crude Oil Import Bill Surges 61% to Record USD 49.66 Billion in Q1 FY27," 2026, and ThePrint, "India's crude import dependence rises to record 88.7% as domestic output continues to decline," 2026.
- Britannica, "2026 Iran War," [britannica.com/event/2026-Iran-war](https://www.britannica.com/event/2026-Iran-war); U.S. Department of War, "Operation Epic Fury," war.gov/Spotlights/Operation-Epic-Fury.
- Kotak Institutional Equities FY2027 EBITDA estimates for BPCL, HPCL and IOCL, cited in Wright Research, "Is India In An Oil & Gas Crisis? Iran War & Strait of Hormuz Disruption," April 2026.
- International Energy Agency (IEA), "How global oil supplies have readjusted to help fill the huge gap left by the Strait of Hormuz shock," IEA, Paris, 2026, [iea.org/commentaries](https://www.iea.org/commentaries).
- Multi Commodity Exchange of India Ltd. (MCX), press release on the launch of the Electricity Futures Contract effective 10 July 2025; reported in Business Standard, "MCX launches Electricity Futures Contract," 2025.
- MCX India, "Crude Oil," product page, mcxindia.com/products/energy/crude-oil, accessed 2026.

Author may be reached at
eboard@icai.in



Lt. Col. Aditya Sinha

General Manager,
IEPFA

We all have apps that quietly hold our bank accounts, demat holdings, insurance policies and fixed deposits – unlocked with a glance, never once written down. Statements arrive as notifications rather than envelopes; renewals happen with a single tap. It is, in many ways, a remarkably convenient way to manage one's finances.

But convenience has a quiet cost. What happens when you are no longer around, or after the demise of a loved one, and the phone remains locked because no one else knows the passcode? What happens when the one person who understood the family's financial life is suddenly unavailable to explain it?

It is not a hypothetical question. Somewhere, right now, a family is going through old passbooks and papers, trying to remember which bank their father used or whether an old demat statement still means anything. They are not confused because they did not care. They are confused because nobody ever wrote it down.

A View from the Claims Desk

In the years I have spent around investor claims and grievances, I have lost count of the families who came to us not because they doubted their rights,

The 'Trust Folder' Your Family Will Thank You For A Small Habit That Spares Loved Ones Years of Searching

but simply because they did not know what their loved one owned. A share certificate from a company no longer in the family's memory. A fixed deposit nobody remembers opening. A policy whose number was known only to the person who is no longer there to share it.

The reasons vary: sudden illness, an accident, a period of isolation, or simply the passage of old age – but the outcome is almost always the same: money that rightfully belongs to a family becomes something they must first discover exists, then prove they are entitled to, before they can claim it. What should be a straightforward inheritance turns into a search stretched across months or years, almost always during a period already marked by grief.

This is precisely the gap that the Investor Education and Protection Fund exists to address once assets go unclaimed for extended periods. But our work at that stage is, in many ways, a response to a problem that could have been prevented far earlier, at home, with nothing more than a habit of writing things down.

Not a Will, a Nomination, or a Power of Attorney — Just a Record

It is important to be precise about what a trust folder is, and is not, because the three legal instruments it is often confused with each do something quite different.

A Will is a legal instrument that determines how a person's assets are distributed after death; it must be validly executed and, where relevant, probated, and is best drafted with professional legal advice. A nomination, registered separately with each bank, depository,

insurer, EPFO or NPS account, identifies who may receive or manage an asset immediately after the account holder's death though a nominee generally holds the asset in trust for the legal heirs rather than owning it outright. A Power of Attorney authorises another person to act on one's behalf during one's lifetime, and lapses on death.

A Trust Folder does none of these things. It confers no legal rights, transfers no ownership, and grants no authority. It is simply an index, a single place that records what exists and where, so that whoever eventually deals with the Will, the nominations or the estate does not have to search for the underlying facts first. It complements these instruments; it replaces none of them.

Where a Chartered Accountant Fits In

Preparing this folder is also a natural opportunity to involve a Chartered Accountant, particularly for households with multiple accounts, investments or business interests. CAs routinely assist clients with organising financial documentation and tax records, advising on succession and estate planning, ensuring nominations are recorded consistently across accounts, and reconciling assets against liabilities such as loans and guarantees — the same inventory a Trust Folder is meant to hold. A CA does not substitute for a lawyer on matters of Will drafting or probate but is often the professional best placed to help a family take an accurate first stock of what it owns and owes.

What Belongs in the Trust Folder

A reasonably complete Trust Folder for most Indian households would cover the categories mentioned in the table.

Category	What to Record
Bank accounts	Bank, branch and account numbers, and whether a nominee is registered.
Fixed and recurring deposits	FD/RD numbers, issuing bank or NBFC, and maturity dates.
Shares and mutual funds	Demat account number, depository participant details, and folio numbers for any physical holdings.
Insurance policies	Life, health and general insurance, with policy numbers and insurer names.
Retirement savings	EPF, PPF and NPS account numbers.
Tax records	PAN, and the location of recent income-tax returns and assessment records.
Liabilities	Home, personal or vehicle loans, credit cards and any guarantees, with lender names and account numbers.
Property and loan documents	Registration details and where the originals are kept.
Digital assets	A note of which apps, wallets or platforms hold financial information or digital property — without recording the passwords themselves.
Nominations	Which accounts have a registered nominee, and where the nomination forms are filed.
Key contacts	The family's banker, insurance agent, Chartered Accountant, financial advisor or lawyer, and their phone numbers.

None of these entries need to be elaborate. A single line for each account, the institution's name and the account or policy number, is often enough to save a family weeks of searching later. The value of this folder lies not in its detail, but in its existence.

Digital Assets, Passwords and the Law

The Digital Personal Data Protection Act, 2023 has introduced a mechanism allowing an individual to nominate another person to exercise certain rights over their personal data in the event of death or incapacity, though this is a data-protection provision rather than a full succession framework.



“Every bank, depository, insurer, EPFO and NPS account maintains its own separate records, so updates must be made individually with each institution updating a nominee with one bank does nothing for another bank, an insurance policy or a mutual fund folio.”

The practical implication for households is straightforward, even where the law itself is still evolving: passwords, PINs and OTPs should never be recorded in a Trust Folder or shared informally, but the existence of an account, platform or digital asset should still be noted so that it is not simply lost. Where significant value is involved, a Will that references digital assets, a business's digital records, or holdings in newer asset classes, professional legal advice is strongly recommended, and readers



are encouraged to consult the latest official guidance, since this area of law continues to develop.

Physical and Digital, Kept Differently

The right format for this folder depends on who is keeping it. Young professionals and Gen-Z investors tend to trust their phones with everything, and rightly so, modern devices are secure and always within reach. But a phone can be lost, damaged or simply inaccessible when it is needed most. A wallet-sized card carrying only emergency contacts and a note of where the fuller folder is kept costs nothing and takes five minutes to make.

THEME ● THE CHARTERED ACCOUNTANT

For senior citizens, and for those less comfortable with technology, a physical folder kept with a spouse, an adult child or another trusted family member usually works better than any app, it requires no password, login or internet connection to be opened.

Whichever format is chosen, the habit of updating it matters more than the format itself. A folder prepared once and never revisited quickly becomes outdated. The discipline that matters is revisiting the folder after any new financial decision, or at minimum, once a year.

Two Illustrations, One Lesson

Two situations, reflecting patterns commonly seen in investor grievances, show what this habit can mean in practice.

In one, an elderly parent passes away after a long illness, and the family discovers an old physical share certificate only months later while clearing a cupboard. The company has since undergone mergers and name changes, and the family must first trace its corporate history before a claim can even begin. What could have been a same-week claim becomes a matter of months.



“The practical implication for households is straightforward, even where the law itself is still evolving: passwords, PINs and OTPs should never be recorded in a Trust Folder or shared informally, but the existence of an account, platform or digital asset should still be noted so that it is not simply lost.”

In another, a household that maintained a simple folder, reviewed once a year, is able to locate every bank account, insurance policy and mutual fund folio within a day of sudden bereavement and filed nominee claims within weeks. The difference is not the family's wealth or its legal awareness; it is a single afternoon spent, at some point, writing things down.

A Word on Safety, KYC and Nominee Updates

None of this should ever include actual passwords, PINs or OTPs written in the open. The idea is to record what exists and where, not the keys to access it.

In the same spirit, KYC and nominee details are not one-time formalities. Every bank, depository, insurer, EPFO and NPS account maintains its own separate records, so updates must be made individually with each institution updating a nominee with one bank does nothing for another bank, an insurance policy or a mutual fund folio. An outdated mobile number, address or nominee can delay a claim precisely when a family needs those funds most. These details are worth reviewing once a year and again after any major life event, such as a marriage, the birth of



a child, a change of address, or the loss of a family member previously named as nominee.

A Small Habit, a Rightful Claim

Every year, IEPFA processes claims for dividends and shares that families did not know they were entitled to, simply because no record survived the person who held them. A folder that takes an afternoon to prepare with a Chartered Accountant's help, if needed, and a few minutes' review each year can spare a family that entire journey. It is a quiet act of care for those who will one day need to pick up where we left off. What is rightfully theirs should never have to be rediscovered. It should only ever have to be claimed.

Author may be reached at
eboard@icai.in



CA. (Dr.) Diwahaar Sunder Nadar
Member of the Institute

Readability of IPO Disclosures and SEBI Audio Video Mandate

India's IPO market has seen an increase in volume and retail investor participation, despite nearly one-third of IPOs declining on their opening day. Retail investors in India possess limited resources and the aptitude to decode the distorted information flow from an IPO-bound company. These distortions are caused by weak financial quotient, complex disclosures in the prospectus and regulated media intervention. Amidst concerns

about complicated prospectuses, financially unaware investors, and an impactful media presence, SEBI has made it mandatory for companies to publish audio-video disclosures in a bilingual manner. Through this article, the author has outlined the need for such a disclosure mandate, its possible impact, and alternatives.

Introduction

The Indian capital market saw a 72% increase in IPOs from 2022 to 2023. Wall Street has endorsed India as the prime investment destination for the next decade. The wave of deals has allowed individual investors to take part in India's unprecedented wealth boom making IPOs a lucrative asset class for investors. IPO debut gains have been about one-third of the five-year average, and an index of newly listed small stocks has fallen 11% in the past month. SEBI is cautious about the risk of a bubble. Regulators are concerned that novice investors are buying into a bubble, backing small companies with limited track records, and being spun by an investment industry determined to churn out short-term stock winners. Many of the firms going public on India's small-cap exchanges have high valuations even though they are very "ordinary" (Preeti Singh et al., 2024).

To calm the frenzy, regulators are targeting "finfluencers" who promote IPOs through online videos

in which they quickly scroll through prospectuses and highlight data points with a red marker.

As a part of the move, the Securities and Exchange Board of India (SEBI) has recently issued new regulations for companies launching Initial Public Offerings (IPOs). The regulator has mandated that disclosures in prospectuses and price band advertisements for main-board public issues should be made in audio-visual (AV) format for ease of understanding. The AV content must also include a warning not to rely on any other document, content, or information provided by financial influencers on the internet or other platforms. The guidelines aim to make it easier for investors to understand the features of the public issue and the company. The video will be accessible on the issuer's website, social media channels, website of the Association of Investment Bankers in India and can also be found within offer documents via a QR code. The AV content must be factual, non-repetitive, and non-promotional. The ten-minute video should

provide details about the issue and the inherent risk. The lead manager should create the presentation in a bilingual version, i.e., both English and Hindi (SEBI, 2024).

The guideline is voluntary for companies filing prospectuses from July 1, but is mandated for draft documents filed after October 1. SEBI aims to boost investor confidence and protection in capital markets by offering standardised, reliable video disclosures. SEBI aims to target and refine the IPO information flow, reducing distortion caused by externalities to benefit retail investors.

It becomes pertinent to comprehend the IPO information flow and its barriers to comment on the probable effectiveness of the order. A brief model of the information flow is presented in Figure 1. IPO information flow is affected by factors such as:

- Readability of IPO prospectus
- Media Impact
- Financial Literacy and Financial Attitude

Retail Investors, Financial Literacy and Financial Attitude

Information asymmetry is exaggerated during IPO owing to lack of historical information about an IPO bound company. Due to the gap of information available, the prospectus becomes the key source of information for all external stakeholders. The Signalling theory entails investor resource misallocation due to the existence of information asymmetry. To compensate for the asymmetry and to attract investments, IPO going firms convey information in a numeric and textual manner in corporate disclosure documents (Mariani et al., 2023).

The information asymmetry doesn't affect all investors equally; institutional and retail investors possess different levels of information. Institutional investors have the resources to evaluate a company's fundamentals and are thus better informed than retail investors. This leads to different sentiments about the prospects of the IPO firm. On the other hand, retail investors lack the resources to comprehensively analyse and value a company, and hence are heavily

influenced by noise. Retail investors heavily rely on professional advice and secondary information sources.

Not only resources, but also financial unawareness, affects the information absorption ability of retail investors. Financial illiteracy and a negative attitude can lead to poor fiscal decisions, which can drastically affect an individual's financial well-being. Abstract knowledge and wrong opinions about the financial system lead to erroneous financial decisions, irrational stock market participation, poor borrowing behaviour, accumulation of less wealth with no optimal retirement plans, and a higher likelihood of entering high-cost transactions. Investors need to be aware of the risks associated with every type of investment and have realistic expectations of returns. A lack of financial awareness can lead to a subsequent financial market bust (Gaurav & Singh, 2012).

Readability of IPO Prospectus

According to Warren Buffett, "As noted for more than forty years, I've studied the documents that public companies file. Too often, I've been unable to decipher just what is being

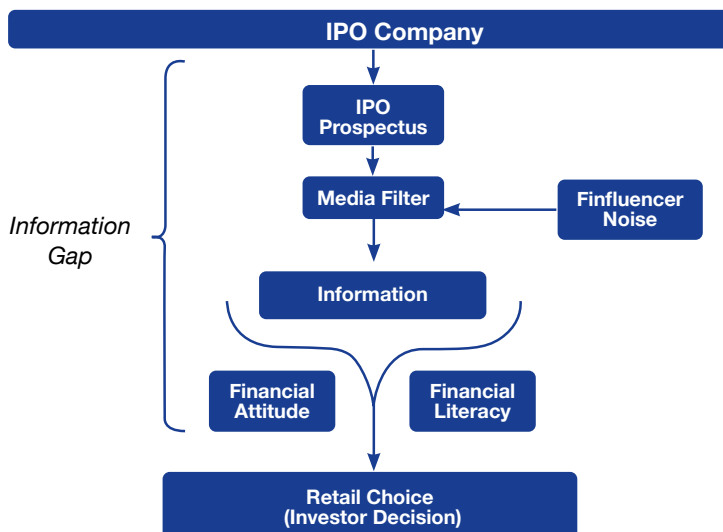
said or, worse yet, had to conclude that nothing was being said. In some cases, moreover, I suspect that a less-than-scrupulous issuer doesn't want us to understand a subject it feels legally obligated to touch upon." (Rachappa Shette, 2019).

Readability can be defined as the ability of written sentences to convey information in a clear and concise manner. Readability is measured by various proxies, such as word count, file size, sentence length, Fog Index, and Bog Index, among others. The growing research on readability has highlighted that poor readability of corporate disclosures indicates lower profitability of over- or under-investment, and it can impact market response. Lower readability can undermine investors' trust in a source and lower their assessment of a firm and its managers. The readability of IPO prospectuses determines the effectiveness of this signal by making it easier to read, mitigating information asymmetries, and enhancing investors' confidence during the IPO process. Retail investors favour firms with easily readable disclosure documents. Ensuring an appropriate level of readability can help all investors make well-informed decisions. A strong positive association exists between the tone of the prospectus and market reaction (Tao et al., 2018).

Media impact

The ability of media to collect, filter and disseminate information has enhanced its role in the financial market. Media drives investment decisions by providing attention-oriented information instead of holistic and prudent insights. Media and similar stakeholders tend to change their tone and readability based on the economic environment. The tone becomes positive during a non-crisis period and the opposite during a negative one. Misreporting or biased reporting by the media can affect the investment decisions of

Fig 1. Factors that affect IPO confirmation



Source: Author's Compilation

“The Securities and Exchange Board of India (SEBI) has recently issued new regulations for companies launching Initial Public Offerings (IPOs). The regulator has mandated that disclosures in prospectuses and price band advertisements for main-board public issues should be made in audio-visual (AV) format for ease of understanding.”

retail investors drastically (Bhardwaj & Imam, 2019).

In addition to formal communications through IPO prospectuses, soon-to-be public firms are increasingly utilising social media channels to showcase their social commitments and foster customer relationships. Social media can help firms disseminate information quickly, create information asymmetry, attract more investors, and ultimately provide them with access to resources such as financial capital and partnerships. An IPO prospectus requires expertise to comprehend, understand and make investment decisions. Retail investors who cannot afford the fees of financial advisors often rely on media articles for their investment decisions. It has been observed that retail investors tend to overreact, even in cases where old news is being churned out by the media. This emphasises the media's ability to create an impact on IPO subscriptions, even when no new information is available. A positive media tone can increase the demand for an IPO among retail investors, while a negative one creates the opposite effect. The tone of media coverage has been observed to increase underpricing. The reputation of the media, the

number of media outlets, and the circulation of news are factors that can exacerbate the impact of media on retail investors (Bajo & Raimondo, 2017).

Role of Notification

SEBI has already enacted multiple rules under Chapter IX of Issue of Capital and Disclosure Requirements, 2009. The rules outline requirements for issuing advertisements, which must be true and not misleading. Advertisements shouldn't contain false statements, promises, or forecasts and should provide all relevant facts. Financial data should include information about revenue, net profit, share capital, reserves, earnings per share, dividends, and book values. Technical, legal, or complex language should not distract investors. Statements promising rapid increases in revenue or profits should not be included. Advertisements should not display models, celebrities, fictional characters, landmarks, or caricatures. Television advertisements should not appear as crawlers and should advise viewers to read the prospectus for risk-related disclosures. Any key development between offer filing and allotment should be conveyed in a true and fair manner.

These existing rules can regulate the fairness of any information issued by the issuer and allied entities. Many influencers earn substantial incomes by creating video content on initial public offers, but concerns have been raised that these influencers promote the IPO instead of objectively informing investors about its merits and risks.

To protect investors' interests and limit the risk of falling prey to unsolicited advice online, SEBI has imposed restrictions on unregistered influencers from providing financial advice. In recent months, unregistered influencers have been banned, with a sole proprietor banned in

October 2023 and a YouTuber and options trader fined in May 2023 for allegedly violating investment advisor norms. Investors are advised to make well-informed investment decisions, especially when investing in IPOs, and not to be swayed by unsolicited advice on social media. The Advertising Standards Council of India (ASCI) has revised guidelines requiring SEBI registration for influencers in the banking, financial services, and insurance sectors. The move aims to protect investors from unverifiable financial advice and maintain India's financial market integrity.

This reduces reliance on unauthorised sources and ensures consistency, transparency, and clarity in communication, facilitating informed decision-making by issuers. Thus, with the rules already covering the readability of prospectuses and regulating media impact, the role of the AV rule warrants consideration. The rule is targeted at financial literacy; the regulated script for the video, along with a bilingual approach, can reach a wider audience. The video created will be able to tackle the noise created by influencers or media owing to its enhanced coverage. With the additional rule, SEBI has attempted to enhance the information flow by influencing the financial attitudes and literacy of retail investors.

Yet the rule may not yield the expected results. Despite the existing mandate for simple language in the prospectus, companies often use jargon, resulting in lower readability for retail investors. Poor readability will allow the media and influencers to act as a medium for conveying information. Thus, the ambiguity in defining simple language allows companies to deploy technical language. Even under the AV mandate, the language used cannot be completely regulated. Thus, the net impact of the mandate should be perceived with a sceptical view. Having a 10-minute time

frame restrains companies from overburdening investors with information. Companies may opt to focus on selective information, citing the time constraint. Biased reporting may become a common occurrence within AV disclosures.

In an economy where accounting policies and related choices are used for earnings manipulation, the choice of language and words can also facilitate biased disclosures, whether textual or visual.

SEBI can draw inspiration from SEC rules on “Plain English” and “Quiet Period” to improve IPO information flow. The SEC adopted the 1998 Plain English Mandate and provided a companion handbook entitled “A Plain English Handbook: How to create clear SEC disclosure documents”. The rule aims to enhance investors’ ability to make informed financial decisions and avoid being misled by complex jargon. The rule is not only restricted to prospectus filings, but SEC documents, speeches, and communications with shareholders. The AICPA launched the Centre for Plain English Accounting in 2013



“An IPO prospectus requires expertise to comprehend, understand and make investment decisions. Retail investors who cannot afford the fees of financial advisors often rely on media articles for their investment decisions.”

to help stakeholders better explain technical terms to their respective clients by providing the requisite interpretation. The rule requires that the prospectus adhere to plain English principles in every aspect of the disclosure. The direct and indirect effects of the SEC’s plain English improved readability in all samples after the regulation was enacted (Loughran & McDonald, 2014).

A firm cannot issue any communications for 25 days after an IPO due to securities regulations and underwriter agreements; this period is termed the “quiet period.” Requirements for prospectus distribution also prevent security analysts from publishing research reports. These guarantee equitable access for all investors and establish the statutory prospectus as the principal source of information (Bushee et al., 2020).

Thus, the AV disclosure mandate is moving in the right direction, but it may lack the requisite comprehensive framework to address the targeted concerns.

References

- Bajo, E., & Raimondo, C. (2017). Media sentiment and IPO underpricing. *Journal of Corporate Finance*, 46, 139–153. <https://doi.org/10.1016/j.jcorpfin.2017.06.003>
- Bhardwaj, A., & Imam, S. (2019). The tone and readability of the media during the financial crisis: Evidence from pre-IPO media coverage. *International Review of Financial Analysis*, 63, 40–48. <https://doi.org/10.1016/j.irfa.2019.02.001>
- Bushee, B., Cedergrén, M., & Michels, J. (2020). Does the media help or hurt retail investors during the IPO quiet period? *Journal of Accounting and Economics*, 69(1), 101261.
- Gaurav, S., & Singh, A. (2012). An Inquiry into the Financial Literacy and Cognitive Ability of Farmers: Evidence from Rural India. *Oxford Development Studies*, 40(3), 358–380. <https://doi.org/10.1080/13600818.2012.703319>
- Loughran, T., & McDonald, B. (2014). Regulation and financial disclosure: The impact of plain English. *Journal of Regulatory Economics*, 45(1), 94–113. <https://doi.org/10.1007/s11149-013-9236-5>
- Mariani, M., Cardi, M., D’Ercole, F., Raimo, N., & Vitolla, F. (2023). Make it easy: The effect of prospectus readability on IPO performance. *Journal of Accounting Literature*, ahead-of-print (ahead-of-print). <https://doi.org/10.1108/JAL-07-2023-0115>
- Preeti Singh, Chiranjivi Chakraborty, Saikat Das, & Filipe Pacheco. (2024, March 27). Quick 300% Gains on India IPOs Turn Into Losses After Crackdown. Bloomberg. <https://www.bloomberg.com/news/articles/2024-03-27/quick-300-gains-on-india-ipos-evaporate-after-crackdown>
- Rachappa Shette. (2019). Readability of Indian Accounting Standards and International Financial Reporting Standards (Working Paper IIMK/WPS/324/FIN/2019/03; p. 19). IIM Kozhikode. <https://iimk.ac.in/uploads/publications/3076Final%20File%20for%20Upload.pdf>
- SEBI. (2024). SAudiovisual (AV) presentation of disclosures made in Public Issue Offer Documents (Order SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/55; p. 3). SEBI. https://www.sebi.gov.in/legal/circulars/may-2024/audiovisual-av-presentation-of-disclosures-made-in-public-issue-offer-documents_83569.html
- Tao, J., Deokar, A. V., & Deshmukh, A. (2018). Analysing forward-looking statements in initial public offering prospectuses: A text analytics approach. *Journal of Business Analytics*, 1(1), 54–70. <https://doi.org/10.1080/2573234X.2018.1507604>

Author may be reached at
eboard@icai.in



Organised By
Members in Industry & Business Committee
The Institute of Chartered Accountants of India (ICAI)
(Set up by an Act of Parliament)



40 UNDER FORTY
CA BUSINESS LEADER AWARD
SEASON 5
In Association With **Z BUSINESS**

NOMINATIONS OPEN
Recognize your peers, colleagues, or yourself.

5TH SEASON

Manufacturing



BFSI



Service Sector



Women



MSME



Overseas



Start Up



Others

Celebrating *Excellence*
and Inspiring *Leadership*

SPOTLIGHT the VISIONARIES:
Shaping the next decade of finance and business



Nominations Open -
ICAI 40 Under 40 -
CA Business Leader Awards Season 5
Recognizing the brightest CA's minds under 40 who
are shaping the future of our profession

Why to Nominate?

Beyond the Balance Sheet: Recognizing the young professionals driving innovation, ethics, and growth.

From Rising Stars to Industry Icons: Nominate the talent that's already leaving a legacy.



NOMINATE TODAY !

Nomination Start Date
1st June, 2026

Simple and quick nomination process.

Nomination Close Date
15th October, 2026

SCAN TO
NOMINATE



For Further Details or Assistance, Contact: 8130095645 | Email- icai.awards@icai.in





Prerna Jain Sharma

Academician

Millennial-Driven Growth of Socially Responsible Investment Exchange Traded Funds in India

Millennials are emerging as powerful stakeholders in India's investment ecosystem. With a strong orientation toward ethics, sustainability, and transparency, they are influencing the development and adoption of Socially Responsible Investment (SRI) Exchange-Traded Funds (ETFs). The article explores the factors contributing to the

millennial-driven growth of SRI-ETFs in India, examining the motivations behind the preferences of millennials for socially responsible investments, the adoption of SRI-ETFs as a financial product, and the implications for India's investment ecosystem. Drawing on academic literature, industry reports, and market insights, the article investigates the challenges hindering greater adoption of SRI-ETFs in India.

Introduction

In recent years, there has been a paradigm shift in the global investment landscape as sustainability becomes a central theme for both institutional and retail investors. Socially Responsible Investment (SRI), which integrates Environmental, Social, and Governance (ESG) factors into investment decisions, has gained significant momentum (Hebb, T. et al., 2015). In India, this trend is reflected in the emergence of ESG-themed mutual funds and exchange-traded funds (ETFs), which aim to deliver not only financial returns but also positive societal impact (Samant & Singh, 2022).

Parallel to this development is the rise of the millennial investor — a generation that is more tech-savvy, value-conscious, and inclined toward ethical consumption and investment (Roxas and Marte, 2022). Millennials in India, born between 1981 and 1996, now constitute a substantial portion of the investor base, driving demand for financial products that align with their social and environmental values.

India is undergoing a notable shift in investment behaviors, influenced significantly by its millennial population (born 1981–1996). Now accounting for about 34% of the national workforce, this generation demonstrates growing interest in ethical finance and sustainability (CAMS Report, 2023). SRI-ETFs, which track ESG-compliant companies, align with the millennial ideology of impact-driven investing. This article explores how millennials are shaping the demand for SRI-ETFs in India and what challenges persist.

Research Methodology

The article employs an exploratory narrative review approach to gather both qualitative and quantitative insights into investigating the role of millennials in the growth of Socially Responsible Investment (SRI) ETFs in India. It aims to address the following research questions:

RQ1: What is the level of awareness among millennials about SRI-ETFs?

RQ2: What are the factors influencing the shift towards SRI-ETFs among Indian millennials?

RQ3: What are the barriers to greater engagement of millennials with SRI-ETFs in India?

Comprehensive Discussion and Synthesis

Decoding the Millennial Money Mindset

Millennials constitute the largest and most diverse generation in today's workforce, shaping financial trends through a unique blend of values, tech-savviness, and lived experiences. Unlike prior generations, they navigate rising education costs, volatile job markets, and delayed financial milestones—pressures that fundamentally dictate their economic behaviour. This generation spans a wide life spectrum, from early-career professionals focusing on personal savings to parents managing mortgages and childcare.

Although millennials represent the most educated generation, stagnant wages and heavy student loan debt often compromise their saving capacity. Growing up alongside the internet and smartphones, they actively manage money via mobile

banking, budgeting apps, and robo-advisors, adopting fintech solutions faster than their predecessors. As conscious savers, they prioritise emergency funds and retirement savings through automated apps and high-interest digital accounts, yet they often favour liquidity over long-term instruments amid economic uncertainty. When they do invest, they prefer low-cost, diversified vehicles like ETFs and index funds that align with Environmental, Social, and Governance (ESG) factors, typically accessing them through user-friendly digital platforms (Camilleri, 2021).

Millennials and the Rise of Responsible Investing

Millennials demonstrate significantly higher awareness of ESG and SRI concepts than previous generations. Data from the CAMS Report (2023) indicate that millennials choose ESG funds over standard equities at a rate 2.3 times that of older cohorts, driven primarily by climate anxiety and corporate ethics. Similarly, a global study by Lestari & Frömmel (2024) reveals that millennials in emerging markets like India prioritise social impact over pure financial returns, signalling a clear departure from traditional profit-driven strategies.

The growing popularity of ESG mutual funds, thematic ETFs, and digital sustainability platforms mirrors this demand for corporate transparency. Indian millennials specifically favour financial products tied to visible outcomes, such as clean energy infrastructure or women-led enterprises. Furthermore, mobile apps and fintech tools have democratised this space, allowing young investors to track environmental and social impact metrics in real time. Online communities across Reddit, LinkedIn, and Instagram function as modern spaces for financial literacy, where peer discussions normalise SRI and ESG strategies. On the regulatory front, SEBI's enhanced ESG disclosure mandates provide millennials with the credible data

and confidence required to make verified, responsible investment decisions.

ETFs Alignment with Millennial Investment Goals

While ETFs and mutual funds both serve as pooled investment vehicles, their structural and operational designs differ significantly. ETFs trade on stock exchanges like individual equities, providing investors with real-time pricing and intraday liquidity, whereas mutual funds settle exclusively at the end-of-day Net Asset Value (NAV). Lestari & Frömmel (2024) identify cost as another critical differentiator: ETFs feature lower expense ratios due to passive management, while actively managed mutual funds incur higher administrative fees.

Because millennials maintain higher fee sensitivity than older generations, the lower expense ratios and lack of entry or exit loads enhance the structural appeal of ETFs. Furthermore, millennials prioritize institutional openness and portfolio control; ETFs satisfy this preference by disclosing holdings daily, unlike mutual funds, which typically report on a monthly or quarterly delay. The proliferation of mobile investment apps and online brokerages directly connects digital-native retail investors to the ETF marketplace, streamlining portfolio rebalancing. Finally, the

broader shift toward passive investing stems from a growing recognition that consistently beating the market is difficult. By tracking major indices like the Nifty 50 or S&P 500, ETFs deliver reliable market-average returns with lower relative risk, satisfying the cautious financial outlook of the millennial investor.

Factors influencing the shift towards SRI-ETFs in India

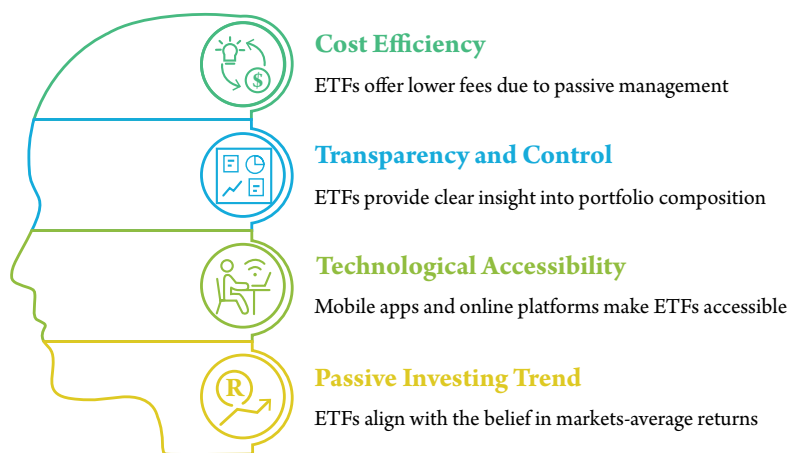
a. Demographic Influence: Millennials and Gen Z

Millennials and Gen Z are actively redefining investing norms in India by prioritizing values-based portfolios, technological integration, and transparency. Market research shows that over 65% of millennial investors seek products reflecting their social or environmental beliefs. Patil et al. (2024) observe that younger Indian investors strongly prefer passive instruments like ETFs due to their low fees and digital accessibility. As these cohorts accumulate wealth, their collective purchasing power forces asset management companies to launch dedicated SRI ETFs.

b. ESG Awareness and Education

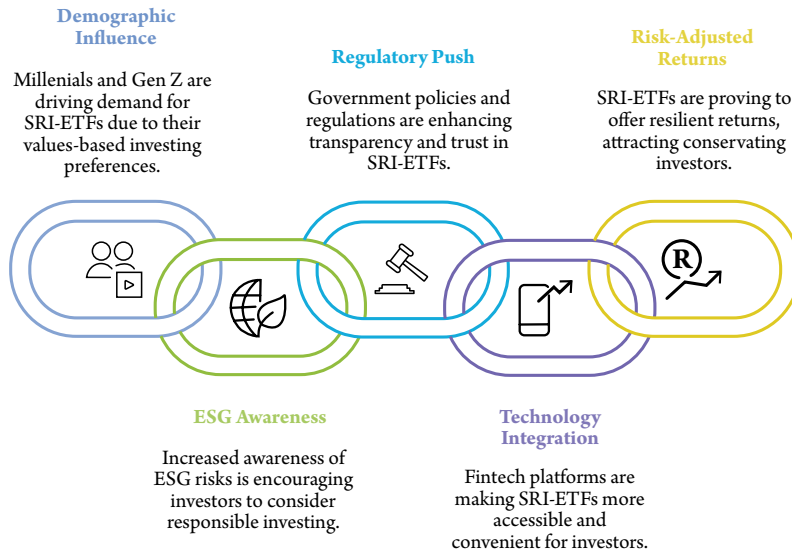
Escalating exposure to climate change risks, social inequality, and corporate governance failures drives millennial interest

Figure 1: Why Millennials Prefer ETFs?



Source(s): Author's Compilation

Figure 2: Channeling greater adoption of SRI-ETFs in India



Source(s): Author's Compilation

in responsible finance. Surveys indicate that approximately 58% of Indian retail investors aged 25–40 consider ESG factors central to their investment decisions. Targeted educational campaigns by regulators, asset management companies, ESG-themed webinars, and integrated broker ratings have stripped away the complexity of sustainable finance, making it accessible to everyday retail investors.

c. Regulatory Push and Policy Alignment

Regulatory mandates heavily accelerate India's SRI-ETF market expansion. SEBI's disclosure requirements for listed companies enhance data transparency and build investor trust, while frameworks like the Business Responsibility and Sustainability Report (BRSR) enforce corporate accountability. This transparent data stream allows fund managers to build credible, index-tracking ESG ETFs that retail investors can back with confidence.

d. Technology and Fintech Integration

Fintech platforms democratize consumer access to sustainable investing. Leading digital trading apps offer seamless access to thematic, ESG-focused ETFs. Digital-native millennials utilise these platforms to compare, purchase, and monitor sustainable portfolios, while modern robo-advisors embed ESG preferences directly into automated investor profiling. Ultimately, fintech

integration reshapes millennial habits by providing low barriers to entry and immediate financial data (Patil et al., 2024).

e. Risk-Adjusted Returns and Resilience

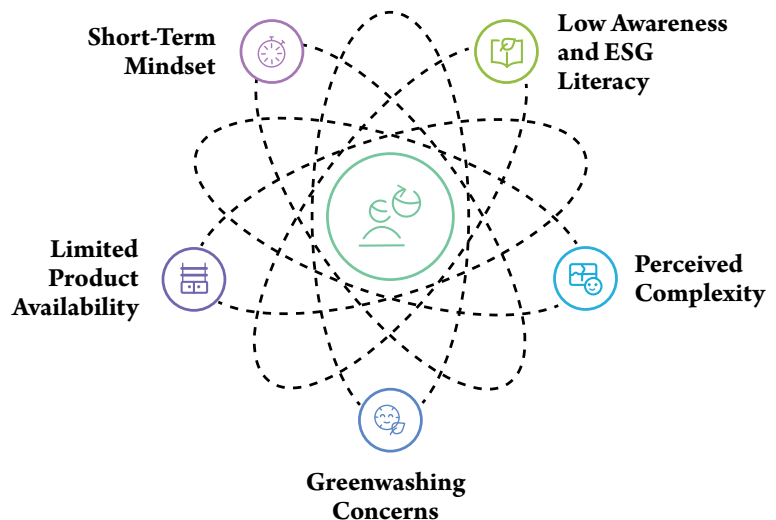
Empirical research confirms that SRI-ETFs provide resilient financial returns during periods of high market volatility. For example, ESG-aligned funds outperformed traditional benchmarks during the COVID-19 pandemic (Meehan & Corbet, 2025). This track record dismantles the myth that sustainable investing requires sacrificing performance. Because conservative Indian investors require proven stability, the dual advantage of ethical alignment and financial resilience makes SRI-ETFs an attractive proposition for millennials.

Barriers to greater engagement of millennials with SRI-ETFs in India

a. Low Awareness and Limited ESG Literacy

A primary barrier to market engagement is the low baseline awareness of SRI-ETFs and general ESG mechanics among young investors. While

Figure 3: Barriers to Millennial engagement with SRI-ETFs in India



Source(s): Author's Compilation

Deivamani & Sagayaraj (2024) note that only a small fraction of millennials in regions like Coimbatore can correctly define ESG criteria, a separate corporate survey highlights that 58% of Indian millennials have never encountered the term.

This stark statistical contrast against the high urban adoption metrics underscores a deep geographic fragmentation within the demographic. High enthusiasm metrics primarily reflect digitised, affluent investors using advanced fintech platforms in Tier-1 metros, whereas the 58% unfamiliarity rate exposes a steep digital and financial literacy deficit across Tier-2 and Tier-3 cities. Consequently, millennial awareness in India is polarised by regional financial infrastructure rather than being a demographic monolith.

b. Perceived Complexity and Lack of Financial Literacy

The perceived complexity of sustainable instruments discourages deeper market engagement. Navigating ESG scores, proprietary fund methodologies, and index-tracking metrics demands a level of financial literacy that many young investors lack. Garg et al. (2022) note that a lack of clarity regarding institutional ESG screening processes drives investor hesitation, particularly among first-time and small-scale retail investors.

c. Concerns over Greenwashing and Trust Deficit

Greenwashing, where corporations exaggerate or fabricate their sustainability credentials, fuels investor scepticism. The absence of standardised global ESG ratings and inconsistent corporate disclosures across Indian firms creates an asset trust deficit (Lestari & Frömmel, 2024). As Meehan & Corbet (2025)

“Regulatory support has been a key enabler of the SRI-ETF market. SEBI's requirement for the top 1,000 listed companies in India to disclose ESG metrics has improved data transparency and investor trust.”

emphasise, volatile economic crises cause investors to demand rigorous evaluation standards to ensure their capital supports genuine, verifiable, sustainable outcomes. Without an ironclad verification ecosystem in India, millennials remain cautious.

d. Limited Product Availability and Accessibility

Compared to developed Western financial markets, India offers a narrow selection of SRI-ETFs, which severely restricts investor choice and market depth. Compounding this scarcity, asset management companies rarely promote these specific niche products on popular millennial investment apps. CAMS (2023)

highlights that fewer than 15% of mutual fund distributors across Tier 2 and Tier 3 cities market ESG products, effectively cutting off non-urban millennials from the sector.

e. Short-Term Mindset and Market Perception

A distinct behavioural barrier manifests as a preference for short-term profits. Driven by peer influence, limited starting capital, and minimal long-term financial planning education, many Indian millennials seek rapid returns (Patil et al., 2024). Because institutions market SRI-ETFs as long-term, value-driven investments, these funds often appear less attractive to young investors when contrasted with aggressive equity options or speculative digital assets.

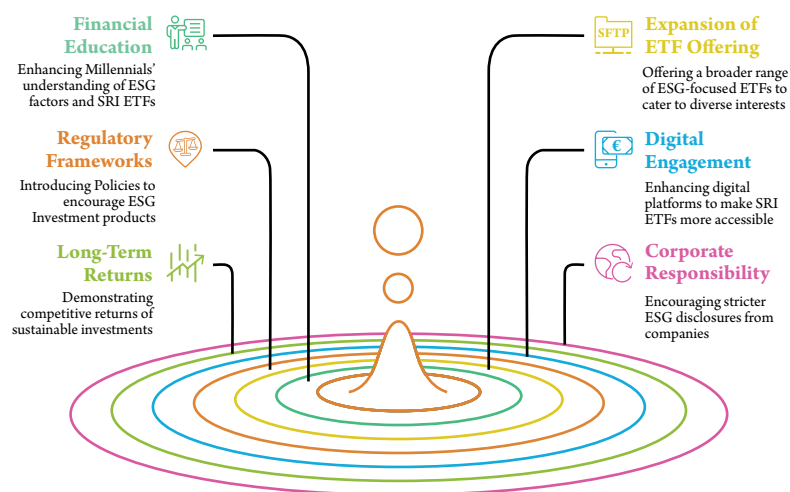
Recommendations

Enhancing Millennial Participation: Strategic Insights

a. Financial Education and Awareness Campaigns

Asset management firms and academic institutions must implement targeted financial education programs to drive

Figure 4: Strategies to enhance millennial investment in SRI-ETFs in India



Source: Author's Compilation

long-term growth in India's SRI-ETF sector. These initiatives should demystify ESG criteria, publish comparative fund performance, and outline the societal benefits of sustainable capital. Strategic partnerships among banks, universities, and fintech platforms can scale this literacy rapidly.

b. Expansion of ESG-Focused ETF Offerings

The Indian market requires a broader, more diverse spectrum of SRI-ETFs. Asset management companies should design innovative ESG products tailored to varied risk tolerances and investment horizons. Introducing specialised ETFs focused on discrete sub-themes—such as climate transition, social equity, or corporate governance—will better capture distinct millennial interests.

c. Development of Regulatory Frameworks

Financial regulators, led by SEBI, can accelerate adoption by introducing formal policies that incentivise the development and marketing of ESG products. Potential measures include tax incentives for sustainable ETF asset holdings and stricter, uniform parameters for ESG compliance reporting. These actions will bolster market transparency and reinforce retail investor trust.

d. Enhancing Digital Engagement and Accessibility

Because millennials operate as digital natives, fintech brokerages and traditional fund houses must enhance their digital user interfaces to optimise SRI-ETF visibility. Integrating transparent ESG scores directly into trading dashboards and adding real-time carbon or social impact tracking modules will drive deeper millennial platform engagement.

“A behavioral barrier also exists in the form of short-term return expectations. Many Indian millennials prioritize quick returns due to peer influence, low initial capital, or lack of long-term financial planning.”

e. Promoting Long-Term Financial Returns with Sustainability

A lingering misperception suggests that sustainable funds deliver subpar performance. Financial institutions must aggressively counter this narrative by presenting historical data, performance metrics, and comparative case studies. Demonstrating that SRI-ETFs match or exceed traditional index returns over long horizons will satisfy both the financial and ethical requirements of young investors.

f. Encouraging Corporate Responsibility and ESG Disclosure

Regulators must hold listed corporations accountable via stringent, standardised ESG disclosure rules. Because millennials demand that corporate entities actively align with sustainability milestones, any firm included in an SRI-ETF index must demonstrate verifiable ethical practices. Elevating corporate accountability directly protects the fundamental credibility of the underlying ETF.

Conclusion

This study examines the influence of Indian millennials on the emerging market of Socially Responsible Investment (SRI) ETFs. While millennials demonstrate high

awareness of ESG principles and strong interest in sustainable investing, active participation remains limited. Key barriers include low financial literacy, limited product availability, and misconceptions about SRI performance. Despite these challenges, millennials are attracted to SRI ETFs for their alignment with ethical values and their transparent, cost-effective nature. Although the Indian SRI-ETF market is still evolving, this generation's growing investment interest mirrors global trends. With the right support, such as improved financial education and broader access to ESG products, India can capitalise on this momentum to accelerate the growth of responsible investing.

Limitations of the study

While this narrative review synthesises valuable market data, its scope is constrained by three core limitations:

a. Data Constraints and Temporal Boundaries: Because SRI-ETFs are nascent in India, the study lacks long-term historical performance data spanning multiple macroeconomic cycles.

b. Geographic Concentration and Macroeconomic Bias: The underlying secondary data primarily reflects urban, metro-based investors, underrepresenting the financial behaviours of millennials in Tier-2 and Tier-3 regions.



c. Methodological Boundaries and Lack of Primary Verification:

The paper relies entirely on secondary sources, mapping out stated consumer intentions rather than tracking direct, verified portfolio allocations.

Future Research Directions

To expand upon the findings and boundaries of this study, future research should pursue the following avenues:

a. Longitudinal Performance Tracking:

Future studies should implement longitudinal tracking to observe how Indian SRI-ETFs perform across shifting macroeconomic cycles as the market matures, directly addressing current temporal data constraints.

b. Demographic and Regional Expansion:

Researchers should conduct targeted primary surveys in Tier-2 and Tier-3 cities to map out regional variations and close the geographic data gap present in current literature.

c. Primary Empirical Validation:

Future work should transition from secondary narrative synthesis to primary quantitative or psychometric modelling to track actual consumer portfolio allocations rather than stated intent.



“A key recommendation for promoting the growth of SRI ETFs in India is the implementation of targeted financial education programs. These programs should focus on enhancing millennials understanding of ESG factors, the financial performance of SRI ETFs, and the long-term benefits of sustainable investing.”

References

- Camilleri, M.A. (2021). The market for socially responsible investing: a review of the developments. *Social Responsibility Journal*, Vol. 17 No. 3, pp. 412-428. <https://doi.org/10.1108/SRJ-06-2019-0194>
- Computer Age Management Services Report (2023). The emerging force of the millennial investor is here to stay & grow. CAMS India. https://www.camsonline.com/Annual_Report/FY2023-2024/key-highlights.html
- Deivamani, S., & Sagayaraj, T. (2024). Awareness of millennial investors towards ESG factors with reference to Coimbatore district. *Journal of the K.R. Cama Oriental Institute*, 78, 2024.
- Deloitte. (2021). The Deloitte Global 2021 Millennial and Gen Z Survey: A call for accountability and action. Deloitte Global. Retrieved from <https://www2.deloitte.com/us/en/insights/topics/talent/deloitte-millennial-survey-2021.html>
- Hebb, T., Hawley, J., Hoepner, A., Neher, A., & Wood, D. (Eds.). (2015). *The Routledge Handbook of Responsible Investment* (1st ed.) <https://doi.org/10.4324/9780203104415>
- Garg, A., Goel, P., Sharma, A., & Rana, N. P. (2022). As you sow, so shall you reap: Assessing drivers of socially responsible investment attitude and intention. *Technological Forecasting and Social Change*, 184, 122030. <https://doi.org/10.1016/j.techfore.2022.122030>
- KPMG (2017). Meet the millennials. <https://assets.kpmg.com/content/dam/kpmgsites/uk/pdf/2017/04/Meet-the-Millennials-Secured.pdf>
- Lestari, J. S., & Frömmel, M. (2024). Socially responsible investments: Doing good while doing well in developed versus emerging markets? *Research in International Business and Finance*, 69, 102229. <https://doi.org/10.1016/j.ribaf.2024.102229>
- Meehan, D., & Corbet, S. (2025). Comparing the resilience of socially responsible and SIN investment during the COVID-19 pandemic. *Research in International Business and Finance*, 73(A), 102537. <https://doi.org/10.1016/j.ribaf.2024.102537>
- Morningstar India Pvt. Ltd. (2023). Investor survey on ESG awareness and trends in India.
- Patil, A., Hiremath, R. B., Yadav, R., & Mane, N. S. (2024). Decoding millennial investment behavior: A comprehensive study of Indian stock market participation. *Academy of Marketing Studies Journal*, 28(6), 1–8.
- PwC. (2021). Millennial money: How digital is shaping the future of finance. PricewaterhouseCoopers.
- Roxas, H. and Marte, R. (2022), “Effects of institutions on the eco-brand orientation of millennial consumers: a social cognitive perspective”, *Journal of Consumer Marketing*, Vol. 39 No. 1, pp. 93-105. <https://doi.org/10.1108/JCM-11-2020-4262>
- Samant, M. D., & Singh, R. S. P. (2022). Post Covid surge in ESG mutual funds in India: Is it a structural break? *Journal of Positive School Psychology*, 6(8), 600–609. <https://journalppw.com/index.php/jpsp/article/view/9779>

Author may be reached at
prernajain_91@yahoo.in and
eboard@icai.in



Babu Lal Gedar

Academician



Dr. Shilpa Lodha

Academician

Introduction

Crowdfunding is an alternative way of raising funds for innovative, entrepreneurial, and creative projects, startups, and social causes, which provide funds at a lower cost and in less time. The project must be well planned for its success. Funds are raised from crowdfunding with the help of crowdfunding websites, which provide an online platform for investors and borrowers (Gedar & Lodha, 2024). Accounting for crowdfunding transactions is a difficult task. Crowdfunding is a new concept, and there are no clear guidelines regarding its accounting in India yet. There are four types of crowdfunding, and the accounting treatment varies for each type.

Accounting for Crowdfunding: A Practical Approach with Proposed Journal Entries

Crowdfunding is a trending and emerging concept that is an alternative way of raising funds for any project. As this method of fundraising gains momentum, it presents unique challenges and opportunities for financial reporting and accountability. This article explores the accounting implications of various crowdfunding models, like donation-based, reward-based, debt-based, and equity-based. The study aims to suggest a prospective accounting treatment for crowdfunding. This study is exploratory in nature. It is found that various countries are in the process of developing a dedicated accounting standard for this purpose. Yet, no country is able to provide complete guidance for accounting for various types of crowdfunding transactions. This is a unique attempt to provide accounting guidance for crowdfunding transactions.

Accounting of crowdfunding is important for both the lender and the borrower because it involves the exchange of funds and returns. Accounting for crowdfunding transactions is essential to ensure appropriate financial reporting, compliance with legal regulations, and transparency for stakeholders.

Challenges in Accounting for Crowdfunding

Accounting for crowdfunding presents significant challenges due to its diverse models and evolving regulatory landscape. Donation-based and reward-based crowdfunding complicate revenue recognition, liability classification, and regulatory compliance. Donations often lack enforceable obligations, while unfulfilled rewards generate contingent liabilities. Debt-based crowdfunding requires accurate treatment of interest, repayments, and disclosure. Equity-based crowdfunding necessitates valuation, regulatory adherence, and shareholder tracking. The absence of

standardized accounting guidelines leads to inconsistencies in financial reporting. Fundraisers failing to deliver promised outcomes may face issues of unearned revenue and potential refunds. Moreover, stakeholders demand transparent disclosures on fund utilization and project progress, further intensifying accounting complexities.

Accounting Standards and Crowdfunding

So far, there is no dedicated accounting standard for crowdfunding in any of the countries. Based on the type of crowdfunding, one can apply the provisions of the relevant applicable accounting standard. Equity-based and debt-based crowdfunding fall within the definition of financial instruments. Accordingly, they should be accounted for in line with their respective nature under IFRS 9 *Financial Instruments* and IAS 32 *Financial Instruments: Presentation*. Similarly, accounting of reward-based crowdfunding can be done as per IFRS 15 *Revenue from Contracts with Customers* because

in reward-based crowdfunding, a contract is made with the customer, which is similar to the nature of IFRS 15. For donation-based crowdfunding, no present accounting standard is applicable for its accounting. In spite of the identification of relevant accounting standards, no standard specifies accounting treatment of crowdfunding transactions.

Accounting Treatment for Different Types of Crowdfunding

There are three major issues related to accounting for crowdfunding transactions: the accounting for the amount raised, accounting for expenses made on fundraising, and accounting for the refund of the amount raised. The type of crowdfunding determines how it is treated in accounting. Generally, the amount raised through crowdfunding is initially deposited in an escrow account or a separate account of the platform to ensure legal compliance and investors' protection. After verification and completion of formalities, this amount is either transferred to the account of the fundraiser (company) or a refund is made. For the amount raised on crowdfunding, the platform debits its bank account and, based on the type of crowdfunding credits, either "Investor Payable" (equity-based and debt-based CF) or "Backers" (reward or donation-based CF) account. When the platform returns the money to investors or backers for some reason, a reverse entry is made. When the money is sent to the company on a successful campaign, the entry remains the similarly the funds are

going out. On receipt of money, the company debits the bank account and, based on the type of crowdfunding, credits the share capital account (equity-based CF) or loan payable (debt-based CF) or deferred revenue account (reward-based CF), or the Donation revenue account (donation-based CF).

For expenses made by a fundraiser company on crowdfunding, again, accounting treatment will be based upon the type of crowdfunding. For equity crowdfunding, expenses may be categorised into direct and indirect costs. While direct costs include platform fees, payment processing fees, legal fees, etc., indirect costs include marketing, advertising, and administration expenses. Direct costs should be debited to or deducted from the securities premium account, whereas indirect costs should be debited to the Income Statement. For debt-based, reward-based or donation-based crowdfunding, all expenses related to crowdfunding should be debited to the Income Statement as Financing Costs or operating expenses, respectively. An additional entry is required for reward-based crowdfunding when goods are delivered by debiting the Cost of Goods Sold account and crediting the Inventory account.

For accounting of the refund of the amount raised through crowdfunding, the entry made at the time of receipt of money is reversed. Generally, a refund is due when there is over-subscription or when the campaign is unsuccessful. Based on the type of crowdfunding, the necessary account will be debited from crediting bank account.

Research Problem and Gap

Despite the growing relevance of crowdfunding, there is a noticeable lack of accounting guidance on how to recognize, classify, and disclose such transactions. This absence of standardized frameworks compromises consistency, comparability, and transparency in financial reporting. Existing literature has primarily focused on the legal, technological, or marketing aspects of crowdfunding, while the accounting domain remains underexplored.

Research Methodology

This article studies an exploratory research design, aiming to propose journal entries for various crowdfunding models based on general accounting principles and applicable international standards. Data has been synthesized through a review of relevant literature and hypothetical case scenarios to illustrate proposed accounting treatments.

Objective of the study

To suggest prospective accounting practices for crowdfunding.

Examples for Accounting Treatment for various types of Crowdfunding have been presented below: -

Accounting for Equity-Based Crowdfunding

Example for Accounting of Equity-based Crowdfunding:

Example 1: X Ltd. raised funds through the 'Crowdcube' equity-based crowdfunding platform. Pass the journal entries in the books of the fundraiser and platform for the following crowdfunding transactions: -

Date	Particulars	Amount (₹)
2022 Apr 21	A company raises funds via an equity-based crowdfunding platform with a 10% premium, and fund is received by the platform.	1,10,000
Apr 23	The company spends on professional services (e.g., administrative, marketing) to set up the crowdfunding campaign.	4,000
May 21	Campaign fund is transferred to X Ltd. The platform charges a 5% fee, deducted from the total funds raised.	1,10,000
2023 Jul 1	The company declares dividends to be paid to equity-based crowdfunding investors.	10,000
Jul 15	The company pays the declared dividends to investors.	10,000

Solution:**Journal Entries for Equity Crowdfunding**

Journal of Fundraiser Company (X Ltd.)					Journal of CF Platform (Crowdcube)			
Date	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)
2022 Apr 21					Bank A/c Dr. To Investor Payable A/c (Received funds from backers)		1,10,000	1,10,000
Apr 23	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid for indirect expenses related to campaign)		4,000	4,000				
May 21	Crowdcube's A/c Dr. To Share Application A/c (Amount due from Platform)		1,10,000	1,10,000	Investor Payable A/c Dr. To X Ltd. A/c (Amount due to X Ltd.)		1,10,000	1,10,000
May 21	Bank A/c Dr. Platform Fees A/c Dr. To Crowdcube's A/c (Being funds received from platform after deducting platform fees)		1,04,500 5,500	1,10,000	X Ltd. A/c Dr. To Bank A/c To Revenue A/c (Platform fees) (Being funds transferred after deducting platform fees)		1,10,000	1,04,500 5,500
May 21	Share Application A/c Dr. To Share Capital A/c (Par value) To Securities Premium A/c (Being funds transferred to capital account)		1,10,000	1,00,000 10,000				
2023 Mar 31	Securities Premium A/c Dr. To Platform Fees A/c (Charging of platform fees from securities premium)		5,500	5,500				
Mar 31	Profit & Loss A/c Dr. To Crowdfunding Exp. A/c (Charging of other expenses from P&L A/c)		4,000	4,000	Profit & Loss A/c Dr. To Revenue A/c (Transfer of Revenue to P&L A/c)		5,500	5,500
Jul 1	Profit & Loss A/c Dr. To Dividend Payable A/c (Being declaration of dividend)		10,000	10,000				
Jul 15	Dividend Payable A/c Dr. To Bank A/c (Being payment of dividend)		10,000	10,000				

Note: According to section 52 of the Companies Act, 2013, securities premium can be used for the writing off the expenses of or the commission paid or discount allowed on, any issue of shares or debentures of the company. Crowdfunding platform fees are also an expense related to issuing shares, hence it can be written off from the securities premium, which is received in equity-based crowdfunding.

Accounting for Debt-Based Crowdfunding

Example for Accounting of Debt-based Crowdfunding:

Example 2: Y Ltd. raised funds through the 'Catapooolt' debt-based crowdfunding platform. Pass the journal entries in the books of fundraiser and platform for the following crowdfunding transactions:

Date	Particulars	Amount (₹)
2022 Jun 30	A company raises fund via a debt-based crowdfunding platform and fund is received by platform	100,000
Jul 1	The company paid for professional services (e.g., administrative, marketing) to set up the crowdfunding campaign.	2,000
Jul 30	Campaign's funds are transferred to Y Ltd. The platform charges a 5% fee, which is deducted from the total funds raised.	1,00,000
2023 Jan 1	Interest accrues on the loan for the period.	10,000
Jan 1	Payment of interest on the loan for the period.	10,000

Solution:

Journal Entries for Debt Crowdfunding

Date	Journal of Fundraiser Company (Y Ltd.)				Journal of CF Platform (Catapooolt)			
	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)
2022 Jun 30					Bank A/c Dr. To Investor Payable A/c (Received funds from backers)		1,00,000	1,00,000
Jul 1	Crowdfunding Exp A/c Dr. To Bank A/c (Paid for marketing expenses related to campaign)		2,000	2,000				
Jul 30	Catapooolt's A/c Dr. To Loan Application A/c (Amount due from Platform)		1,00,000	1,00,000	Investor Payable A/c Dr. To Y Ltd. A/c (Amount due to Y Ltd.)		1,00,000	1,00,000
Jul 30	Bank A/c Dr. Financial Cost A/c Dr. To Catapooolt A/c (Being fund received through platform after deducting platform fees)		95,000 5,000	1,00,000	Y Ltd. A/c Dr. To Revenue A/c (Platform fees) To Bank A/c (Being deducted platform fees and transferring funds to fundraiser)		1,00,000	5,000 95,000
Jul 30	Loan Application A/c Dr. To Loan Payable A/c (Loan amount transferred to Loan Payable A/c)		1,00,000	1,00,000				
2023 Jan 1	Financial Cost A/c Dr. To Interest Payable A/c (Being interest accrued on loan)		10,000	10,000				
Jan 1	Interest Payable A/c Dr. To Bank A/c (Being repayment of the loan principal and interest)		10,000	10,000				

Date	Journal of Fundraiser Company (Y Ltd.)				Journal of CF Platform (Catapooolt)			
	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)
Mar 31	Profit & Loss A/c Dr. To Crowdfunding Exp. A/c To Financial Cost A/c (Financial costs transferred to P&L A/c)		17,000	2,000 15,000	Profit & Loss A/c Dr. To Revenue A/c (Transfer of Revenue to P&L A/c)		5,000	5,000

Accounting for Reward-Based Crowdfunding

Example for Accounting of Reward-based Crowdfunding:

Example 3: Z Ltd. raised funds through the 'Patreon' reward-based crowdfunding platform. Pass the journal entries in the books of fundraiser and platform for the following crowdfunding transactions:

Date	Particulars	Amount (₹)
2022 May 1	A company receives fund in crowdfunding contributions from backers for rewards yet to be delivered and fund is received by the platform.	50,000
May 5	Expenses related to the crowdfunding campaign.	1,000
May 15	The company spends on advertising and promotional activities for the crowdfunding campaign.	5,000
Jun 1	Transfer of the campaign's funds to Z Ltd. The crowdfunding platform charges a 5% fee before transferring funds to the company.	50,000
Oct 1	The company spends on producing the promised rewards.	20,000
2023 Jan 1	The company delivers all promised rewards, fulfilling its obligations. The previously recorded as Unearned Revenue is now recognized as revenue.	50,000
Jan 1	The company spends on shipping the rewards to backers.	3,000
Jan 31	After fulfilling backer rewards, the worth of unsold inventory remains.	2,000

Solution:

Journal Entries for Debt Crowdfunding

Date	Journal of Fundraiser Company (Z Ltd.)				Journal of CF Platform (Patreon)			
	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)
2022 May 1					Bank A/c Dr. To Backers' A/c (Received funds from backers)		50,000	50,000
May 5	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid for expenses related to crowdfunding campaign)		1,000	1,000				
May 15	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid for advertising expense)		5,000	5,000				
Jun 1	Patreon A/c Dr. To Unearned Revenue A/c (Being amount due from platform)		50,000	50,000	Backers' A/c Dr. To Z Ltd. (Being amount due to Z Ltd.)		50,000	50,000

Date	Journal of Fundraiser Company (Z Ltd.)				Journal of CF Platform (Patreon)			
	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)
Jun 1	Bank A/c Dr.		47,500		Z Ltd. A/c Dr.		50,000	
	Platform Fees A/c Dr.		2,500		To Revenue A/c (Platform fees)			2,500
	To Patreon A/c (Being funds transferred from platform)			50,000	To Bank A/c (Being deducted platform fees and transferred funds to fundraiser)			47,500
Oct 1	Production Cost A/c Dr.		20,000					
	To Bank A/c (Being cost of manufacturing the rewards is recognized as an expense)			20,000				
2023 Jan 1	Unearned Revenue A/c Dr.		50,000					
	To Revenue A/c (Being delivery of rewards)			50,000				
Jan 1	Shipping Fees A/c Dr.		3,000					
	To Bank A/c (Being charge shipping costs)			3,000				
Jan 31	Inventory A/c Dr.		2,000					
	To Production Cost A/c (Being excess inventory is recorded as an asset)			2,000				
Mar 31	Profit & Loss A/c Dr.		29,500					
	To Crowdfunding Expenses A/c			6,000				
	To Platform Fees A/c			2,500				
	To Production Cost A/c			18,000				
	To Shipping Fees A/c (Expenses transferred to P & L A/c)			3,000				

Accounting for Donation-Based Crowdfunding

The International Accounting Standards Board (IASB) does not have an international accounting standard for non-profit Organisations. However, not-for-profit organizations (NPOs) that are not controlled by the government can use the accounting standards for NPOs in Part III of the IAS plus handbook or the IFRS (International Financial Reporting Standards) in Part I of the handbook.¹

Example for Accounting of Donation-based Crowdfunding:

Example 4: An NGO raised funds through the 'Ketto' donation-based crowdfunding platform. Pass the journal entries in the books of the fundraiser and platform for the following crowdfunding transactions: -

Date	Particulars	Amount (₹)
2022 Apr 15	A donor contributes in a crowdfunding campaign, and fund is received by the platform.	60,000
Apr 16	A freelancer is paid for designing the campaign's promotional video.	1,200
Apr 17	Paid as salaries for project staff involved in managing the crowdfunding campaign and project execution.	4,000

¹ <https://www.iasplus.com/en-ca/standards/part-iii-asnp/about-asnp#:~:text=A%20not%2Dfor%2Dprofit%20organization's,Part%20I%20of%20the%20Handbook>

Date	Particulars	Amount (₹)
Apr 18	Other expenses related to the crowdfunding campaign.	1,000
Apr 19	Paid for social media advertising to promote the crowdfunding campaign.	2,000
May 15	Funds of campaigns are transferred to the NGO. Crowdfunding platform charges 3% for facilitating donations.	60,000

Solution:**Journal Entries for Donation-based Crowdfunding**

Date	Journal of Fundraiser (NGO)				Journal of CF Platform (Ketto)			
	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)	Particulars	L. F.	Debit (Dr.)	Credit (Cr.)
2022 Apr 15					Bank A/c Dr. To Backers' A/c (Received funds from backers)		60,000	60,000
Apr 16	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid for campaign design)		1,200	1,200				
Apr 17	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid salary to project staff)		4,000	4,000				
Apr 18	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid for expenses related to crowdfunding campaign)		1,000	1,000				
Apr 19	Crowdfunding Expenses A/c Dr. To Bank A/c (Paid for social media advertising)		2,000	2,000				
May 15	Ketto's A/c Dr. To Donation Revenue A/c (Being Amount due from platform)				Backers' A/c Dr. To NGO's A/c (Being amount due to NGO)		60,000	60,000
May 15	Bank A/c Dr. Platform Fees A/c Dr. To Ketto's A/c (Being donation received net of platform fees)		58,200 1,800	60,000	NGO's A/c Dr. To Revenue A/c (Platform fees) To Bank A/c (Being deducted platform fees and transferred funds to NGO)		60,000	1,800 58,200
2023 Mar 31	Profit & Loss A/c Dr. To Crowdfunding Expenses A/c To Platform Fees A/c (Crowdfunding expenses transferred to P & L A/c)		10,000	8,200 18,000				

Accounting for Crowdfunding Platform

Example for Accounting of Crowdfunding Platform: There may be some specific transactions for crowdfunding platforms. Their accounting treatment can be understood by following the example.

Example 5: Pass the journal entries in the books of crowdfunding platform 'Kickstarter' for the following crowdfunding transactions: -

Date	Particulars	Amount (₹)
2022 Apr 15	Funds pledged by backers, but not yet transferred to the campaign creator.	50,000
Apr 15	Net amount is transferred to campaign creators after the deducted platform charges a fee @ 5%.	2,500
May 1	Operating expenses, such as hosting fees or employee salaries.	10,000
Jul 15	Funds held in escrow earn interest before being distributed.	5,000
Aug 1	Funds are refunded to backers due to a campaign failing to meet its goal.	30,000

Solution:

Journal of Kickstarter (Platform)

Date	Particulars	L.F.	Debit (Dr.)	Credit (Cr.)
2022 Apr 15	Bank A/c Dr. To Backer's / Investor Payable A/c (Being received funds from backers)		50,000	50,000
Apr 15	Backer's / Investor Payable A/c Dr. To Revenue A/c (Platform fees) To Bank A/c (Being deducted platform fees and transferring funds to the fundraiser)		50,000	2,500 47,500
May 1	Operating Expenses A/c Dr. To Bank A/c (Being paid platform operating expenses, like hosting fees or employees' salaries etc.)		10,000	10,000
Jul 15	Bank A/c Dr. To Backer's / Investor Payable A/c (Being received funds from backers)		5,000	5,000
Aug 1	Backer's / Investor Payable A/c Dr. To Bank A/c (Being refund to backers due to the campaign failed)		30,000	30,000

Conclusion

The study presents significant accounting issues related to crowdfunding transactions. In a crowdfunding process, both the crowdfunding platform and the fundraiser face the problem of accounting for crowdfunding transactions. Various countries are in the process of developing a dedicated accounting standard for this purpose. Yet, no country is able to provide complete guidance for accounting for various types of crowdfunding transactions. Hence, an attempt has been made to summarize the significance accounting challenges

for crowdfunding and a review of the current accounting standards of various countries. Also, some hypothetical examples pertaining to the four types of crowdfunding have been provided along with journal entries to be done in the books of both the parties (the fundraiser and platform).

References

- Gedar, B. L., & Lodha, S. (2024). Crowdfunding as a source of finance in India: An empirical study. *IUP Journal of Applied Finance*, 30(1), 25-41.
- IFRS 9 issued by International Accounting Standard Board.

- IFRS 15 issued by International Accounting Standard Board.
- IAS 32 issued by International Accounting Standard Board.
- <https://www.linkedin.com/pulse/accounting-crowdfunding-tom-clendon/>
- <https://www.icai.org/>
- <https://www.ifrs.org/>

Authors may be reached at
babulal.gedar1993@gmail.com
and eboard@icai.in



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



Research Committee

ICAI AWARDS for Excellence in Financial Reporting 2025-26



Gold Shield & Silver Shield in each category

Unique opportunity for enterprises to participate in the most prestigious awards

Last date of Submission
15th October, 2026

Online Submission

<https://researcheifr.icai.org/#/>

OBJECTIVE

To recognise and encourage excellence in preparation and presentation of financial information.

CATEGORIES

- | | |
|------|--|
| I | Public Sector Banks |
| II | Private Sector Banks (including Foreign Banks) |
| III | Life Insurance Sector |
| IV | Non-Life Insurance Sector |
| V | Financial Services Sector (including NBFC Other than Banking and Insurance) |
| VI | Manufacturing and Trading Sector (including entities engaged in processing, mining, plantations, oil & gas enterprises) (Turnover equal to ₹5000 crores or more) |
| VII | Manufacturing and Trading Sector (including entities engaged in processing, mining, plantations, oil & gas enterprises) (Turnover less than ₹5000 crores) |
| VIII | Service Sector (Other than financial services sector) |
| IX | Infrastructure and Construction Sector |
| X | Not-for-Profit Sector |
| XI | Public Sector Entities |
| XII | Co-operative Banks |

GUIDELINES

- Annual Reports pertaining to the financial year ending on any date between 1st April, 2025 and 31st March, 2026 (both days inclusive) shall be eligible for participation.
- Annual Reports must be submitted in English language only.
- An enterprise shall not be eligible to apply, where auditor's report contains a modified opinion.
- Listed and Unlisted entities, registered in India, are eligible to apply.
- The decision of the Jury will be final.
- ICAI reserves the right to withdraw any award at any time without giving any reason.
- One hard copy of the Annual Report & other documents (as uploaded) is required to be submitted to the Research Committee.

INDICATIVE PARAMETERS FOR EVALUATION

- Overall presentation of the Annual Report and ease of its navigation.
- Coverage of Management information, including:
 - Vision and Mission, Organisational Overview, Strategic Objectives, Core Values and Code of Conduct/Ethical Principles, Profile of Company, Director's profile, Organization/Governing Structure, Information on Important Events, etc. Disclosures of KPIs to measure achievements against strategic objectives.
 - Description of Policy on Human Resource engagement its training and development.
 - Information about Risk Management Framework along with its components.
 - Overview of the State of Affairs, Reporting on Various Products/Services/Segments.
 - Disclosure of various group companies with future outlook & risk mitigation measures.
 - Information on Credit Ratings.
 - Contribution to National Exchequer/Economy.
- Compliance with Ind AS/Accounting Standards, Applicable Laws & Regulations.
- Corporate Governance & Related Compliance Reporting/Disclosures.
- Additional information presented including:
 - Statement of Value Added and its distribution amongst Government, Shareholders, Employees etc.
 - Integrated Reporting, Sustainability Reporting etc.
 - Certifications, Awards & Recognition.
 - Presentation of different performance trends over a period of time.
 - Value Creation Model/Business Model & Capitals.
- Information on Company's website structured logically.

Scan the QR code
for participation



For more information
visit at

<https://www.icai.org/post/research-committee>

Secretary, Research Committee

The Institute of Chartered Accountants of India

Admin Block, 3rd Floor, 'ICAI Bhawan', A-29, Sector-62, Noida - 201309, India

☎ +91-120-3876868

✉ Email: research@icai.in

Note: The documents submitted by the entities for the competition will be utilized only for the purpose of ICAI Awards for Excellence in Financial Reporting 2025-26.



CA. Sukrati Agrawal

Member of the Institute

The End Of An Era: How The Income Tax Act 2025 Re-Writes Provisos After 65 Years

For six and a half decades, tax practitioners have been dealing with the Income-tax Act of 1961, which consists of over 1,200 provisos and 900 explanations—a complex construct that has developed out of more than 4,000 amendments based on judicial interpretations and changes in policies. These provisos were not merely drafting add-ons; in many provisions, they became essential to understanding the real scope of the rule.

While the Supreme Court has developed clear rules on how provisos should be interpreted (as in *S. Sundaram Pillai and Dwarka Prasad*), the Act kept getting additional provisos. The Income-tax Act, 2025, applicable from 1 April 2026, marks a structural shift. It does not simply delete the substance of provisos. Instead, it largely carries forward their content in a clearer form - through sub-sections, clauses, tables and schedules, thus shortening Section 10 from 30,000 words to 13,500 words (a reduction of 55%). The change is therefore best understood as a drafting and readability reform, rather than a wholesale policy reset. Its real significance lies in making the law easier to follow: conditions are placed closer to the main rule, exceptions are more visible, and provisions that previously required cross-reading are now presented in a more direct manner.

Introduction: Why Should A Tax Professional Care About Provisos Disappearing?

For many years, tax professionals have learnt to read an income-tax provision not from top to bottom, but from the *last proviso upwards*. What began as a legislative tool to carve out exceptions gradually became the backbone—and the burden—of the Income-tax Act, 1961. After 65 years, the Income Tax Act 1961 has accumulated over 1,200 provisos and 900+ explanations—an endless tax law that transformed a modern statute into an interpretative minefield. On April 1, 2026, this era will end.

The Income Tax Act 2025, which has been enacted by Parliament to replace

the 1961 Act, marks the beginning of a new era in Indian taxation, characterized by the elimination of provisos as a drafting tool and their replacement by sub-sections, clauses, and tabular arrangements. From a technical perspective, this development represents more than just an improvement in the architecture of tax legislation; it represents a profound recognition that accessibility, uniformity, and simplicity are essential, not desirable, attributes of a viable tax system. The question that this article seeks to answer is, at first glance, simple: How did a clear statute become a complex web of interlocking exceptions, and why did Parliament choose to undertake a complete overhaul of the statute's architecture, rather than a series of

piecemeal amendments? This article examines the history of provisos in Indian income tax legislation, the judicial jurisprudence that has developed to control the complexities of provisos, and the legislative approach taken in 2025 to restore simplicity to the statute.

Understanding The Proviso: What Is A 'Proviso' And Why It Existed

A. Legal Definition and Conceptual Foundation

In statutory law, a proviso is referred to as a clause or a condition that qualifies, limits, or makes an exception to the main provision or the enacting clause. It serves a particular grammatical and legal purpose. It marks the limits of what would otherwise fall

within the scope of a provision. Unlike an explanation—which merely provides clarification for the meaning of words or phrases in a provision—a proviso creates a substantive deviation or qualification.

Consider the difference through example:

- Enacting Clause (Main provision): “No deduction shall be allowed for any sum payable.”
- Proviso: “Provided that if such sum is paid before the due date for filing the return, a deduction may be allowed.”
- Explanation: “For the purposes of this section, ‘sum payable’ means any liability arising under law.”

The enacting clause states a rule, the proviso provides a carve-out to the rule, and the explanation defines terms without providing an exception and does not change the main rule.

B. The Doctrine of Proviso: Foundational Principles

Over the last six decades, the Indian judiciary has evolved a full-fledged set of principles for the interpretation of provisos. This has happened not in the realm of jurisprudential theory but due to the necessity that arose out of the full-fledged complexity of provisos.

The most important principle is that a proviso must be read in relation to the main provision. It is not an independent source of law unless the language and context clearly show that the legislature intended it to operate more widely.

The Supreme Court has held in its landmark judgments, such as *S. Sundaram Pillai v. V.R. Pattabiraman* (1985) 1 SCC 591 [Constitution Bench], *State of Rajasthan v. Leela Jain* (AIR 1965 SC 1296), and *Dwarka Prasad v. Dwarka Das Saraf* (1976) 1 SCC

1282: “A proviso must be read in relation to the main provision to which it is subordinate.”

In the landmark case of *S. Sundaram Pillai v. V.R. Pattabiraman* (1985) 1 SCC 591, a Three-Judge Bench of the Supreme Court of India set out practical rules for reading provisos. They made a detailed analysis of the principles of proviso interpretation. Through the citation of authorities from treatises on interpretation, English and Indian decisions, and constitutional cases, the Court has formulated a panoramic framework on provisos.

The following are the extracts from paragraphs 27-44 of the decision, which summarize the cumulative judicial wisdom on provisos developed over the years:

First the court explained the difference between a proviso and explanation.

“The well established rule of interpretation of a proviso is that a proviso may have three separate functions. Normally, a proviso is meant to be an exception to something within the main enactment or to qualify something enacted therein which but for the proviso would be within the purview of the enactment. In other words, a proviso cannot be torn apart from the main enactment nor can it be used to nullify or set at naught the real object of the main enactment.”

The Court referred to *Odgers* (Construction of Deeds and Statutes (5th Edn.)) that describes proviso as a drafting device that qualifies the main clause by taking certain cases out of it.

Apex Court explained that usually, a proviso narrows the main rule. But sometimes the same idea is written into the body of section itself, so it reads like substantive provision rather than an afterthought.

The Supreme Court has repeated these themes in several cases.

In *State of Rajasthan v. Leela Jain* (1965) 1 SCR 276, AIR 1965 SC 1296, (1966) 1 SCJ 37 the following observations were made:

‘So far as a general principle of construction of a proviso is concerned, it has been broadly stated that the function of a proviso is to limit the main part of the section and carve out something which but for the proviso would have been within the operative part.’

In the case of *STO, Circle-I, Sales Tax Officer, Circle-I, Jabalpur v. Hanuman Prasad* (1967) 1 SCR 831, AIR 1967 SC 565, (1967) 19 STC 87, the Court made following point:

‘It is well-recognised that a proviso is added to a principal clause primarily with the object of taking out of the scope of that principal clause what is included in it and what the legislature desires should be excluded.’

In *Dwarka Prasad v. Dwarka Das Saraf* (1976) 1 SCC 128, (1976) 1 SCR 277, AIR 1975 SC 1758 Krishna Iyer, J. speaking for the Court stressed on the following approach:

‘There is some validity in this submission but if, on a fair construction, the principal provision is clean a proviso cannot expand or limit it. Sometimes a proviso is engrafted by an apprehensive draftsman to remove possible doubts, to make matters plain, to light up ambiguous edges. Here, such is the case.... If the rule of construction is that prima facie a proviso should be limited in its operation to the subject-matter of the enacting clause, the stand we have taken is sound. To expand the enacting clause, inflated by the proviso, sins against the fundamental rule of construction that a proviso must be considered in relation to the principal matter to which it stands as a proviso. A proviso ordinarily is but a proviso, although the golden rule is to read the whole section, inclusive of the proviso, in such manner that they mutually throw light on each other and result in a harmonious construction.’

The Court in the end summed up the legal position by establishing following four broad ways in which provisos may operate are often discussed:

- (1) *qualifying or excepting certain provisions from the main enactment:*
- (2) *it may entirely change the very concept of the intendment of the enactment by insisting on certain mandatory conditions to be fulfilled in order to make the enactment workable:*
- (3) *it may be so embedded in the Act itself as to become an integral part of the enactment and thus acquire the tenor and colour of the substantive enactment itself; and*
- (4) *it may be used merely to act as an optional addenda to the enactment with the sole object of explaining the real intendment of the statutory provision."*

As stated in Dwarka Prasad, it sins against the fundamental rule of construction to read a proviso as if it were independent of the main enactment. A proviso cannot exist in isolation; it derives meaning and scope from the enacting clause. As the Court stated in landmark judgments, a proviso cannot be broader than the main provision, nor can it create rights foreign to the principal provision.

A second principle emerged from necessity: the presumption of necessity. Since the natural presumption is that but for the proviso, the main provision would have included the subject matter of the proviso, the enacting part must be given such construction as makes the exceptions carved out by the proviso necessary. Interpretations that render a proviso superfluous must be avoided.

Third, courts developed the principle of scope limitation: a proviso only embraces the field covered by the main provision. It carves out an exception to that specific provision and to no other.

These principles would have been unnecessary if provisos had been kept to a minimum. The forced expression of such complex principles by the courts is proof that provisos had reached the point of threatening the intelligibility of statutes.

C. Provisos in Indian Income Tax Law: Historical Background

The Income Tax Act of 1961 replaced the Income Tax Act of 1922 with the objective of creating a modern body of taxation code. This act introduced a five-heads system of classifying income. In its early years, provisos were used sparingly and purposefully to address genuine exceptions, such as asset-specific depreciation, eligibility conditions for exemptions, and limits on deductions. While not flawless, the Act initially reflected a clear and structured legislative design, and the complexity that followed arose from the natural pressures of a long-standing statute rather than flawed drafting.

The Accumulation Narrative: How A Tax Code Evolved Into Complicated Framework

A. Phase I (1961-1975): Starting Point

The first fifteen years of operation of the 1961 Act represent a period of respective solidity. Although there were amendments, these were generally limited in scope. The judicial application of the provisions involved a range of factual scenarios, with little development of deep-seated interpretative ambiguity. The statute was sufficiently easy to work with.

B. Phase II (1975-1990): Judicial Decisions as the runway of Accumulation

The second phase is marked by the appearance of a pattern that would influence the next fifty

years: judicial interpretations of provisions in ways that were not foreseen by Parliament, followed by legislative provisos intended to cure or clarify judicial interpretations.

A paradigmatic example is Section 43B. This section was inserted w.e.f. 01 April 1984. To address the hardship created by a literal reading, the first proviso was inserted by the Finance Act, 1987. The Apex Court later explained the proviso's clarificatory/remedial nature in *Allied Motors Case* (1997) 224 ITR 677. That decision belongs chronologically to a later period, but it is useful because it explains why the 1987 proviso was inserted and how courts understood its purpose.

Section 43B was introduced into the statute with effect from April 1, 1984, as follows: "No deduction shall be allowed for any sum payable unless that sum has been paid during the relevant previous year." However, when courts applied this provision literally, it created severe unintended hardships. An assessee owing sales tax for the last quarter of the financial year, payable within 30 days of quarter-end, could not deduct that liability in that year—because it hadn't been paid during the previous year. The liability would be paid in the next year, but





by then the income against which it could be deducted had moved to a different assessment year.

The increase in the number of provisos led to divergent interpretations. Different High Courts, based on the application of Section 43B to similar sets of facts, made different determinations. The Kerala High Court, in *CIT v. Kerala Solvent Extractions*, 306 ITR 54, took a narrow view, while the Calcutta High Court, in *Paharpur Cooling Towers Ltd v. CIT*, 244 CTR 502, the Punjab & Haryana High Court, in *CIT v. Modipon Ltd* (No. 2), 334 ITR 106, and the Delhi High Court, in *CIT v. Raj and San Deeps Ltd*, 293 ITR 12, took up different stands on the applicability and retrospective effect of the section. While some courts were of the view that the expression “sum payable” in Section 43B was restricted to the amount payable in the same accounting year, others took a wider view. The Supreme Court intervened in the matter in *Allied Motors (P) Ltd. v. CIT* (1997), noting that without the clarificatory proviso, Section 43B had become unduly wide, bringing within its scope payments which Parliament had not intended to prohibit from the category of permissible deductions.

Parliament’s response was to insert the first proviso to Section 43B in the Finance Act of 1987:

“Provided that if the sum is paid on or before the due date for furnishing the return of income under Section 139(1), the deduction shall be allowed.”

This single proviso, remedying an obvious omission in the main section, was treated as retrospective by the Supreme Court because it supplied “an obvious omission” that made the original provision “unworkable or unjust in a specific situation.”

The story does not end at this point. As the interpretive inquiries continued, the Finance Act of 1989 introduced Explanation 2 to Section 43B, with the objective of explaining the expression “any sum payable.” Thus, one provision developed over a sequence of additions: main clause → first proviso → explanation. While each addition was justified in its own right, together they created a provision that requires cross-textual analysis to be fully understood.

This trend was seen throughout the Act. Section 10 (Incomes not included in total income) of the Income Tax Act of 1961, which aimed to list exempt incomes, had accrued provisos due to the judiciary interpretations of the exemption clauses, or as a result of new exemptions by Parliament with certain time limits and qualifications.

C. Phase 3 (1990-2010): Economic Liberalization and the Proliferation

The economic liberalization process triggered a speedy widening of provisos, as new exemptions and deductions were brought in under tangled conditions. The exemptions under Section 10 relating to Special Economic Zones (SEZs), housing, education, dividends, insurance, and research were accompanied

by eligibility conditions. In 2010, Section 10 itself contained 224 elements, consisting of 90 explanations and 134 provisos.

Deductions (Sections 80C to 80U) and Depreciation (Section 32) also had accumulated provisos regarding investment ceilings, categories of assets, and contingent circumstances.

D. Phase 4 (2010-2025): Escalating Complexity and Structural Fatigue

In the 2010s, the Income Tax Act of 1961 had seen more than 4,000 amendments in 65 Finance Acts, turning a relatively clean piece of legislation into a historical document that is full of redundant provisos for expired assessment years, transitional provisions, and superseded depreciation regimes. Parliament recognized that removal would pose a risk to contingent liabilities and therefore preferred accumulation over replacement. In the lead-up to the 2025 Bill, the Comprehensive Review undertaken by the CBDT, in addition to stakeholder consultations, found that step by step changes were insufficient and that a broad constructional makeover was required.

Reasoning of Legislative Action by Parliament in 2025

A. Accessibility and Compliance Crisis

The 1961 Act was well stocked with over 1,200 provisos and 900 explanations, which posed a challenge that only specialists could overcome. The challenge was more pronounced for small and medium-sized enterprises compared to corporations that maintained tax teams. The provisos were inconsistent and posed a challenge that contributed to non-compliance.

B. Litigation and Datedness

The complex proviso regime resulted in conflicting decisions of the High Court and required frequent interventions of the Supreme Court. The provisos relating to lapsed assessment years and transitional provisions created a non-functional accumulation in the statute, making it more of a historical document than a living law.

C. Modernistic layout

The modern global taxation system uses sub-sections, tables, and themes instead of provisos. India, through structural redesign, adopted this global best practice to bring about modernization.

Elimination of Provisos and Commencement of Clarity

The Income Tax Act 2025 makes a comprehensive revamp of the regime by removing over 1200 provisos and reducing them to sub-sections or clauses. The method centre on transformation and remodelling rather than elimination.

Again, while rewriting the Income Tax Act 1961, law makers have used reformation techniques wherein

provisos has been rebuilt to sub-section. To illustrate, where the former Section 43B had an anatomy of (Main clause) + (Proviso 1) + (Explanation 2), the new Income Tax Act sets out the entire provision as a single provision with sub-clauses. All the conditions, exceptions, and qualifications have been assembled at one place.

Likewise, Section 32 (Depreciation) involved navigating through a series of provisos for different classes of assets. The new Act provides a complete depreciation table that lists the class of assets, rate of depreciation, conditions, and exceptions in one visual representation. Accordingly, complicated scenarios have been presented as Tables.

To explain further, section 11 was the hub of 16 provisos. Now, provisos have been introduced as sub-part or sub-clauses. Conceptual presentation replaces arbitrarily arrangement. This improves interpretability in a following way: (i) fewer cross-references; (ii) step-by-step eligibility tests sit together; (iii) tables make rate/conditions visible at a glance; and (iv) the scope of the exception is clearer because it is written as part of the same rule.

Various doctrines like Clubbing of income, which were previously narrated via provisos, are now represented as separate formulas setting out conditions and scenarios.

Conclusion

Closing a 65-Year Chapter, Opening a New Era

The Income Tax Act 1961 started clean but accumulated 4,000+ amendments, 1,200+ provisos, and 900+ explanations over 65 years. Courts pronounced elaborate proviso jurisprudence, but this could not resolve the anatomy complexity. Parliament eliminated provisos by converting them to sub-sections, tables, and schedules—no policy change, just a clearer blueprint. The

redesign closes a problematic era, opening one of accessible tax law.

References

- <https://www.casemine.com/judgement/in/5609ac1ee4b014971140e13c>
- <https://indiankanoon.org/doc/68571/>
- <https://www.casemine.com/commentary/in/state-of-rajasthan-v-leela-jain-affirming-state-revisional-jurisdiction-over-municipal-orders/view#:~:text=The%20case%20of%20State%20of,from%20the%20approved%20municipal%20plans.>
- itatonline.org/digest/allied-motors-p-ltd-v-cit-1997-224-itr-677-139-ctr-364-91-taxman-205-sc/
- <https://bcajonline.org/journal/deductibility-of-advance-payments-section-43b/>
- incometaxindia.gov.in/Documents/income-tax-bill-2025/faqs-income-tax-bill.pdf
- incometaxindia.gov.in/Documents/income-tax-act-1961-as-amended-by-finance-act-2025.pdf
- incometaxindia.gov.in/Documents/Budget/budget-2025/faqs-budget-2025.pdf
- prsindia.org/files/bills_acts/bills_parliament/2025/The_Income-tax_Bill,_2025.pdf
- prsindia.org/billtrack/the-income-tax-bill-2025



Author may be reached at
casukagrawal2014@gmail.com
and eboard@icai.in


Arka Bhattacharya

Advocate

Faceless Schemes in Income Tax Administration: Constitutional Limits of Executive Power and Delegated Legislation

The Income-tax Act, 2025 (hereinafter ITA, 2025) signifies a pivotal reform in India's direct taxation landscape, notably through Section 532, which empowers the Central Government to frame "faceless" schemes for tax

administration by executive order. This report analyses the constitutional validity of such delegation under Indian law, with special attention to the doctrine of separation of powers, parliamentary oversight of delegated legislation, and the protection of taxpayer rights. Drawing on developments under the erstwhile Income-tax Act, 1961 (hereinafter ITA, 1961), recent judicial rulings, and comparative international experience, the report demonstrates that while such delegation can be valid within strict constitutional and procedural limits, the breadth of Section 532 raises significant constitutional, procedural, and natural justice questions—especially concerning parliamentary control and procedural safeguards against administrative overreach.

Introduction

The legislative transition from the erstwhile Income-tax Act, 1961 (hereinafter referred to as ITA, 1961) to the restructured Income-tax Act, 2025 (hereinafter referred to as ITA, 2025) signifies far more than a statutory revision—it embodies a paradigmatic shift in the philosophy underpinning India's fiscal governance. This transformation is not confined to the language or architecture of the statute; it reflects a deeper institutional reorientation toward digitalisation, automation, and executive-led administration. At the heart of this shift lies Section 532 of ITA, 2025, which confers upon the Central Government sweeping powers to frame schemes—most notably faceless schemes—through executive notification, without the requirement of prior parliamentary approval. The ostensible legislative rationale is to streamline tax administration by

reducing human interface, thereby promoting efficiency, transparency, and accountability in enforcement.

However, this delegation of power raises profound constitutional questions. As India's tax apparatus evolves into a "digital-first" enforcement regime, the contours of executive discretion and the boundaries of legislative oversight come under renewed scrutiny. The doctrine of separation of powers, a cornerstone of constitutional governance, mandates a careful calibration between the law-making authority of Parliament and the implementing role of the Executive. When statutory instruments permit the Executive to design and operationalise entire schemes—potentially affecting substantive rights of taxpayers—without legislative deliberation or scrutiny, the legitimacy of such delegation must be examined through the lens of constitutional propriety. This inquiry becomes especially

pertinent in the context of faceless schemes, which, while technologically progressive, may inadvertently dilute procedural safeguards and democratic accountability. The present article undertakes a doctrinal and statutory analysis of this delegation, juxtaposing the provisions of ITA, 2025, with the historical framework of ITA, 1961, and interrogates whether such executive lawmaking can withstand constitutional scrutiny under India's separation of powers jurisprudence.

Doctrine of Separation of Powers in Indian Constitutional Law

At the heart of the constitutional inquiry is the doctrine of separation of powers—a foundational principle of modern democratic governance that seeks to prevent the concentration of power and ensure checks and balances among the Legislature, Executive, and Judiciary.

i. Key Features of the Doctrine in India:

- **Non-Absolute Separation:** Unlike the rigid model seen in the United States, the Indian Constitution embodies a pragmatic separation of functions, allowing for some degree of overlap while maintaining a robust system of checks and balances.
- **Legislature:** Tasked principally with lawmaking, including specifying legislative policy and essential features of the law.
- **Executive:** Charged with implementing laws, and, where expressly authorized, framing rules or schemes for detailed execution of legislative intent.
- **Judiciary:** Constitutionally independent, empowered to interpret the law and adjudicate upon the legality of legislative and executive actions, including administrative and delegated legislation.

While the Indian Constitution does not expressly codify the doctrine, the Supreme Court has repeatedly recognized the separation of powers as a part of the Constitution's basic structure—and therefore immune from amendment.

ii. Judicial Articulation

In *Kesavananda Bharati v. State of Kerala* (1973), the Supreme Court held that Parliament cannot alter the basic structure of the Constitution—including the separation of powers. In *State of Tamil Nadu v. State of Kerala* (2014) 12 SCC 696, the Court confirmed that separation of powers—though not expressly stated—is “an entrenched principle in the Constitution of India. The doctrine of separation of powers informs the Indian constitutional structure and is an essential constituent of the rule of law”. Only ancillary

and procedural details may be delegated to the executive, while core legislative functions—such as policy formulation—must remain with the legislature.

Delegated Legislation in India: Legal Framework and Judicial Jurisprudence

i. Legal Framework

Delegated Legislation is the process whereby Parliament delegates certain law-making functions to the Executive or subordinate authorities by statute (the “parent act”). In India, this mechanism is especially prevalent in technical fields such as taxation, where detailed procedural rules are necessary for effective administration.

Constitutional Basis:

- **Article 245–248:** Empower Parliament and State Legislatures to make law and, by implication, to delegate certain powers to the executive.
- **Judicial Recognition:** The Supreme Court in *D.S. Garewal v. State of Punjab* (1959 AIR 512) recognized Parliament's power to delegate legislative functions, provided the scope of delegation is circumscribed, and essential legislative functions are not surrendered.

ii. Judicial Standards: The “Delegation Test”

In Re Delhi Laws Act (1951 AIR SC 332) is the landmark case delineating the permissible limits of delegated legislation.

Key Principles Evolved:

- Delegated legislation is valid as long as the legislature does not “abdicate” or “efface” its core legislative function.
- Essential legislative function involves defining legislative policy and formulating standards or principles guiding the law.

- Delegation is permitted for ancillary, procedural, or administrative details.
- *Intelligible Principle Test:* The legislation must lay down a clear policy or standard for the delegate to follow.

Examples Where Delegation Was Struck Down: In *Hamdard Dawakhana v. Union of India* (1959), delegation was found unconstitutional where the power was “unguided and uncontrolled” with no clear principle to guide the executive action.

iii. Legislative and Parliamentary Safeguards

- **Laying Procedure:** Most Acts require all delegated legislation (rules/notifications/schemes) to be laid before both Houses of Parliament. This enables Parliament to scrutinize, modify, or annul executive-made rules.
- **Committee on Subordinate Legislation:** Both Houses have standing committees to examine whether delegated legislation conforms to constitutional principles and the policy of the parent Act.
- **Judicial Review:** Courts retain the power to examine delegated legislation for consistency with the Constitution and the parent Act, and to strike down ultra vires or unreasonable rules.

The Constitutional Framework for Tax Legislation: Article 265 and Legislative Competence

i. Article 265: “No Tax Shall Be Levied or Collected Except by Authority of Law”

Article 265 of the Constitution is the bedrock of lawful taxation in India.

- **Mandate:** All taxes must have clear legislative authority. Taxation by executive fiat, without a supportive legal provision, is unconstitutional.

- **Judicial Enforcement:** Courts have struck down taxes levied without proper legislative sanction (e.g., *Kunnathat Thathunni Moopil Nair v. State of Kerala*, 1961; *Mafatlal Industries Ltd. v. Union of India*, 1997).

- **No Inherent Power:** The power to tax cannot be implied; express statutory authority is required for both levy and collection.

ii. Distribution of Legislative Power: Seventh Schedule and Taxation

Legislative competence is divided among the Union and the States via three lists in the Seventh Schedule:

- **Union List (List I):** Central taxation powers (e.g., Income Tax).
- **State List (List II):** State taxes (e.g., VAT).
- **Concurrent List (List III):** Shared powers; Union law prevails in case of conflict.

Delegated Scheme-Framing Powers: ITA, 1961 Vs ITA, 2025

i. Section 532, Income-tax Act, 2025: Text and Scope

Section 532 (ITA, 2025):

- **Empowers:** The Central Government to, by notification, frame schemes to impart efficiency, transparency, and accountability.
- **Object:** Eliminate interface with the assessee “to the extent technologically feasible” and optimize resource utilization.
- **Modification Power:** The Government may, by notification, direct that any provision of the Act shall not apply or shall apply with exceptions, modifications, and adaptations.

- **Parliamentary Control:** Every notification must be laid before both Houses of Parliament “as soon as may be” after issuance.

ii. Section 144B, Income-tax Act, 1961: Faceless Assessment Scheme

Section 144B (ITA, 1961):

- Introduced and regularly amended since 2020, Section 144B established a comprehensive “Faceless Assessment” procedure with elaborate safeguards.
- Central Government framed schemes for faceless assessment and appeals (including National Faceless Assessment/Appeal Centres, functional units, risk allocation, review processes), with the requirement that every notification be laid before Parliament.
- Power to modify application of certain statutory provisions for implementing the scheme was subject to specific time limits (e.g., till March 31, 2022) and was not open-ended.

iii. Transition from the Faceless Assessment under ITA, 1961 to ITA, 2025

- **Broader Enabling Power:** Section 532 subsumes, and arguably extends, the powers previously delineated across multiple sections in ITA, 1961, concerning faceless assessment, appeals, and other procedures.
- **Continuity Clauses:** Section 532(3) allows modification of schemes notified under ITA, 1961.

Constitutional and Procedural Concerns

i. Scope of Delegation: Excessive or Essential?

The constitutional validity of Section 532’s scheme-framing power turns on whether the

Central Government’s delegation is “excessive,” and whether it is adequately circumscribed by intelligible principles.

- **Policy vs. Procedure:** Section 532 arguably delegates both procedural and substantive modification powers—not merely filling procedural gaps, but altering the applicability of statutory provisions to implement schemes.

- **Essential Legislative Function:** The power to suspend or modify the operation of statutory provisions, if unguided or open-ended, may amount to the delegation of essential legislative functions—which is prohibited.

- **Intelligible Principle?** Section 532 aims to “impart efficiency, transparency, and accountability,” but such objectives may be too generic to suffice as clear policy instructions for the exercise of significant discretion by the executive.

ii. Parliamentary Oversight: Is the “Laying” Sufficient?

Notification Laying Requirement:

- Section 532(4) requires notifications to be laid before both Houses of Parliament “as soon as may be after the notification is issued.” However, it does not stipulate a post-laying approval or annulment requirement, making it akin to a simple laying procedure.
- **Judicial Precedent:** The Supreme Court has held that mere laying before Parliament, without further control (affirmative/negative resolution), may render parliamentary supervision largely illusory, especially where the delegate has wide modification powers over statutory provisions.

- **Current Trends:** Parliamentary committees have repeatedly urged a uniform transition to laying subject to negative or affirmative resolution to ensure effective control over administrative schemes.

iii. Natural Justice and Procedural Fairness in Faceless Schemes

Procedural Concerns:

- Faceless assessment/appeal schemes aim for efficiency but risk abridging the taxpayer's right to be heard (*audi alteram partem*)—a foundational principle of natural justice.

- **Personal Hearing as Discretionary:** Several schemes permit personal hearing or video conferencing at the discretion of senior tax officials, not as a matter of right. Such discretionary confinement could be challenged for being arbitrary or in violation of Article 14 (Equality) and Article 21 (Fair Procedure).

- **Judicial Review:** High Courts (e.g., Delhi High Court in *Lakshya Budhiraja v. UOI*, Bombay High Court in *Renaissance Buildtech Pvt. Ltd. v. NEAC*) have held that the denial of reasonable opportunity for oral hearing, or failure to consider submissions/facts, may render assessment orders under the faceless scheme invalid for violation of natural justice.

iv. Comparative International Models: Executive Delegation in Tax Law

- **United Kingdom:** Delegated legislation (statutory instruments) is abundant, but subject to detailed scrutiny and often requires explicit parliamentary approval for significant substantive changes.

- **United States:** The Administrative Procedure Act (APA) applies to IRS rulemaking, requiring notice-and-comment procedures, public participation, and substantive explanations for “legislative rules.” Courts have recently invalidated IRS rules issued without APA compliance, reaffirming the need for procedural safeguards even in highly technical tax administration.

Parliamentary Select Committee and Legislative Debate on ITA, 2025

The Select Committee reviewing the Income-tax Bill, 2025 noted:

- The Bill is primarily a simplification effort, with no major policy changes, but broadens the enabling power for the Central Government to frame schemes.
- During deliberations, stakeholders expressed concerns over potentially excessive executive discretion, the adequacy of parliamentary control, and the need for safeguards on taxpayer rights under faceless schemes.
- The Committee emphasized continuity with the ITA, 1961 in structure, but recommended preserving all existing checks and balances in the new enabling powers.

Transparency, Accountability, and Impact on Taxpayer Rights

i. Transparency and Administrative Accountability

The lack of physical interface in faceless schemes can enhance transparency and reduce petty corruption, but increases the risk of impersonal, opaque decision-making if procedural safeguards are weak. The centralization of decision-making in anonymous units may reduce local biases but also undermines personalized understanding of complex factual issues.

ii. Impact on Taxpayer Rights

The most critical risk is the erosion of the right to a fair hearing. If the power to frame schemes allows the government to short-circuit or diminish statutory procedural rights, it risks being challenged under Article 14 (equality and non-arbitrariness), Article 21 (right to a fair legal procedure), and Article 265 (authority of law for taxation).

- **Delhi and Bombay High Court Precedents:** Faceless assessment schemes have been challenged where they resulted in non-application of mind, failed to serve notices or gave only formal opportunities for a digital written reply (with denial of oral hearing), or where review units usurped the domain of the original assessing authority (a quasi-judicial function).
- **Supreme Court Guidance:** Administrative efficiency cannot override constitutional guarantees of fairness and equality (see *Union of India v. Bharat Forge Co. Ltd.*, Supreme Court (Civil Appeal No. 984 of 2022)). Authoritativeness and lawfulness of orders depend on meaningful opportunity for rebuttal and a reasoned order.

Conclusion and Recommendations

The delegation of power under Section 532 of the Income Tax Act, 2025 can be constitutionally valid if it is anchored in a clear legislative policy, confined by intelligible principles, and accompanied by robust procedural protections that preserve taxpayers' fundamental rights. Valid delegation requires that Parliament define the purpose and limits of executive authority with sufficient specificity so that delegated decision-making remains tethered to legislative intent and is amenable to meaningful judicial review. Equally essential are procedural safeguards: taxpayers must retain effective avenues for representation, a genuine right to be heard, and access to reasoned decisions that explain the factual and legal basis for outcomes.

Section 532 contains open-ended language and vague objectives—terms like “efficiency” and “transparency”—that furnish little guidance to administrators and weak constraints for judicial review. The parliamentary safeguard of merely laying notifications permits minimal contemporaneous scrutiny and little corrective power. The faceless model, as practised, treats oral and personal hearings as exceptions, centralises discretion within administrative hierarchies, and increases the risk of opaque, unreasoned decisions. These defects invite constitutional challenge for breaching separation of powers and undermining principles of natural justice. To address these concerns and fortify the constitutional integrity of the delegation, the following reforms are recommended:

1. **Define scope, purpose and limits of delegation:** Parliament should specify which statutory provisions may be modified or exempted, articulate the legislative aims justifying delegation, and set temporal and substantive limits so delegation is proportionate and time-bound.
2. **Prescribe intelligible principles and objective criteria:** The statute must list narrow, objective criteria that constrain executive choices, describe permissible ends and means, and prohibit open-ended formulations that transfer law-making discretion without guidance.
3. **Require legislative oversight by resolution:** Any executive scheme that materially affects taxpayer rights should be subject to an affirmative or negative resolution procedure within a fixed timeframe; delegated instruments should carry sunset clauses and be reportable to Parliament.
4. **Make the right to be heard a default procedural safeguard:** Oral hearings should be the norm; where efficiency requires remote participation, electronic or videoconference hearings

must offer the same opportunity for effective representation and engagement.

5. **Mandate reasoned, evidence-based orders:** Every administrative order issued under the faceless scheme must contain clear, intelligible reasons, disclose the non-privileged evidence and legal authorities relied upon, and set out the factual basis enabling meaningful review.
6. **Preserve prompt and effective judicial review:** Statutory language must unambiguously preserve timely access to courts to challenge ultra vires, arbitrary, or procedurally defective decisions and prevent ouster of judicial remedy by executive design.
7. **Decentralize decision-making and require accountable sign-off:** Procedural rules should avoid concentrating discretion in a faceless hierarchy by decentralizing suitable decisions, while requiring senior approval for significant departures with publicly stated reasons.
8. **Enhance transparency and administrative accountability:** Mandate regular reporting on delegated instruments, maintain accessible administrative records for affected taxpayers, and require Parliament to review and, where necessary, amend or annul schemes that stray beyond legislative intent.

These measures would not only enhance the legitimacy of executive action under Section 532 but also reinforce the constitutional balance between efficiency and accountability in tax administration.

References

- Press Information Bureau, *The Income Tax Act, 2025: Reshaping Tax Framework*, PIB (2025). URL: pib.gov.in/PressReleasePage.aspx?PRID=2000123
- *The Separation of Power in the Framework of Tax Assessment*, 11 Indian J. Legal Rsch. (IJLR) 45 (2024). URL: ijlr.in/the-separation-of-power-in-tax-assessment/

- NUJS Law Rev., *Role of the Judiciary in Indian Tax Policy*, 16 NUJS L. Rev. 112 (2023). URL: nujslawreview.org/2023/03/15/judiciary-tax-policy-india/
- CaseMine, *Case Law Search on Separation of Powers*. URL: casemine.com/search/in/separation-of-powers
- *In Re Delhi Laws Act Case*, AIR 1951 SC 332 (India). URL: manupatrafast.com/caselaw/in-re-delhi-laws-act-case-1951
- *The Law Codes, Delegated Legislation under the Income Tax Act, 1961*. URL: thelawcodes.com/delegated-legislation-income-tax-act-1961/
- IncomeTaxIndia.gov.in, *Income Tax Act, 1961*. URL: incometaxindia.gov.in/pages/acts/income-tax-act.aspx
- ITAT Online, *Faceless Assessments and Appeals under the Income-tax Law*. URL: itatonline.org/articles_new/faceless-assessment-appeals/
- PRSIndia, *Parliamentary Scrutiny of Executive Rule Making*. URL: prsindia.org/policy/analytical-reports/parliamentary-scrutiny-executive-rulemaking
- EY Tax Alerts, *Parliamentary Select Committee's Report on IT Bill 2025*. URL: ey.com/en_in/tax/alerts/parliamentary-select-committee-report-income-tax-bill-2025

Author may be reached at
arka6208@gmail.com and
eboard@icai.in



CA. Sanjay Kumar Agarwal
Member of the Institute

Transfer of property in goods used in Service Contracts: GST implications

The judgment of the Supreme Court in *Aristo Printers*¹, in a matter under the VAT laws, on transfer of property in goods in works contract, has triggered debate in the tax fraternity. The ratio of the judgment may have relevance not only in pending VAT disputes but also, in limited contexts, under GST where similar concepts concerning transfer of property in goods fall for consideration. The intention theory, which ruled for a considerable period

of time and was subsequently abandoned through the judgments of the Apex Court, has been revived under the GST regime. As intention is a state of mind, a thorough understanding of the law and careful drafting of commercial contracts accordingly are important for any businessman.

Intention Theory in pre-GST era

One of the pain points in the pre-GST era of VAT/Service tax was taxation of composite contracts involving both goods and services, particularly works contracts and catering contracts. Initially, the Courts applied the 'dominant intention' theory for the classification of a works contract as a sale of goods or a supply of service.

In *Rainbow Colour Lab*² and *Hindustan Shipyard*³ cases, the Supreme Court held that a division of a contract, post insertion of clause (29A) in Article 366 of the Constitution, can be made only if the works contract involved a dominant intention to transfer the property in goods and not in contracts where the

transfer of property in goods takes place as an incident to a contract of service.

The correctness of *Rainbow Colour Lab* (supra) was doubted in the *Associated Cement*⁴ case. Subsequently, a Full Bench of the Supreme Court in *Bharat Sanchar Nigam*⁵ held that only *Associated Cement* (supra) is to be followed and that of *Rainbow Colour Lab* (supra) is not to be followed. The Court clarified that "*after the 46th amendment.....there is no question of dominant nature test applying*". Still, there persisted an impression that in the case of a transaction involving a very small value of goods and where skill was more important, the transaction should not be a works contract but a service contract.

The Bombay High Court in *Ramdas Sobhraj*⁶ dispelled such doubts while holding, relying on *Matushree Textile*,⁷ that what is relevant for the applicability of the works contracts is the passing of the property in goods and not the quantity of goods that passes. The Allahabad High Court in *Aristo Printers*⁸ relied on *Matushree Textile* (supra) to hold that, in a printing contract, property in ink passes to customers as it is apparent on the printed paper. The law was finally settled by the judgment of the Supreme Court in *Larsen and Toubro Limited*,⁹ which was approved by the Constitution Bench in *Kone Elevator*¹⁰, wherein the Court reiterated that the dominant intention test is not applicable for determining whether a particular contract is a

¹ TS-688-SC-2025-VAT; 2025-TIOL-76-SC-MISC; 07.10.2025

² [2000] 118 STC 09 (SC): 02.02.2000

³ [2000] 119 STC 53 (SC): 20.07.2000

⁴ [2001] 124 STC 59 (SC): 25.01.2001

⁵ [2006] 145 STC 91 (SC): 02.03.2006

⁶ [2012] 55 VST 420 (Bombay): 25.10.2012

⁷ [2003] 132 STC 539 (Bombay): 22.08.2003

⁸ [2011] 41 VST 102 (Allahabad): 08.12.2010

⁹ [2013] 65 VST 1 (SC): 26.09.2013

¹⁰ [2014] 71 VST 01 (SC): 06.05.2014

works contract for the purposes of Article 366(29-A)(b).

Different forms of transfer of property in goods

The taxpayer assailed the correctness of the judgment in *Aristo Printers* (supra) before the Supreme Court in *Aristo Printers Private Limited v. Commissioner of Trade Tax, Lucknow, U.P.*¹¹

The Court noted that various High Courts and the Supreme Court have discussed the aspect of transfer of property in goods involved in the execution of works contracts in three buckets: (a) tangible transfer of property; (b) no transfer of property due to consumption of goods; and (c) transfer of property despite consumption of goods.

The Supreme Court ruled that printing lottery tickets on the paper supplied by the customer is a works contract. The use of ink, chemicals, and other processing materials in the printing of the lottery tickets amounts to transfer of property in goods. The taxable event, or the “deemed sale”, occurs at the precise moment the ink is applied to the paper. This act constitutes “incorporation in the works”, as the ink and the chemicals (with which the ink is mixed) are involved in the execution of the works contract and become a part of the lottery ticket. In this process, there is a tangible transfer of the diluted ink, a composite good comprising both the ink and the processing chemicals.

In the process, the Supreme Court upheld the judgment of the Kerala

“Section 2(90) of the CGST Act defines ‘principal supply’ as the supply which constitutes the predominant element of a composite supply and to which any other supply forming part of that supply is ancillary. The phrases ‘naturally bundled’, ‘predominant element’ and ‘ancillary’ have not been defined under the GST Act.”

High Court in *Enviro Chemicals v. State of Kerala*.¹² The Supreme Court also held that *Pest Control*,¹³ *M.K. Velu*,¹⁴ *Dynamic Cleaning*¹⁵ and *Microtol Sterilization*¹⁶ proceeded on the wrong footing.¹⁷ The emphasis of the courts on ‘consumption’ in the aforesaid cases was incorrect.

A works contract for providing pest control or cleaning services (as was the case in *Pest Control* (supra) and *Dynamic Cleaning* (supra), respectively) would not lead to the creation of a new end product or a tangible transfer of property in goods. However, the chemicals used are indeed being transferred, as without such transfer of goods, it would be impossible to make an area clean or pest-free. Similarly, in *M.K. Velu* (supra) and *Microtol Sterilization* (supra), the works contracts therein could not have been executed successfully without the transfer of

property in the fireworks and ethylene oxide, respectively. The chemicals, fireworks, and ethylene oxide are the primary goods facilitating the works under the respective contracts. It is in this context that they may be said to be incorporated in the ‘works’ of the respective contracts. Consequently, it is undeniable that the property in such goods is being transferred when the respective works contracts are executed. These goods differ from consumables such as water and electricity, which merely aid in executing works contracts and the property in them is not transferred before they are consumed.

In a recent GST judgment¹⁸ in respect of a business of offset printing press engaged in the printing and sales of brochures, books, magazines, posters, leaflets, photo books, notice etc. wherein the content would be supplied by the customer as digital files or digital video through CD/DVD/SVD/Pen drive and the materials required for printing the same, such as ink, papers, etc. are provided by the petitioners, the Kerala High Court agreed that by supplying printing material, there is a supply of goods in the form of paper used for printing. However, as far as the paper used for printing is concerned, it is only a material or means used for printing the actual property, which is the photographs, figures, etc., and therefore, it is only a tool or means to supply the service of printing of those contents supplied by the customers. In such circumstances, the activity of printing amounts to the predominant element of the composite supply, and the supply of paper by the petitioners,

¹¹ TS-688-SC-2025-VAT; 2025-TIOL-76-SC-MISC; 07.10.2025

¹² 2011 SCC OnLine Ker 3685: business of providing a service of chemical treatment of effluent water (transfer of property despite consumption of goods).

¹³ *Pest Control India Limited v Union of India & Ors.*, 1989 SCC OnLine Pat 288; [1989] 75 STC 188 (Patna HC): 14.09.1989

¹⁴ *Deputy Commissioner of Sales Tax (Law), Board of Revenue (Taxes), Ernakulam v. M.K Velu*, 1993 SCC OnLine Ker 577; [1993] 89 STC 40 (Kerala HC):20.01.1993

¹⁵ *Dynamic Industrial and Cleaning Services (P) Ltd. v State of Kerala & Anr*, 1994 SCC OnLine Ker 379; [1995] 97 STC 564 (Kerala HC): 24.05.1994

¹⁶ *Microtol Sterilization Services Pvt Limited v State of Kerala* 2009 SCC OnLine Ker 1480; [2009] 26 VST 213 (Kerala HC):25.03.2009

¹⁷ No transfer of property due to consumption of goods

¹⁸ *Stark Photo Book v The Assisstant Commissioner (Intelligence)* (2025) 35 Centax 121 (Ker.); TS-852-HCKER-2025-GST: 07.10.2025

which is only meant to affect such supply of service, has to be treated as an ancillary activity. Therefore, the tax liability has to be determined based on the activity of printing and the supply of goods in the form of paper used for printing is not at all relevant. To be precise, the fact that the final output contains photographs printed on the paper would not make the same an act of transfer of goods.

The Court further observed that “a distinction has to be drawn, between a case where printed material, wherein, the content was obtained by the assessee from its own source, and a case in which, the assessee undertook a service of printing of the material furnished by the customer. The first case referred to above, would fall under the category of supply of goods, whereas, the second one would fall under the category of supply of services.”

Application of pre-GST concepts in GST era

The definition of ‘works contract’ through Section 2(119) of the CGST Act, 2017 mirrors pre-GST law by using the phrase “transfer of property in goods (whether as goods or in some other form)...involved in the execution of such contract.” Thus, the understanding of transfer of property in goods in the pre-GST era will squarely apply to the works contract under GST law.

While the concept of works contract in the GST regime is limited to immovable property, for taxation of transactions involving supply of goods and services simultaneously, the Act has brought in the concept of composite supply, as defined under Section 2(30) of the CGST Act, which calls for determination of the principal supply [Section 2(90)].

Section 2(90) of the CGST Act defines ‘principal supply’ as the supply which constitutes the predominant element of a composite supply and to which

“Determining whether a transfer of property in goods has occurred is a fact-intensive enquiry, heavily dependent on the circumstances surrounding a particular case, such as the subject and terms of the contract itself. In such a scenario, it is neither possible to lay down any “general principles” nor is it advisable to do so.”

any other supply forming part of that supply is ancillary. The phrases ‘naturally bundled’, ‘predominant element’ and ‘ancillary’ have not been defined under the GST Act.

In a commercial transaction, which aspect of the supply is of predominance will have to be decided on a case-to-case basis, in the facts and circumstances of each case.

In a matter before the Authority for Advance Ruling, Gujarat,¹⁹ the applicant was engaged in the business of carrying out blasting work at various sites by means of use of explosives and other materials for which it had obtained a licence from the Petroleum and Explosives Safety Organization. During the entire blasting activity, explosives were neither handed over to the client nor were they in the possession of the client. Any leftover quantity of explosives was collected back by the applicant. The Authority referred to the Supreme Court’s judgment in the State of Gujarat v. Bharat Pest Control²⁰ to hold that there is a deemed supply of explosives by the applicant to the client as well as a supply of service in the form of the

blasting work. The activity was held to be a composite supply.

In the case of composite supplies of ‘works contract’ and ‘restaurant service’, the Act itself provides certainty by inclusion in Schedule II. However, for other supplies involving goods and services both, the predominant element of supply will have to be ascertained. One of the transactions open for litigation is that of health care services. Recently, the Gujarat High Court, in a detailed judgment,²¹ has upheld the levy of VAT on the goods portion in hospital services, observing that a simple treatment with medicine cannot be equated with complicated medical procedures undertaken by the petitioner hospitals involving skill and use of expensive implants/prosthetics and use of laboratory testing equipment. It is true that the dominant intention of the contract was not to transfer the property in goods, i.e. consumables, medicines, implants, stents, etc. used in the treatment of indoor patients by the petitioner hospitals, but the same was for rendering of services. However, the



¹⁹ 2018-TIOL-173-AAR-GST: 27.08.2018

²⁰ 2018-VIL-02-SC; [2018] 55 GSTR 99 (SC); [2018] 13 GSTL 401 (SC): 30.01.2018

²¹ Bankers Cardiology Private Limited & Anr v Commissioner of Commercial Tax & Anr TS-634-HC-2025(GUJ)-VAT: 25.07.2025

ultimate transaction is nothing but a transfer of movable property and it would be open for the respondent State to levy sales tax/VAT on the materials used in such contract if such contract otherwise has the element of “works contract” which would fall within clause(b) of Article 366(29A) of the Constitution, as it would amount to transfer either in goods or some other form.

Extending this logic to the GST regime, though services by way of health care services by a clinical establishment, an authorised medical practitioner or paramedics are exempt from GST,²² where the cost of a package for treatment of the same disease differs significantly according to the kind of implant used, the Revenue may dispute the availability of the exemption, asserting the predominant intention as sale of goods.

The Delhi High Court is examining whether medicines and consumables supplied to hospital inpatients are



“While tax obligations are generally governed by statute, the way these obligations are distributed between contracting parties is largely a matter of private negotiation, judged by looking at the commercial intent, the jurisdiction’s tax laws, and the common practices in the relevant industry, looked through the eyes of an average customer.”

liable to GST or form part of exempt inpatient healthcare services. The court issued notice on a writ petition filed by Escorts Heart Institute²³ challenging a GST demand of ₹6.66 crore raised by the CGST Delhi Audit Commissionerate. While allowing adjudication proceedings to continue, the High Court restrained tax authorities from passing any final order until the petition is finally decided. The tax department alleged that GST was embedded in the MRP charged for medicines, implants, and consumables during inpatient treatment and was collected but not remitted. The hospital argued that such supplies are part of exempt composite healthcare services.

Tests for determining predominant intention

Determining whether a transfer of property in goods has occurred is a fact-intensive enquiry, heavily dependent on the circumstances surrounding a particular case, such as the subject and terms of the contract

itself. In such a scenario, it is neither possible to lay down any “general principles” nor is it advisable to do so. The Supreme Court in *Collector of Central Excise, New Delhi v. Ballarpur Industries Limited*²⁴ has recognised this position.

It is not necessary that a transaction should fall within either a composite supply or a mixed supply. A single contract instrument may consist of two distinct supplies, one of goods and the other of services. This position is recognised by the CBIC in Circular No. 47/21/2018-GST dated 08.06.2018.²⁵

Composite supply in EU VAT

Composite supplies are one of the most commonly debated issues under European VAT (EU VAT). Despite its unquestionable relevance as a topic, there is no settled rule providing a clear indication of how to deal with the issue of single or multiple supplies. Fortunately, some guidance on the VAT treatment of composite supplies has been provided, through the years, by the Court of Justice of the European Union (CJEU).

The EU’s doctrine on composite supplies has a main rule and two exceptions. The main rule stipulates that every transaction must normally be regarded as distinct and independent for VAT purposes. This primary course is termed as ‘splitting’.

Two notable exceptions, however, are generally acknowledged to this main approach. Under the first exception, a single composite supply exists where one or more supplies constitute a principal supply, while the other supply or supplies constitute one or more ancillary supplies which ought to receive the tax treatment

²² Serial number 74 in Notification number 12/2017 (CTR): 28.06.2017

²³ Escorts Heart Institute and Research Center Limited v Additional Commissioner of CGST Audit-I & Ors [W.P.(C) 19355/2025, CM APPL. 80732/2025 & CM APPL. 80733/2025] order dated 19.12.2025

²⁴ 1989 (43) E.L.T. 804 (S.C.); (1989) 4 SCC 566: 29.09.1989 as quoted by the Supreme Court in *Aristo Printers* (supra)

²⁵ Servicing of cars involving both supply of goods (spare parts) and services (labour) where the value of goods and services are shown separately.



Express communication of intention of parties to contract

Drafting contractual clauses that effectively address indirect tax issues is a nuanced and often complex task. While tax obligations are generally governed by statute, the way these obligations are distributed between contracting parties is largely a matter of private negotiation, judged by looking at the commercial intent, the jurisdiction's tax laws, and the common practices in the relevant industry, looked through the eyes of an average customer.

Indian Courts have emphasized the contractual intention of parties in tax matters. Intention is a state of mind. Intention is an inference to be drawn from the relevant facts.²⁶ No person can make out the state of mind of another person. The state of a person's mind can only be determined by deducing facts of a case from the underlying documents. In most jurisdictions, Courts aim to uphold the intent of the parties unless a clause contravenes mandatory tax law.

In this respect, it is relevant whether the customer, being an average customer, has a single economic purpose in purchasing the service consisting of several elements.²⁷ An approach consisting of taking account of the intention of each recipient individually would be contrary to the objectives of the VAT system of ensuring legal certainty and a correct and straightforward application of the provisions of law.²⁸

There is also a single supply where one or more elements are to be regarded as

constituting the principal supply, while other elements are to be regarded, by contrast, as one or more ancillary supplies which share the tax treatment of the principal supply. In particular, a service must be regarded as ancillary to a principal supply if it does not constitute for customers an end in itself but a means of better enjoying the principal service supplied.^{32,33}

Whether a single price is charged is not decisive. If the service provided to customers consists of several elements for a single price, the single price may, however, suggest that there is a single service, but if the customers intend to buy two distinct services, the single price will need to be split using the simplest possible method of calculation.³⁴

Whether the customer is allowed to purchase one of the supplies from another service provider is also important in order to determine whether there is a single supply or two distinct supplies.³⁵



Author may be reached at
sanjayk2202@gmail.com and
eboard@icai.in

of the principal supply.²⁶ As such, the VAT treatment under this first exception follows the Latin maxim '*accessorium sequitur principale*' or the 'principle of absorption' of the ancillary (or subordinate) supply into the main (or principal) supply. However, a single supply also exists, and that is the second exception widely acknowledged, where two or more elements (i.e., the supplies) made by a taxable person are so closely linked that they form, objectively, a single, indivisible economic supply that would be artificial to split.²⁷

The ECJ has admitted²⁸ that the price of different elements of supply itself is not a decisive factor for the determination of principal supply. The CBIC has toed this line of reasoning through Circular Number 34/8/2018-GST dated 01.03.2018 and Circular Number 11/11/2017-GST dated 20.10.2017.

²⁶ See Card Protection C-349/96 para 32

²⁷ Levob Verzekeringen B.V, OB Bank N.V, v. Staatssecretaris van Financiën, (C-41/04) 27.10.2005, paragraphs 20 and 22

²⁸ Aktiebolaget NN v Skatteverket (case C-111/05) decided on 29.03.2007

²⁹ CIT v Vikram Cotton Mills Ltd [1988] 169 ITR 597 (SC) – Matter involved taxation under the head 'Income from House Property'

³⁰ Levob Verzekeringen B.V, OB Bank N.V, v. Staatssecretaris van Financiën, (C-41/04) 27.10.2005 para 24

³¹ Město Žamberk v Finanční ředitelství v Hradci Králové C-18/12 : 21.02.2013 para 36

³² Card Protection Plan Ltd v. Commissioners of Customs and Excise C-349/96 25.02.1999 para 30

³³ Stadion Amsterdam CV v. Staatssecretaris van Financiën, C-463/16 : 18.01.2018

³⁴ Card Protection Plan Ltd v. Commissioners of Customs and Excise C-349/96 25.02.1999 para 31

³⁵ Minister Finansów v Wojskowa Agencja Mieszkaniowa w Warszawie (C-42/14) : 16.04.2015



LEARNING. ENGAGING. IMPACTING.

ICAI Events at a Glance

First-Half Comparison over the Years:
Data from January to June for Calendar Years 2023 to 2026

The Continuing Professional Education Directorate continues to drive extensive professional learning opportunities for members through a comprehensive and diversified nature of CPE activities. While comparing the first halves of the last four calendar years, it can be observed that the number of events increased from 3,454 in the year 2023 to 3,773 in the year 2024 and 4,299 in the year 2025, before recording 3,984 events in the year 2026.

Across Programme Organising Units (POUs), months, regions and topics, the trajectory reflects the scale and diversity of professional development initiatives. Together, these trends demonstrate the CPE Directorate's sustained and broad-based commitment to strengthening members' knowledge base through diverse, accessible and future-oriented learning opportunities.



EVENT TYPE-WISE DISTRIBUTION

Key Highlights



15,510

TOTAL EVENTS



4,299

HIGHEST IN A YEAR
1st half of 2025



10,956

SEMINARS
70.6% of total events



1,451

WEBINARS
2nd highest event type

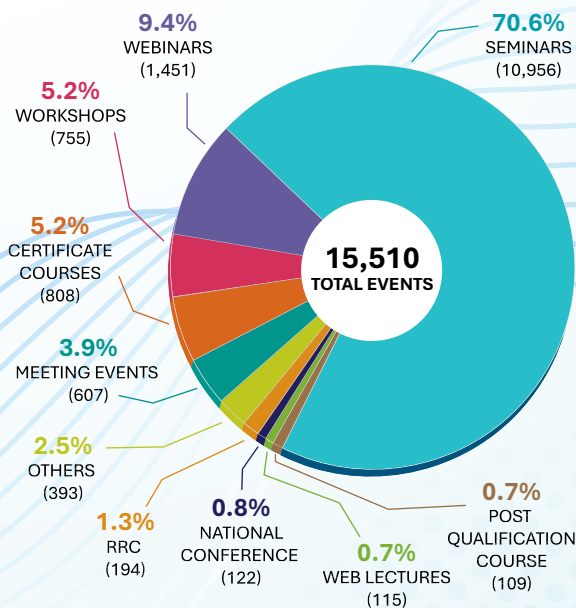


808

CERTIFICATE COURSES
Strong growth across years

EVENT TYPE	EVENTS CONDUCTED				GRAND TOTAL
	2023	2024	2025	2026	
SEMINARS	2364	2841	3070	2681	10956
WEBINARS	286	355	398	412	1451
WORKSHOP	201	192	141	221	755
CERTIFICATE COURSE	69	75	372	292	808
MEETING EVENTS	115	131	150	211	607
RRC	51	47	42	54	194
NATIONAL CONFERENCE	25	39	23	35	122
WEB LECTURES	-	46	29	40	115
POST QUALIFICATION COURSE	9	23	53	24	109
OTHERS	334	24	21	14	393
GRAND TOTAL	3454	3773	4299	3984	15510

SHARE OF CPE EVENTS BY ITS TYPE



More than numbers, these events reflect our commitment to knowledge sharing, capacity building and the growth of the profession.

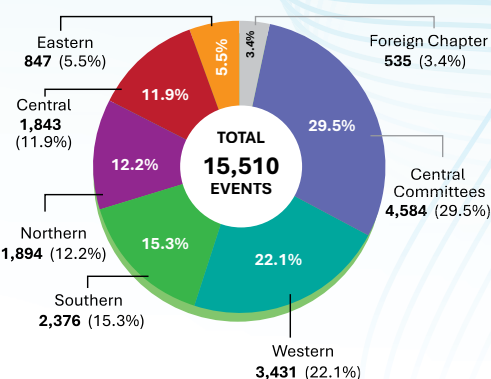


REGION-WISE EVENT DISIRIBUTION

EVENTS BY REGION

EVENT BY REGION	2023	2024	2025	2026	GRAND TOTAL
Central Committees	710	1047	1367	1460	4584
Western	902	881	888	760	3431
Southern	616	601	619	540	2376
Northern	446	425	526	497	1894
Central	446	450	535	412	1843
Eastern	221	224	222	180	847
Foreign Chapter	113	145	142	135	535
GRAND TOTAL	3454	3773	4299	3984	15510

SHARE OF CPE EVENTS BY REGION



Key Highlights



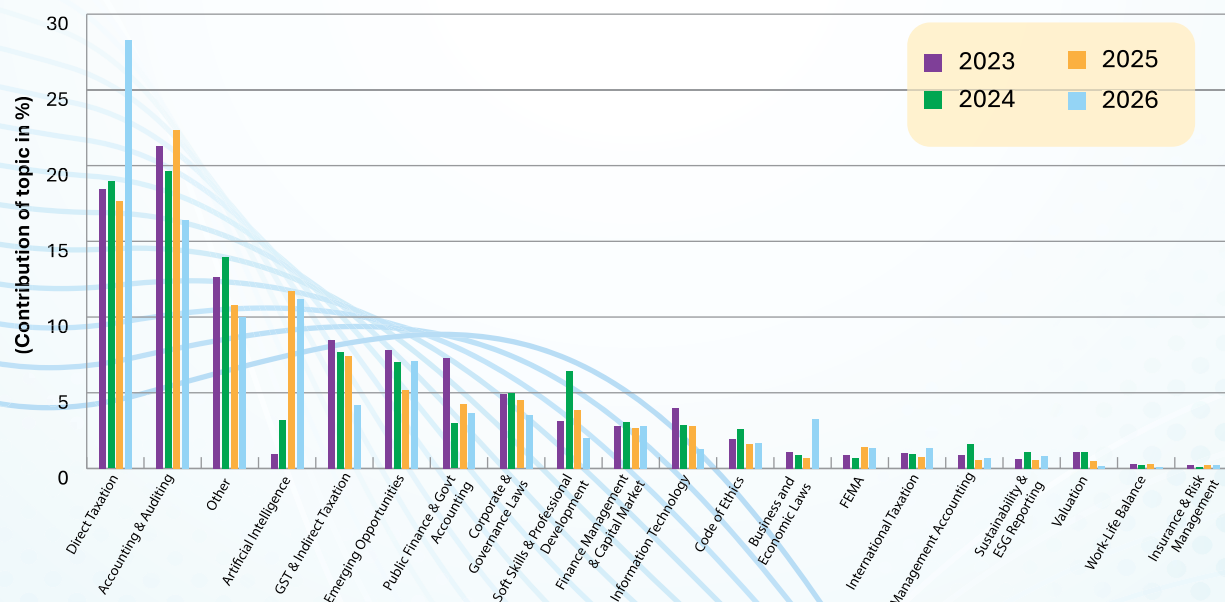
Central committees recorded the highest growth, rising from **710** events in the 1st half of 2023 to **1,460** in 2026.



Overall events increased from **3,454** in 2023 to a peak of **4,299** in 2025.



TOPIC-WISE EVENT DISTRIBUTION IN PERCENTAGE



Key Highlights



Direct Taxation leads the way with **3,240** events (20.89% of total).



Artificial Intelligence saw exceptional growth from **33** events in 2023 to **503** in 2025.

Diverse topics across 20 key areas reflect ICAI's commitment to holistic knowledge & relevance.



CA. Utkarsh Mishra
Member of the Institute

Internal Financial Control (IFC) – Regulation, Global Practices and Evolution

This article examines the development and significance of Internal Financial Control (IFC) systems, with a focus on global regulatory trends and India's evolving framework. It traces the journey from international benchmarks such as the COSO framework and the Sarbanes-Oxley Act to India's enhanced provisions under the Companies Act, 2013. By comparing global practices, the paper highlights variations in implementation, ranging from comprehensive compliance in the U.S. to minimal

enforcement elsewhere. It also discusses practical challenges in India, including cost, complexity, and technological constraints. The article concludes by emphasizing the potential of emerging technologies and the need for globally consistent IFC standards.

What is Internal Financial Control?

Section 134(5)(e) of the Companies Act, 2013 defines Internal Financial Control as *"the policies and procedures adopted by the company for ensuring orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information."*

It involves participation of multiple parties to review the process and efficacy of the IFC implementation such as: -

reporting "what has gone wrong" with respect to the previous year's financial accounts, the company's statutory auditor would now be expected to report on "what can go wrong" or "what could have gone wrong" at the end of the financial year. The emphasis extends beyond "Financial Reporting Controls" to encompass "all aspects" of the Controls Framework, such as tone at the top, policies and procedures, control design, operating efficacy of controls, control monitoring, and so on.

Regulatory Landscape

The legal framework governing IFCs varies across jurisdictions, reflecting

relevant regulations affecting IFC practices globally.

1. United States

The Sarbanes-Oxley Act was enacted in 2002 in response to high-profile accounting scandals such as Enron and WorldCom, with an objective to strengthen corporate accountability and improve the reliability of financial reporting.

- **Section 404:** Requires management to monitor and report on the effectiveness of internal controls on financial statements. It also mandates that external auditors certify management's assessment.
- **Section 302:** Management is required to attest to the truthfulness and completeness of financial statements. Executives themselves are responsible for anything that goes wrong.
- **Section 404(b):** Requires external auditors to evaluate the effectiveness of internal controls and report their findings.
- Security Exchange Commission (SEC) mandates annual filing of Form 10-K under Regulation S-K,

Management	Audit Committee	Auditors	Board of Directors
For financial reporting, create control documents and attest to the efficacy of internal control mechanisms.	Test alignment of the deployed controls with the standards. Consistent review and suggestions for better controls.	Evaluate if the business has a sufficient internal financial control system in place, with controls that are appropriately effective, and evaluate the controls that the management has put in place.	Provide suggestions for the layout of an effective control system which is best suitable for the type of business environment they have.

Scope Expansion

The change that IFC reporting brought for the auditor was that, aside from

different national priorities and legal philosophies. Here, we examine key regulatory frameworks and other

which encompasses disclosure requirements of internal control effectiveness.

- Public Company Accounting Oversight Board (PCAOB) requires auditors to conduct an integrated audit of the financial statements and internal control systems in accordance with Auditing Standard AS 2201.
- Even before the SOX was implemented, the Foreign Corrupt Practices Act (FCPA), 1977 had introduced requirements under Section 13(b)(2)(A) of the Securities Exchange Act of 1934 for companies to make and keep books, records, and accounts that accurately and fairly reflect the transactions and dispositions of their assets in reasonable detail.
- SOX has had a significant impact on internal controls in the US, which includes placing greater emphasis on the documentation, testing, and reporting of internal processes.

2. United Kingdom

- Internal financial controls are regulated through the UK Corporate Governance Code issued by the Financial Reporting Council. The board of directors must perform a thorough evaluation of the company's primary and emerging risks in accordance with Provision 28 of the Code and reflect the results in the annual report. Additionally, Provision 29 mandates that the board must keep an eye on the company's internal control and risk management systems while evaluating their efficacy at least once a year.
- The Financial Reporting Council's (FRC) Guidance on Risk Management and Internal Control, which supports the Code, highlights that the board is in charge of assessing the company's risk tolerance and making sure that proper control mechanisms are in place. It also offers comprehensive

guidelines for creating reliable internal control systems.

3. European Union

- Internal control laws are primarily included in financial reporting guidelines and corporate governance frameworks in the European Union. In the corporate governance statement of their annual reports, corporations are required by the EU Accounting Directive (2013/34/EU) to disclose the key components of their risk management and internal control systems with respect to financial reporting. According to the national corporate governance standards, the board of directors tend to be in charge of monitoring these processes.
- Corporate disclosure requirements have been extended by the Corporate Sustainability Reporting Directive (CSRD). Companies must submit comprehensive information about sustainability-related risks, governance frameworks, and internal procedures used to track and manage such risks in accordance with Article 19a. Organisations are encouraged to improve their internal control and reporting systems in response to these reporting requirements and necessary third-party verification.

4. Japan

- Internal financial control requirements are regulated by the Financial Instruments and Exchange Act through the internal control reporting system commonly referred to as J-SOX. Listed firms must submit an internal control report evaluating the efficacy of internal controls over financial reporting in accordance with Article 24-4-4 of the Act.
- In order to ensure the accuracy of management's evaluation, this report needs to be independently examined by independent

auditors. The COSO internal control framework, which comprises components like control environment, risk assessment, control activities, information and communication, monitoring, and information technology controls, serves as a major foundation for the assessment of internal controls under J-SOX. Corporate governance and the accuracy of financial reporting in Japanese businesses were greatly improved by the adoption of J-SOX.

5. Canada

- The Canadian Securities Administrators' National Instrument 52-109 governs the requirements for internal control reporting. Section 4.1 requires the Chief Executive Officer and Chief Financial Officer to certify that disclosure controls, procedures and internal control over financial reporting have been properly designed and implemented.
- The instrument also mandates that issuers periodically assess the efficacy of disclosure controls and identify any major deficiencies in internal control systems. National Instrument 52-109 does not typically require auditor certification of internal control over financial reporting, in contrast to the U.S. Sarbanes-Oxley framework, though certain businesses may choose to do so.

6. India

- The Companies Act, 2013 is the principal law governing internal financial controls. Section 134(5)(e) requires the board of directors to establish internal financial controls and confirm their adequacy and effectiveness in the Directors' Responsibility Statement. Statutory auditors are also required by Section 143(3)(i) to report on the adequacy and effectiveness of internal financial controls over financial reporting. However, the Ministry of Corporate

Affairs, through Notification No. G.S.R. 583(E) dated 13 June 2017, exempted One Person Companies, small companies, and certain private companies with a turnover below ₹50 crore and borrowings below ₹25 crore from internal financial control reporting.

- The Securities and Exchange Board of India's 2015 SEBI (Listing Obligations and Disclosure Requirements) Regulations expand internal financial control requirements for listed companies in India. The board of directors is in charge of managing the company's internal control system and risk management in accordance with Regulation 17. The audit committee is responsible, by Regulation 18, for evaluating the effectiveness of internal financial controls, risk management programs, and financial reporting procedures. Additionally, the Chief Executive Officer and Chief Financial Officer must certify under Regulation 33 that

financial statements accurately depict the company's financial situation and that adequate internal controls are in place. The Guidance Note on Audit of Internal Financial Controls over Financial Reporting, published in 2015 by the Institute of Chartered Accountants of India, specifies the reporting framework and methodology for auditors evaluating IFC-FR.

IFC Reporting and Practices around the World

Statutory requirements change depending on the type of firm and place of activity, as demonstrated in the instance of IFC in Table 1. On one hand, countries such as the United States have expanded auditor responsibilities and thorough reporting requirements; on the other hand, a few countries do not place enough importance on IFC reporting, for example, Ghana, where there is no requirement even for listed companies to incorporate IFC shortcomings in their report. The summarized country-wise IFC reporting requirements are as follows: -

Challenges in Implementing IFC in India

While the regulatory framework and core components of IFC have been very clearly defined, there are several challenges to the implementation of effective IFC within the Indian context. In many cases, these challenges are accentuated by some of the unique characteristics of the Indian corporate landscape.

- **Cost and Resource Constraints:** It can be very resource-intensive to set up and maintain a robust IFC system, especially in the case of SMEs. In the case of most SMEs in India, there exists a resource weakness to invest in the design and implementation of internal controls. This forces them to depend upon some external consultants or auditors, thereby further straining their financial resources.
- **Complexity in Business Operations:** The business environment in which Indian companies operate is very diverse and complex in nature. Companies are engaged in a plethora of

Table 1: IFC reporting requirements across a select set of countries

Country	IFC Reporting Attributes
USA (Stringent control and guidelines reporting)	■ Section 302: Quarterly evaluation and disclosure of controls ■ Section 404: Management testing and auditor's evaluation of IC ■ 10 Q: Quarterly return – General company information ■ 10 K: Yearly return – Detailed and deep information ■ SOX made CFOs accountable for establishing and executing such a system, which they must personally verify; SOX also increased auditors' role by requiring them to validate the IFC. Non – Compliance ■ Fine of up to \$1 million, 10 years in prison, or both ■ Knowingly - \$5 million in fines, 20 years in prison, or both
United Kingdom (Moderate focus on Internal Control)	UK Corporate Governance Code (2018) – ■ Provision 28: Board must assess principal risks affecting the company. ■ Provision 29: Board must review the effectiveness of internal control and risk management systems annually. ■ FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) provides implementation principles.
European Union (Moderate focus on Internal Control)	■ EU Accounting Directive (Directive 2013/34/EU) – Article 19: Companies must describe internal control and risk management systems in the corporate governance statement. ■ Corporate Sustainability Reporting Directive (CSRD), Directive (EU) 2022/2464 – Article 19a: Requires disclosure of governance structures, risk management, and internal control processes related to sustainability reporting.

Country	IFC Reporting Attributes
Canada (Moderate focus on Internal Control)	National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings. ■ Section 4.1: CEO/CFO certification regarding disclosure controls and procedures (DC&P) and ICFR. ■ Section 5.1: Disclosure of material weaknesses in internal controls. ■ Section 6.1: Management evaluation of disclosure controls effectiveness. ■ Auditor attestation is not mandatory for ICFR.
South Korea (Moderate focus on Internal Control)	■ Act on External Audit of Stock Companies – ■ Article 8: Companies must establish and operate an Internal Accounting Control System (IACS) to ensure financial reporting reliability. ■ Article 8(6): Management must annually evaluate the effectiveness of the internal accounting control system and disclose the results. ■ Article 8(7): External auditors are required to review and verify management’s report on the internal accounting control system.
Singapore (Moderate focus on Internal Control)	Singapore Code of Corporate Governance (2018) issued by the Monetary Authority of Singapore. ■ Provision 9.1: Board is responsible for maintaining sound risk management and internal control systems. ■ Provision 9.2: Board should obtain assurance from the CEO and CFO regarding adequacy and effectiveness of internal controls and risk management systems. ■ Provision 10: Audit committee reviews the adequacy and effectiveness of internal control and risk management frameworks. ■ Listed companies must disclose internal control and risk management practices in their annual corporate governance statement.
Australia (Moderate focus on Internal Control)	ASX Corporate Governance Principles and Recommendations (4th Edition) – Principle 7: Establish sound risk management and internal control systems. ■ Recommendation 7.2: The Board must review risk management framework on an annual basis. ■ Recommendation 7.3: Disclosure of internal audit and risk management practices.
China (Moderate focus on Internal Control)	Basic Standard for Enterprise Internal Control (2008) issued by the Ministry of Finance and other regulators. ■ Article 2: Enterprises must establish and implement internal control systems to ensure operational efficiency, asset protection, and reliability of financial reporting. ■ Article 46: Listed companies must conduct annual internal control self-assessments and disclose the related internal control evaluation reports. ■ Auditor assurance on internal control reports is required for listed companies. ■ The framework, often referred to as “China SOX (C-SOX)”, integrates risk management, control activities, and monitoring mechanisms.
Japan (Moderate focus on Internal Control)	■ (J-SOX) 2007 of Japan is regarded as the equivalent of Sarbanes-Oxley in Japan (SOX), where every listed company in Japan is required to do risk analyses and create and publish consolidated internal control reports. ■ Independent accountants will audit and certify internal control assessment reports, attesting to the reports’ dependability or lack, if any.

Source: Author’s Compilation

sectors, most of which have their own regulatory requirements and risks. It would be challenging to design such an IFC system that would be comprehensive but at the same time flexible and adaptable to this complexity.

- **Human Factors:** IFC is almost wholly dependent upon the human

element. The concentration of power in a few due to family-owned businesses in India sometimes leads to an absence of checks and balances. Further, resistance to change and a lack of awareness among employees about the need for IFC can disturb effective implementation of

internal controls. There is a need to design training and development programs aimed at enhancing employees’ understanding of IFC, which has so far been given the least consideration.

- **Technological Issues:** Technology used in the implementation of IFC is an opportunity and a challenge.

On one hand, most of the control activities will be automated, thereby reducing the possibility of human errors and fraud. On the other hand, new types of risks related to cybersecurity are opened.

Auditor's Role in IFC

Auditors play an important role in the assessment and improvement of IFC in Indian companies. The Companies Act, 2013 has enlarged the scope of statutory audit to reporting on IFC, hence making the auditor responsible for their opinion concerning the sufficiency and effectiveness of the internal financial control of a company.

This enhanced role led to a close check on audit quality and a demand for relevant understanding of processes involved in business and risks thereof by the auditors. In an Indian scenario where a business environment is diverse and dynamic, the auditors will have to be agile and adaptive in their approach toward the evaluation of IFC.

Similarly, the work of internal auditors becomes very vital in the process. They provide ongoing assurance on a company's risk mitigation, governance standing, and the processes of internal control in operation. Internal auditors are the most vital line of defense because they find and rectify control defects before they have any effects on the financial statements.

Future Trends in Internal Financial Control

As the business environment improves, the future of domestic financial management is shaped by several factors. These factors reflect technological advances, changes in regulatory requirements, and the increasing complexity of global operations.

Improved Technology Integration

Technology is changing the flexibility of internal controls. Key technological developments include:

- **Artificial Intelligence (AI):** AI is capable of automating routine operations, analyzing vast amounts of financial data, and detecting potential risks or anomalies.
- **Machine Learning:** Machine learning algorithms can improve fraud detection by analyzing patterns and predicting possible fraudulent activity.
- **Blockchain:** Blockchain technology offers potential benefits to enhance transparency and security in financial transactions.

Focus on Cybersecurity

With the rise of cyber threats, internal systems are placing more emphasis on cybersecurity. Key considerations include:

- **Data Security:** Implement control measures to protect financial information from cyber-attacks and breaches.
- **Incident Response:** Develop robust action plans to address cybersecurity threats and mitigate their impact on financial services.
- **Compliance:** Ensure compliance with data protection regulations such as GDPR and other cybersecurity standards.

Regulatory Development

Regulatory requirements for internal controls are constantly evolving. Organizations need to be notified of changes and adapt their control systems accordingly. Upcoming legal actions include:

- **Enhanced Scrutiny:** Regulators have increased their focus on internal controls, particularly in high-risk industries like the financial sector.
- **Globalization:** Efforts to standardize laws across jurisdictions can lead to consistent requirements around the world.
- **Sustainability Reporting:** Increased emphasis on

environmental and social governance (ESG) is influencing the internal process of sustainability reporting.

Global Harmony

As businesses expand globally, there is increasing emphasis on standardizing internal processes across countries. This includes:

- **Standards:** Adoption of international policies and standards to ensure consistency of internal controls.
- **Cross-Border Compliance:** Ensuring internal controls meet the requirements of multiple regulations.
- **Sharing Best Practices:** Using global best practices to address common challenges in improving internal processes.

Conclusion

Strict guidelines and specified format reporting produce the best results, as demonstrated in SEC filings. Furthermore, holding board members, directors, auditors, and concerned officials accountable with severe penalties fosters a strong internal control environment. We may conclude that different countries apply different reporting criteria based on their size of economy, current statute, corporate complexities, and level of stakeholder participation. However, developing countries such as India should hasten their adoption of the detailed USA-like reporting. For example, Forms 10Q and 10K may appear to be an excessive reporting burden at first, but will eventually result in stakeholder transparency and fewer financial mishaps.

Author may be reached at
fcautkarshmishra@gmail.com
and eboard@icai.in



Dr. Sudipta Majumdar
Academician



Mahiraa Wadhawan
Researcher

Creditor's Rights and the Persistence of Zombie Borrowing in India

The Insolvency and Bankruptcy Code (IBC) of 2016 in India aims to facilitate the exit of financially non-viable firms and address broader issues in credit dynamics. The time-bound procedures coupled with empowering creditors intend to curb the zombification of corporate firms, i.e., firms that remain operational despite the inability to service their debts out of current earnings over a long horizon. In this backdrop, the study aims to, first, analyse the present trends of firm zombification in India, and secondly, assess the impact of IBC reform on firm zombification. Finally, the study attempts to empirically examine the influence of the IBC on zombie borrowing in India.

in the pre-IBC period (Bhaduri and Selarka, 2022). In the post-reform era, we observe the persistence of firm zombification growth as well (Kulkarni et al., 2021). According to the RBI Bulletin¹, around 10% of non-financial firms in India are considered zombie firms. Moreover, it also claims a spurt in the borrowing of zombie firms at a lower cost, based on countercyclical policy support, which leads to inefficient credit allocation in the economy (Acharya et al., 2024). Their ongoing existence disrupts the competitive environment by undermining more efficient and capable firms, making it harder for new players to enter the market, and increasing the overall productivity difference in the economy. The rise of zombie firms poses a serious challenge to how resources are allocated and to achieving long-term economic efficiency (Caballero and Hammour, 2001). Lenders' weak screening incentives, reluctance to recognise non-performing assets, and other factors are responsible for the

continued credit growth of zombie firms despite the reform (Kulkarni et al., 2021). However, such phenomena are further amplified during COVID-19, based on regulatory forbearance and liquidity initiatives (although these are inevitable for systemic stability), which unintentionally support those financially non-viable firms, allowing more debt accumulation at a cheaper cost². Against this backdrop, the study aims to first analyse the present trends of corporate firm zombification in India (section 2) and, secondly, assess the impact of IBC reform on firm zombification (section 3). Finally, the study attempts to empirically examine the influence of the IBC on Zombie borrowing in India (section 4). Therefore, the study intends to show the impact of IBC reform, the current picture of firm zombification, and zombie borrowing in the Indian financial market, thereby offering some important insights to market participants, investors, researchers, and so on.

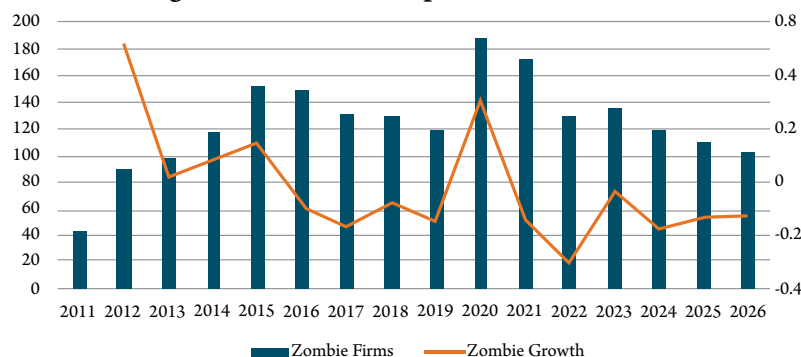
Introduction

The Insolvency and Bankruptcy Code (IBC) of 2016 in India aims to facilitate the exit of financially non-viable firms and address the broader issue of credit dynamics (IBBI, 2025). The time-bound procedures coupled with empowering creditors intend to curb the zombification of corporate firms, i.e., firms that remain operational despite the inability to service their debts out of current earnings over a long horizon (Caballero et al., 2008). However, prior studies exhibit a sudden surge in zombie borrowing (Figure 1)

¹ RBI Bulletin (2022), Zombies and the process of creative destruction. Weblink: https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/02AR_1702226379127C57444208BD066FEB3E8200F8.PDF

² Economic Times Report (2023), 'Share of zombie firms in India doubled between FY12 & FY22'. See Weblink: <https://economictimes.indiatimes.com/news/company/corporate-trends/share-of-zombie-firms-in-india-doubled-between-fy12-fy22/articleshow/97088588.cms?from=mdr>

Figure 1: Trends of Corporate Zombification



Source: Computed from the data collected from Prowess DX (2026)

Trends of Corporate Firm Zombification in India

To identify zombie firms, the paper adopts the criteria outlined in the RBI Bulletin (Pattanaik *et al.*, 2022). A firm is classified as a zombie if it simultaneously satisfies three conditions: an interest coverage ratio (ICR) below 1 (calculated as EBIT divided by interest expenses), positive debt growth, and leverage above the respective industry median. Firms not meeting these conditions are considered non-zombie.

Table 1 shows a significant rise in zombie firms between 2011 and 2015, with their share of all firms rising to 14.3% in 2015. This indicates the presence of firms with financial distress before the introduction of the IBC. After the reform, the proportion of zombie firms gradually decreased to 9.5% by 2019, reflecting a positive impact of the reform. However, in 2020, the zombie share jumped back up to 12.7% due to the expected impacts of COVID-19 and credit forbearance, revealing some

underlying weaknesses in the system. From 2021 to 2026, the zombie share continued to decline, hitting 6.01%, which points to a slow but steady return to financial discipline and potential benefits from the IBC reforms. In a nutshell, it indicates the potential effectiveness of the IBC in curbing corporate firm zombification since 2016. However, its usefulness is restricted by delays, weak enforcement, and strategic maneuvers by both lenders and borrowers. The study further compares the zombie and non-zombie firms using univariate statistics on key financial indicators like total assets, return on assets (ROA), cash profit, borrowing, and cost of debt. This analysis intends to highlight the fundamental differences in firm size, profitability, and financing behaviour between the two types of firms, thereby providing preliminary evidence of the distortions arising out of zombie lending. Therefore, the study has framed the following hypotheses:

H1: Zombie firms enjoy greater credit compared to non-zombie firms

H2: Zombie firms enjoy a lower cost of credit than non-zombie firms

The study has extracted yearly data for the period 2011-2026 from Prowess dx³. Identification of zombie firms follows the above-mentioned criteria of the RBI Bulletin⁴. The following estimations are done using univariate statistics. Table 2 presents a comparative analysis of mean borrowing (estimated via leverage) and the cost of debt for zombie and non-zombie firms over the entire study period. In addition, the same analysis is also conducted for total assets, return on assets (ROA), and cash profit ratio (cash profit-to-sales).

The findings show that the average borrowing (leverage) of zombie firms

Table 1: Trends of Corporate Firm Zombification

Year	Zombie Firms	Zombie Growth	Total Firms	Zombie Share (%)
2011	44	-	740	5.94
2012	89	0.704	817	10.89
2013	99	0.106	840	11.78
2014	118	0.176	921	12.81
2015	153	0.260	1067	14.33
2016	149	-0.026	1184	12.58
2017	132	-0.121	1237	10.67
2018	131	-0.008	1248	10.49
2019	119	-0.096	1257	9.46
2020	188	0.457	1476	12.73
2021	173	-0.083	1522	11.36
2022	130	-0.286	1614	8.05
2023	136	0.045	1707	7.96
2024	119	-0.134	1655	7.19
2025	110	-0.078	1685	6.53
2026	103	-0.065	1715	6.01

Source: Computed by Authors (2026)

³ Prowess dx is a web-based database from CMIE providing detailed financial and performance data on Indian companies. Weblink: <https://prowessdx.cmie.com>

⁴ RBI Bulletin (2022), Zombies and the process of creative destruction. Weblink: https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/02AR_1702226379127C57444208BD066FEB3E8200F8.PDF

Table 2: Univariate Statistics between zombie and non-zombie firms

	A. Zombie Firms	B. Non-Zombie firms	Mean Difference (T-test) (A-B)
Total Assets (Cr. in INR)	50910.96	85379.18	-34468.22*
ROA	-0.0844	0.1828	-0.2672***
Cash Profit Ratio	-42.7944	0.0506	-42.8450**
Leverage	0.8823	0.3301	0.5522***
Cost of Debt	0.0946	0.1307	-0.0361**

Source: Authors' computations using Stata 17 (2026)

Note: *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels.

(0.8823) significantly exceeds that of non-zombie firms (0.3301). On the other hand, zombie firms, on average, enjoy a lower cost of borrowing (.0946) by a mean of 3.61% per year. This may be argued that zombie firms may have good relations with the banks (through influential promoters) who are reluctant to write off the existing credit as non-performing assets (NPAs). Similarly, some of the zombie firms belong to strategic sectors like telecom, infrastructure that enjoy continued cheaper credit because of government policies and low risk perceptions. Therefore, the study fails to reject both hypotheses H1 and H2.

Other variables show that zombie firms hold lower mean assets and suffer from lower profitability (ROA and cash profit ratio) as compared to other healthy firms.

IBC and Firm Zombification

The Insolvency and Bankruptcy Code (IBC) aimed to help resolve or liquidate financially distressed firms on time, to reallocate financial resources more effectively. However, ongoing delays, legal challenges, and a tendency to prioritize the revival of even unviable firms have often resulted in the existence of zombie companies. Practices such as loan evergreening



by banks, repeated restructuring, and selling assets at a discount further weaken market discipline. While the IBC has the potential to tackle this zombification issue through strict resolution timelines and enhanced institutional capacity, its success hinges on normalizing liquidation when needed, penalizing zombie lending, and ensuring that resolution plans genuinely restore business viability. Table 3 exhibits the role of IBC on firm zombification.

Table 3: IBC and Corporate Firm Zombification

Aspects	Policy Undertaken	Current Status
Objective of IBC	Ensuring time-bound resolution of distressed firms	- Over 8,492 cases admitted till 2025 - Delays in resolution persist, though average resolution time has improved (317-713 days)
Expected Outcome	- Strengthening exit mechanisms - Improving recovery	- Share of zombie firms increased post-IBC - Policy gaps, with improved disclosure and governance
Systemic Challenges	- Efficient tribunals - Responsible borrower behavior - Institutional readiness	- Resolution takes >700 days on average - High NCLT case backlog
Credit Market Effects	Discourage lending to unsustainable firms via better credit discipline	- Zombie firms still access credit, with improving recovery rates - RBI reports GNPA ratio declined to 2.3% (March 2025) - Weak risk assessment in banks
Policy Gaps	- Strong enforcement - Promoter accountability - Less legal reliance	IBC 2.0, mediation frameworks, PPIRP and e-filing introduced - Challenges on asset tracking and interim finance - Limited on-ground results
Reform Imperatives	- Faster resolutions - Stronger NCLTs - Digital monitoring - Lender discipline	2025 Finance Budget further enhanced NCLT/IBBI resources Digital case tracking, centralised databases and regulatory automation adopted in 2024-25

Source: IBBI Report (2025), Compiled by Authors (2026)

IBC and Zombie Borrowings

To empirically estimate the impact of IBC on the firm zombification, average borrowing, and debt cost of Indian zombie firms, the following hypotheses have been formulated.

H3: Firm zombification has experienced a decrease in the post-IBC period

H4: Zombie firms enjoy restricted access to credit in the post-IBC period

H5: Zombie firms enjoy a higher cost of borrowing in the post-IBC period

Table 4: Role of Insolvency and Bankruptcy Code (IBC) on Zombie Borrowings

	Pre-IBC	Post-IBC	Mean Difference (T-test)
Firm Zombification	0.0027	0.0061	0.0034**
Zombie Borrowing	0.8031	0.9308	0.1277**
Cost of Zombie Borrowing	0.0844	0.0786	-0.0058**

Source: Authors' Computations using Stata 17 (2026)

Note: *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels.

Table 4 exhibits the mean of the variables as mentioned above in pre- and post-IBC, along with their difference (T-test). The first row indicates an increase in the firm zombification after the implementation of the IBC (as shown by a positive and significant value of 0.0034). This indicates that IBC has suddenly exposed financially distressed firms, which earlier used to survive based on bank forbearance or informal restructuring. This may include large corporate defaults, which are predominantly observed in sectors like steel, power, infrastructure, and so on (hence, rejecting hypothesis H3). However, zombie firms, in the post-IBC period, have gained greater access to credit (by an average leverage of 0.1277) at an average lower interest of 0.58%. We can argue that IBC leads to a greater flow of money to marginalised or zombie firms for their survival, based on the government's policy-backed credit support. Therefore, the results reject both hypotheses H4 and H5.

“ While the IBC has the potential to tackle this zombification issue through strict resolution timelines and enhanced institutional capacity, its success hinges on normalizing liquidation when needed, penalizing zombie lending, and ensuring that resolution plans genuinely restore business viability. ”

As Figure 1 suggests, the study also investigates whether the COVID pandemic leaves any impact on zombie borrowing and associated costs.

Table 5: Role of the COVID-19 Pandemic on Zombie Borrowings

	Before Covid	After Covid	Mean Difference (T-test)
Firm Zombification	0.0039	0.0065	0.0026**
Zombie Borrowing	0.8692	0.8844	0.0152**
Cost of Zombie Borrowing	0.0754	0.0915	0.0161*

Source: Authors' Computations using Stata 17 (2026)

Note: *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels.

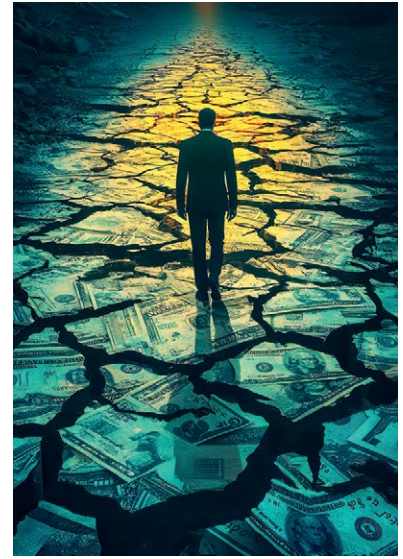


Table 5 also shows a similar upward trend for average firm zombification and zombie borrowing (leverage) in the post-COVID period. The massive economic disturbance triggered by the COVID-19 pandemic, along with nationwide lockdowns and a steep drop in demand, forced many distressed firms into financial trouble, which in turn increased the number of zombie firms. To tackle this, Indian policymakers and financial institutions introduced supportive measures like loan moratoriums, Emergency Credit Line Guarantee Schemes (ECLGS), and liquidity infusions to help businesses survive during this turmoil. These countercyclical measures allowed even the financially weaker firms to continue borrowing or even increase their loans, leading to a rise in zombie borrowing after COVID. However, unlike the post-IBC period, where borrowing costs for zombie firms went down, the post-COVID landscape saw a surge. This shift can be attributed to lenders becoming more risk-averse, growing worries about asset quality, and tighter liquidity conditions following the pandemic. While Indian banks extended credit through government-backed schemes, they also started pricing loans more carefully to reflect the declining financial health and increased default risks of zombie firms. Additionally,

global inflationary pressures and rising interest rates in post-pandemic periods saw a persistence in rising firm zombification and borrowing. So, while both the IBC and COVID-19 periods experienced a rise in zombification and subsequent borrowing, the paths of borrowing costs diverged due to differences in the economic climate, policy priorities, and how lenders perceive risk.

Conclusive Opinion and Scope for Further Research

The study finds a substantial persistence in firm zombification in India, and its continued credit access despite IBC reform underscores the structural weakness in the credit markets. The evidence exhibits a limited impact of IBC on curbing firm zombification. These may include several procedural lopsidedness on the part of lenders and regulators. The COVID-19 pandemic has further exacerbated the situation through several government (countercyclical) policies to tackle the economic downturn. Although these measures are inevitable for macroeconomic stability, they inadvertently enabled these distressed firms to access more credit. Therefore, the empirical results find slow but steady effectiveness of IBC reform, highlighting a balance between

“Indian policymakers and financial institutions introduced supportive measures like loan moratoriums, Emergency Credit Line Guarantee Schemes (ECLGS), and liquidity infusions to help businesses survive during this turmoil. These countercyclical measures allowed even the financially weaker firms to continue borrowing or even increase their loans, leading to a rise in zombie borrowing after COVID.”

systemic liquidity and inefficiency in credit allocation during the crisis. Hence, strengthening creditors' rights and eliminating inefficiencies in IBC will be essential for firm viability and credit allocation towards productive enterprises, unlike firm zombification. Future research may delve into the IBC's heterogeneous impact analysis across sectors, industries, or ownership structures.

References

- Acharya, V. V., Crosignani, M., Eisert, T., & Eufinger, C. (2024). Zombie credit and (dis-) inflation: evidence from Europe. *The Journal of Finance*, 79(3), 1883-1929.
- Acharya, V. V., Crosignani, M., Eisert, T., & Steffen, S. (2022). Zombie lending: Theoretical, international, and historical perspectives. *Annual Review of Financial Economics*, 14(1), 21-38.
- Caballero, R. J., Hoshi, T., & Kashyap, A. K. (2008). Zombie lending and depressed restructuring in Japan. *American Economic Review*, 98(5), 1943-1977.
- Caballero, R. J., & Hammour, M. L. (2001). Institutions, restructuring, and macroeconomic performance. In B. S. Bernanke & K. Rogoff (Eds.), *NBER Macroeconomics Annual 2000, Volume 15* (pp. 119-164). MIT Press.



- Insolvency and Bankruptcy Board of India (IBBI). (2021). *Annual Report 2020-21*.
- Insolvency and Bankruptcy Board of India (IBBI). (2025). 'Breaking New Ground: IBC's Role in Building a Resilient Economy'.
- Kulkarni, N., Ritadhi, S. K., Vij, S., & Waldock, K. (2025). *Unearthing zombies. Management Science*.
- Pattanaik, Sitikantha; Muduli, Silu; Jose, Jibin (2022) : *Zombies and the Process of Creative Destruction*, RBI Bulletin, ISSN 004-5512, Reserve Bank of India, Mumbai, Vol. 76, Iss. 2, pp. 53-66.
- Reserve Bank of India. (2022). *Financial Stability Report*.



Authors may be reached at
wadhawanmahiraa@gmail.com
and eboard@icai.in



CA. B. Ashok

Member of the Institute

Primary Agricultural Cooperative Credit Society (PACS) Act - Accounts - Audit

The article discusses the history and creation of Primary Agricultural Cooperative Societies (PACS) in the states, their operations, present accounting practices and audit. The active support from the government has led to a proliferation of cooperative societies in large numbers,

warranting a need to regulate them such that their accounting practices are uniform. Also, accounting standards need to be laid down for adherence and compliance. There is a vast potential for Chartered Accountants to play their professional role to this field. ICAI can contribute to the improvement of accounting procedures and related audit matters, as well as the training of PACS staff.

The Central Government encouraged farmers – both owner-tillers and tenant farmers, residing within a cluster of villages – to form a collective group, register themselves under the Cooperative Societies Act, and register such societies with the respective Registrar of Cooperative Societies (RoCS) in each state. The government enacted the Cooperative Societies Act with a view to regulate the creation and running of such cooperative societies, called Primary Agricultural Cooperative Credit Societies (PACS). At the state level, the Cooperative Societies Act was enacted by each state, which was modelled on similar lines to the central act. PACS were thus born and were affiliated with the nearest branch of District Central Cooperative Bank (DCCB) in the absence of Apex Bank, whose jurisdiction covered the villages wherein the concerned society members reside.

PACS are the lowest tier of the cooperative structure, at the village level, with direct access to the landowner tiller/tenant farmer (who are PACS's members) and connecting them to

the upper tiers of the cooperative structure. Fundamentally, the societies were expected to exclusively serve their members and to share the surplus revenue derived exclusively amongst their own members. Before we dwell upon the accounting and audit of PACS, it would be appropriate to understand some of the pertinent and typical issues relating to PACS governance and its operations.

The Acts

Respective State Governments promulgated their own acts to regulate the operation of PACS. By virtue of these acts, PACS are statutorily mandated to register with RoCS in respective states. For this purpose, land-owners & tenant farmers residing within a specified cluster of villages (and its peripheral jurisdictional areas), join together and collectively form a cooperative society, subject to the maximum limit of members as prescribed by its bye-Laws. These bye-laws stipulate its Share Capital, membership eligibility, Bank operations, Managing Committee constitution and meeting

procedures, office working, Finance and Administration, measures for collecting deposits and giving loans to members, fixing interest rates (and requisite security), conducting meetings of Managing Committee, and Annual General Meetings (AGM).

Class of PACS Members

The Cooperative Societies Act has two classes of Shareholder members - one is 'Member' and the other as 'Associate Member'.

The Society admits as member those farmers who own lands. Share Certificates are issued to them, to the extent they subscribe to the share capital. A member may subscribe for any number of shares within the limit set by its bye-laws. Associate Members, are those who do not own land, but are tilling the land as tenant farmers. Each Associate Member can subscribe for only one share in the PACS wherein they are registered as members.

If any member wants to borrow from society, he has to subscribe for additional shares as security. The quantum of such additional shares is

a percentage of the loan amount. It usually varies between 5% and 10% (of loan quantum) depending on the type of loan sought.

Society members mortgage their land and/or other immovable property (like buildings) as security. In such case, PACS normally ask their legal heirs to be co-executants to the mortgage deed for the property offered as security. The legal heirs being non-members entrust the work of preparing annual Financial Statements to external specialists (RoCS staff or CA firms alternatively), who also issue an Audit Report. Tax deducted by any party, while releasing payment to PACS, is also to be accounted, simultaneously with relevant income account. The net income receipt is to be raised to the extent of such TDS shown in Balance Sheet. With the introduction of Annual Information Statement (AIS), auditor can check both the 26AS, as well as AIS, to account the correct income for the year, matching with these figures.

It is observed that there is some delay in preparation of PACS Annual Accounts. Hence the need for a professional, and reliance on CAs arises. It is felt apt to entrust concurrent audit of PACS to RoCS staff, and the statutory audit to CAs. This blend of both RoCS and CAs will ensure a more professional touch, and timely completion of audit. This is an area where practising Chartered Accountants can render useful service, and add to their potential activity list.

The Central Government has also felt the need for timely and correct preparation of PACS accounts. The Institute of Chartered Accountants of India can play a vital role in this regard by devising and drafting Accounting Standards specific to PACS transactions and also addressing improvements in several aspects of PACS accounting. A pertinent issue is member-wise ledger accounts for each loan availed, security mortgaged for such loans, interest due thereon including subvention, and reconciliation of loan accounts with the linked branch of DCCB (from whom they draw loans and maintain bank accounts), etc.

“The Institute of Chartered Accountants of India can play a vital role in this regard by devising and drafting Accounting Standards specific to PACS transactions and also addressing improvements in several aspects of PACS accounting.”

Audit Plan & Programme

The primary task before the commencement of the PACS audit is to understand PACS's business operations, its geographical spread, major events and transactions that occurred during the year. Audit of accounts of PACS ensures that its governance is in accordance with applicable statutory obligations and RoCS guidelines, compliance with its bye-laws, Cooperative Societies Act and rules thereunder.

The scope of the audit additionally covers the proprietary nature of transactions, adherence to basic internal control procedures, compliance with accounting standards, and deviation from its accounting policies.

- i) Satisfy that such policies are acceptable, consistent with and appropriate to the nature of PACS's business, and then judge



the degree of reliance that can be placed thereon. Thereafter, determine the nature and extent of audit coverage to be done, while also considering circulars of NABARD/RBI, the state government and DCCB.

- ii) Awareness of any special reporting requirements, as necessitated.
- iii) Review internal control environment; verify evidence of effectiveness of internal controls, and system prevalent checks and balances, and any relevant circulars. Where any loan has become overdue, verify that recovery is factually correct without any window dressing (i.e., by a mere book adjustment/entry).
- iv) Examine entity-specific related issues, warranting a customised audit plan. For instance, PACS may have a gold loan scheme (subsequently discussed).
- v) Peruse previous year's
 - a) files relating to incomplete capital expenditure,
 - b) carry forward of previous year's audited account balances,
 - c) audit observations and their compliance,
 - d) minutes of Management Committee & General Body meetings, with compliance status.
- vi) Auditor has to express his opinion on maintenance of accounts records, internal control measures, identify potential problems and their resolution. All working papers, notes should be preserved by the auditor for any future reference.

Auditor should report any instance where Act (or rules there-under), or society bye-laws have been deviated/flouted. Confirm that loans are disbursed only on basis of eligibility and with adequate security of land holding. Also confirm that repayments are up to date & for correct amount, without any book adjustment. Peruse

“The primary task before the commencement of the PACS audit is to understand PACS’s business operations, its geographical spread, major events and transactions that occurred during the year.”

Audit observations of previous year, statutory & legal compliances, rectifications of any defects etc.

The audit classification and rating accorded to PACS for the relevant audit period should be considered. Key indices and performance ratios should be compared with those of the previous year and with other PACS of similar size. Activity areas prone to material misstatement or fraud should be identified. The source of audit evidence and the extent of reliance thereon, especially during the pandemic situation and/or related lockdown periods, should be assessed. Risk factors should be evaluated, concurrent Audit Reports should be perused, and the sample size for audit purposes should be determined. A comparison should be made with the previous year’s financial statements. The audit opinion should be supported by evidence obtained during the audit. The financial statements should comply with the legal requirements applicable to PACS and the applicable financial reporting framework.

Special Features of PACS Audit

- i) Familiarise with Cooperative Society Act (central and relevant State Act and Rules there under), bye-laws of PACS (as duly updated and registered with RoCS). Ensure that PACS amend its bye-laws, to be in conformity with and, in accordance with updated provisions of Central / State Cooperative Societies Act.

- ii) Verify that PACS accept deposits from and lend funds only to its members, with proper records and adequate security.
- iii) PACS have a charge on member’s share/interest in capital/deposits/dividend/bonus/profit.
- iv) PACS can invest their surplus funds only in PO Savings, shares of other Societies, deposits with banks and other prescribed Securities.
- v) Under the Act, PACS have to create Statutory Reserves, including a fixed percentage to Reserve Fund. These funds are not distributable.
- vi) Imbalance: Seasonal Agricultural Operations (SAO Loans) to PACS members provided by DCCB through PACS, are short term in nature and repayable over a ten-month tenure, and against collateral security, which is usually immovable property. The bank verifies the title of the mortgaged land through ‘web-landing’ (an online owner-wise data base of agricultural lands as per revenue records). Every time land parcel is mortgaged and registered, the data is simultaneously captured, updated and uploaded to the website. With an access key, PACS can check in whose favour mortgage exists. The bank debits the concerned PACS in which the borrowing land owner is a member. As loan is routed through PACS, it’s the responsibility of PACS to execute mortgage documents and recover outstanding loan from concerned member. PACS charge a slightly higher interest rate, from its member, than the rate at which bank charges PACS.

Sometimes, borrowers may default, and bank exerts pressure through the PACS (in which borrower is member) for recovery of overdue loan. The bank, in its anxiety not to have a NPA in its books (for which provisioning is mandated by



RBI, (thereby adversely affecting their bottom line), sometimes resorts to window dressing, by recording the loan (with interest due) as having been realised in cash. On subsequent day, same is rolled over as a fresh loan. Thereby a situation exists where the loan is virtually reflected (in bank records) as settled, but the loan still exists as outstanding in PACS records. Thus, imbalance exists and grows. PACS should take effective steps for timely recovery, or resort to auction of mortgaged property.

- vii) Some PACS have added activity of providing loans to its members against security of gold/valuables. Special care is needed to physically verify the number of gold packets in custody with PACS, and ensure it matches with the record. Verify that insurance policy includes this activity and the value tallies with the value as per records. Furthermore, it is prudent to have it verified regularly by an external gold appraiser. Special emphasis is necessary for overdue gold loans, and satisfy that the quality as well as the quantity of pledged jewellery is matching with the records.
- viii) Inspection: District Central Cooperative Bank (DCCB) supervisory staff visit PACS at prescribed frequency, (usually once a quarter). Such inspections have tended to become perfunctory, lacking incisiveness. It is felt that a qualitative

improvement in such inspections be achieved by a blend of in-house and external service providers (i.e. through RoCS staff). An inspection through RoCS staff (similar to RBI/NABARD inspection of scheduled Banks) at prescribed frequency, in conjunction with DCCB staff, may enable in-depth analysis, and more professionalism in content /quality reporting, enhancing incisive qualitative reporting manner. Inspection format can be designed to focus on serious aspects of PACS operations, which warrant intervention by higher authorities.

Report Coverage

PACS Audit Report should cover:

- i) Examination of overdue debts & its analysis
- ii) Physical verification of all securities, cash and bank balance, fixed assets, investments, stock statements and valuation,
- iii) Examine documents for loans/ advances sanctioned and disbursed,
- iv) Demand Collection Balances of members,
- v) Interest income and accrued,
- vi) Over-dues, bad and doubtful debts (provisioning & write-offs/ withdrawals), advances schedule, for non-performing assets (NPAs), investments statement and confirmation from concerned entities from whom amounts are outstanding,
- vii) Tax deduction (TDS) and its cumulative accountability.

Common Accounting System

As envisaged under the Revival Package of GoI, NABARD in collaboration with GTZ has devised a Simplified, Standard and Common Accounting System (CAS) for PACS. While designing the Common Accounting System for PACS, the existing systems

and practices of accounting of the PACS in a number of states have been studied both under manual and computerised systems having regard to the nature and scale of business, prudential norms and best practices in accounting and their relevance to computerization and discussions held with various stakeholders such as State Cooperative Banks, District Central Cooperative Banks, Dept. of Cooperative Audit, Registrar of Cooperative Societies and the Training Institutes of Cooperatives. In line with the "CAS" prepared for "PACS", this operational Accounting Manual ("AM") is prepared to guide PACS in accounting for transactions under "Double Entry System of Accounting" as per "Accrual basis".

Major Components of CAS

- i) Applicability of universally accepted basic concepts and principles in the maintenance of accounts by the PACS.
- ii) Adoption of standard financial statements, viz., Balance Sheet, P&L A/c and Trading A/c.
- iii) List of a common set of General Ledger Heads of Account compatible with financial statements; and
- iv) Maintenance of minimum essential and Standard Books of Accounts.

Audit under Computer Environment

Recently, government earmarked funds to enable PACS, computerise their accounts and maintain uniformity in accounting practice. PACS are in the process of computerisation of their financial data and records for which Government is providing budgetary support to enable PACS computerise operation and also uniform accounting system; providing computer systems, and training PACS staff to work in computerised environment. NABARD has developed an accounting package, developed by intellect and customised for PACS related operations. PACS should ensure that balances in



respective manual ledgers are correctly loaded in the computer system, and also have a migration audit done, to certify the accuracy thereof. While carrying out statutory audit of PACS, it should be ensured that standard test procedures, as laid down in their manual, is followed. Furthermore, before commencement of audit, auditor should familiarise with the different Head of Accounts operated, and their respective account codes; ascertain whether any new accounting policies adopted during the year, its impact in both current year, as well as previous year.

In case of hybrid type of accounting, where control accounts are available on the computer system, but the sub-ledgers are manually maintained, verify at year end, that aggregate of balances in sub-ledger tally with the control account balances. During vouchers verification process, ensure that authorisation is available for each entry, as per existing delegated powers. Auditor should observe any adjustment entries (particularly year end vouchers) passed while finalising financial statements, that same are authorised and correctly entered in books of accounts. While ensuring Trial Balance is correctly generated, and duly tallied, auditor much check whether the Profit & Loss Account and Balance Sheet are correctly prepared, duly authenticated by PACS CEO / Secretary.

Auditor must verify whether software used for accounting package is licensed, and is of current version only. Regular back-up data should be taken periodically, and preserved at some off-site place for safety, ensuring easy retrieval. Check data integrity, and ensure safeguarding of assets; ensure identified System Administrator available and so nominated; all available features of data safety are installed, including biometric based data access levels (based on need-to-know basis and job-based requirement); passwords available for each level of access and same revised on regular basis. The back-up data be periodically tested for easy retrieval of disc and its contents. The system will need to be updated at each stage of version change. Confirm firewall systems installed for data protection.

Further, it must be ensured that the balances in sub-ledgers match the balances in the control accounts. Review accounting process and verify that authorising officer has approved each transaction voucher. Ensure no adjustment entries made at year end are outside of the computer system. Check that the balances, in the manual version of accounts, is correctly migrated to the computer system. Confirm that Trial Balance is tallied without any entry in 'suspense account' (for any possible difference). Verify that date is put on every computer-generated document, numbered and duly authenticated by accounts in-charge. Confirm off-site data storage facility is available, and periodical data verification is done.

Note the maintenance frequency, and how operations run during that period. Confirm licensed copy of software with updating arrangements strictly followed. Verify any mirroring facility exists, so that system is kept running if and when the data is corrupted. Verify AMC exists and is functional for Software maintenance and any updating.

Income Tax on PACS

The general misconception amongst PACS fraternity, is that PACS has no tax liability. Thereby a general aversion

to face tax issues developed, and many PACS try to brush any tax related matter, under the carpet. PACS Management Committee members being agriculture oriented, are often reluctant to file their Society's tax returns.

Being an agrarian economy, a slew of exemptions has been granted to PACS for all agricultural related activities. It is therefore necessary that PACS management ensures strict compliance of time limits imposed under IT Act. Usually delay occurs in issue of statutory Audit Report by RoCS staff. PACS must impress upon statutory auditor to complete their audit, much before the tax return filing date. In case any delay is anticipated, it is advisable that provisional income tax return be filed, on the basis of 'Receipts and Payments' data. After audit is completed, PACS can file a revised return, to reflect the correct income, before tax assessment.

Supreme Court has held that ethos of PACS is embedded in the concept of 'mutuality of interest'. In essence, only members of PACS are exclusively to be eligible to deposit in and borrow from PACS. Emphasis is on linkage of loans to and deposits from only PACS members. Under this philosophy, the earnings of PACS after setting aside stipulated and prescribed statutory funds/ reserves, should be exclusively shared amongst its members only. Otherwise PACS are not eligible for tax reliefs available under Income Tax Act. All Co-operative Societies are required to file Income Tax Returns (ITR). The income of PACS is eligible for deduction only under Section 80P. However, such deduction shall be allowed only if the ITR is filed within the prescribed due date as per Section 80AC of the Income-tax Act. The subject of taxation of PACS requires separate analysis and discussion.

Enhancing Competency

It's imperative to enable staff to independently prepare annual financial statements. Prior to the selection as secretary / CEO of a PACS, mandatory eligibility conditions could



be stipulated, and a skill development course designed and followed by an aptitude test.

NABARD may consider introducing a customised skill development course specific to financial management and accounting aspects for PACS staff, in consultation / association with ICAI.

The audit of PACS is predominantly being done by RoCS staff. While RoCS staff may conduct concurrent audits, the statutory audit turf should be entrusted to professional CAs only.

Goods and Services Tax

PACS are also liable for GST if their turnover exceeds the threshold limit. PACS staff have to be alert enough to register themselves under GST and to avail the Input Tax Credit as available under the GST Act. A GST audit is mandatory for turnover beyond a threshold limit.

To conclude, it is advisable to have a checklist prepared encompassing all relevant PACS operational activities for a comprehensive audit programme.

Author may be reached at
bashok2703@gmail.com and
eboard@icai.in

EMPANELMENT OF CHARTERED ACCOUNTANTS & ADVOCATES / LAW FIRMS

For Representation in GST Litigation Matters

TVS Supply Chain Solutions Limited ('TVS SCS'), part of the TVS Mobility Group, is an India-based multinational company that pioneered the development of the supply chain solutions market, invites applications from experienced Chartered Accountants (CA Firms), Advocates, Law Firms, and Independent Advocates for empanelment to represent the Company and its subsidiaries in GST-related litigation across various States and Union Territories in India.

The empanelled professionals will represent the Company before GST Authorities, Appellate Authorities, GST Appellate Tribunal (GSTAT), and High Courts, as required.

Scope of Work

The selected professionals/firms may be engaged for:

- Drafting and filing replies to Show Cause Notices (SCNs) and scrutiny notices.
- Drafting and filing appeals before Appellate Authorities and High Courts.
- Appearing before Adjudicating and Appellate Authorities.
- Drafting, filing, and arguing Writ Petitions and Appeals before High Courts and GSTAT.
- Providing legal opinions and strategic advice on complex GST litigation matters.

Eligibility

Applicants should possess:

- **Individual Advocates:** Valid enrolment with the Bar Council and substantial experience in GST/Indirect Tax litigation.
- **CA Firms/Law Firms:** Valid registration with ICAI or the appropriate statutory authority with a dedicated Indirect Tax litigation practice.
- Demonstrated experience in handling complex or high-value GST disputes and litigation.

Documents Required

Interested applicants should submit:

- Registration/Enrolment Certificate.
- Firm profile/CV highlighting GST litigation experience.
- PAN and GSTIN (where applicable).
- Details of the States/UTs where litigation services can be provided.

How to Apply

Submit your application by email with the subject:

"Application for Empanelment – GST Litigation – [State Name] – [Name of Firm/Advocate]"

Email: grouptax@tvsscs.com

We prefer to receive your response by 30 October, 2026

Only shortlisted applicants will be contacted. Hard copies are not required. TVS Supply Chain Solutions Limited reserves the right to accept or reject any application without assigning any reason. Submission of an application does not confer any right to empanelment or assignment.



CA. (Dr.) Ashok Kumar Mishra
Chairman, IIPPI

Journey of the Audit Profession

Chartered Accountants are the ambassadors of our country's economic system, occupying an important role and serving as an interface between the government, tax-paying companies, and individuals. Their professional responsibilities reach far beyond the preparation and certification of books of accounts. They are instrumental in upholding accountability, transparency and trust in the economic framework of the country.

As recognised by the Hon'ble Prime Minister of India, Shri Narendra Modi, during ICAI's Foundation Day celebrations in 2017, the signature of a Chartered Accountant holds far greater significance and responsibility, reflecting the trust and confidence reposed in the profession by the Government. It places an immense responsibility on CAs, entrusting them to maintain the highest standards of integrity, objectivity and ethical conduct in the discharge of their professional duties.

Introduction

Audit as a process is as old as Accounting. It is believed that Pope Nicholas III entrusted national notaries with accounting responsibilities, reflecting the importance of financial accountability. Luca Pacioli, though a mathematician, was the first to systematically document the principles of double-entry accounting, thereby laying the foundation of modern accounting practices. The significance of verifying cash balance & inventory was determined as the most important elements of the accuracy of accounting data. During the cultural movement, the Medici family introduced controls over the use of raw materials by linking consumption at each stage of production. These developments demonstrate that concerns over fraud, errors, and accountability are always central to financial governance.

Personal Experience

As a former Director Finance & CFO of HAL, the largest defence aerospace company of our Motherland, I had

the opportunity to witness several audits of financial statements, such as system audit, internal audit, statutory audit, concurrent CAG audit & supplementary audit. However, my professional journey and the experience I've garnered through it have shown that despite multiple audit mechanisms being in place, they do not, by themselves, ensure the detection or prevention of fraud.

Over the course of my career, spanning 1983 to January 2016, I worked as a CFO in various State & Central Government organisations, except for the 3 years when I was CFO of the project cell of a CPSU and a large manufacturing unit. During the various assignments that I undertook, I encountered several instances of fraud and financial irregularities ranging from anomalies involving a few thousand rupees to those of a few crores. My modus operandi was fairly simple – to conduct discreet inspections and scrutinise some unnoticed functions, rather than being solely dependent on standard

audits. As CFO, it is important to be observant, interact with individuals working at the grassroots levels, and gain a profound understanding of the organisation beyond formal and established channels.

In several cases, deviations were brought forth through such investigations and observations, although they had not been detected through the existing audit and vigilance mechanisms. The nature of these inconsistencies was also diverse. In one instance, a thorough evaluation of manually maintained cash records disclosed a fault in the balancing of accounts, which, upon deeper analysis, led to the uncovering of a financial defalcation. In another case, concerns originating from observations outside the formal work environment instigated a review of cash and bank transactions. The ensuing examination unveiled manipulation of vouchers and diversion of funds.

Another instance involved a small office handling logs of provident fund, an

area that could simply avoid notice as senior management commonly focuses on larger and more leading offices. An evaluation of individual ledger accounts brought to light the anomalous credits being made to an employee's account by transferring the monthly contributions of other individuals. Although the particulars encircling the conduct implied personal financial difficulties and the employee otherwise held a good reputation, the matter was managed suitably by reversing the entries and a warning being given rather than the matter being pursued further.

A further case comprised remittance to an external party in a critical manufacturing facility. A system audit, started with a precise focus on such payments, uncovered periodic payments unsupported by the necessary documents and involving considerable amassed amounts. Further probe led to identifying the individuals who were involved, and the matter was directed to the competent authorities. The investigation also exposed inadequacies in the banking process, including payments being released against a single signature despite the organisation's requirement for dual authorisation. The bank thereafter took measures against some of its employees and remunerated approximately the total amount to the organisation.

These experiences strengthened my belief that fraud may remain unnoticed despite the existence of several layers of audit and monitoring frameworks. Audit processes are fundamental safeguards, but they cannot replace the attentiveness and discernment of those accountable for the administration of an organisation. In my experience, the capacity of higher management to discover uncommon patterns, question discrepancies and act upon a reasoned intuition can play an instrumental role in bringing hidden abnormalities to light.

“Audit processes are fundamental safeguards, but they cannot replace the attentiveness and discernment of those accountable for the administration of an organisation.”

My experience also demonstrated that not every irregularity necessarily warrants an expensive technological or systemic intervention. In one instance, issues detected during a study could be resolved through strengthened HR and inventory controls at a fraction of the proposed cost, leading to the rejection of a ₹250 crore expenditure.

The underlying lesson from these experiences is that effective fraud prevention and detection require more than the existence of formal audit structures or sophisticated systems. A combination of professional scepticism, management oversight, direct engagement with the organisation, timely scrutiny and sound judgement is often necessary to identify what routine processes may overlook. Audits provide an important line of defence, but an alert and responsible management remains an equally critical component of the overall control framework.

Analysis of Selected Research Publications

1. Article on “The Current State and Future of Audit Profession”¹

The article mentions that audit is independent in nature and based on historical data. Stakeholders may not rely on this data in their decision-making due to a large time gap between data generation and information assurance. However, they get assurance about the authenticity of the data after the audit.

The article states that information technology provides users with a plethora of information as compared to traditional financial statements. Thus, the current audit profession is becoming less relevant to investors, creditors and financial analysts. As far as the current state of audit is concerned, audit models reflect continuous audit of the entire business process and associate, analysing the issues adequately, thereby providing assurance on historical data. The current technology and automation tools use quantitative analysis such as probability evaluation, and spend more time reviewing, analysing and interpreting results to determine the desired course of action.

Accounting education is also changing with the incorporation of technology, analytics, fraud detection, risk analysis, forensics and International Financial Reporting Standards, etc. The CA curriculum in India widely encompasses, as per my evaluation, risk assessment and internal control, digital audit, strategic changes through digital transformation, Ind-AS, audit evidence, digital auditing and assurance, etc.

Auditing is judgemental in nature. Automation can support the judgement process and can't replace it. The article also points out that internal auditors will take over some functions from external auditors in the future, and external auditors will depend upon ledger scrutiny & internal journal entry analysis. The burden for low-risk areas regarding assurance on the quality of data should go to internal auditors, and high-risk areas must remain the responsibility of external/statutory auditors because of independence issues.

¹ Lazarus Elad Foteh and Johan Ingemar Lorentzon, “The Impact of Digitalization on Future Audits,” *Journal of Emerging Technologies in Accounting*, Vol. 18, No. 2 (2021), pp. 77–97, <https://doi.org/10.2308/JETA-2020-063>

2. Article on “The Impact of Digitalization on Future Audits”²

The article observes that audit firms have started developing and incorporating cutting-edge technologies into the audit process. It specifies the following potential areas where digitization may impact future audits:

1. Audit Users’ Perception of Future Audit
2. Changes in the auditor-client relationship
3. Audit Regulatory Changes
4. Structural changes in Auditing
5. Procedural Audit Changes
6. Change in Auditors’ Professional Profile
7. Audit Quality and Culture of Innovation

The article suggests the adoption of a new matrix, capabilities, skills and a new business model to cover digital technologies. It points out that technological breakthroughs will have a significant impact on auditing, as numerous labour-intensive and tedious manual tasks are being eliminated and routine audit processes are being automated, which will result in predictive and intelligent audit, thus enhancing the reputation of auditors.

It states that audit involves substantial subjectivity that includes auditors’ professional judgements and social intelligence for bringing value to the audit. Thus, human judgement will not be substituted by the technology entirely but will be a part and parcel of the automated audit process.

The digital transparency will smoothen the auditor-client relationship. Both parties have to

“Effective fraud prevention and detection require more than the existence of formal audit structures or sophisticated systems. A combination of professional scepticism, management oversight, direct engagement with the organisation, timely scrutiny and sound judgement is often necessary to identify what routine processes may overlook.”

trust and rely on this technology and will have to keep in mind that it will not replace personal communication and collaboration between the auditors and auditee.

3. Article on “The Future of Auditing: An interview with Robert Elliott”³

The article covers the status of the current audit profession, such as shrinking revenues, increased competition, broader sources of information, more reliable accounting in software and greater online access to databases. It deals with evolving regulations, while regulators are not at the forefront of cutting-edge innovation but are typically interested in establishing best practices and developing standards. It discusses the impact of Big Data and Artificial Intelligence on the audit profession for creating value for businesses and investors. The article gives thrust in the areas

on the value of auditing, the importance of information, the impact of information technology, and future changes in the audit profession resulting from emerging technological tools.

It states that with the growing technology and data collection through various data acquisition equipment like RFID, GPS and Sensor Chips, information acquisition is easily getting integrated with ERP (Enterprise Resource Planning) systems and used for decision-making. However, accounting systems are still based on the 12th-century Venetian merchant business model. Quarterly, half-yearly, and annual reporting of financial statements is not providing sufficient and timely information to stakeholders and investors.

Information technology has become one of the most important methods of auditing. IT-enabled audit solutions displace human auditors; they could produce greater information probability at a lower cost. Audit firms need to use advanced technology tools to enhance the authenticity of audit procedures and improve audit quality at the earliest. The time has come when a skill set required of future auditors is changing, and the audit profession no longer requires auditors to perform a tick-and-tie task, but also to possess statistical inference and technological skills.

Future of the Audit Profession

A few inputs on the Indian data centre reveal that its current market size as of 2025 stands at \$10.11 billion dollars, and the projected market size (2030) is approximately \$21.80 billion with a forecasted CAGR (2025-2030) of 16.61%. The major contributory factors

² Huijue Kelly Duan, “The Future of Auditing: An Interview with Robert Elliott,” *Journal of Emerging Technologies in Accounting*, Vol. 19, No. 2 (2022), pp. 23–27, <https://doi.org/10.2308/JETA-10823>

³ Danielle R. Lombardi, Rebecca Bloch and Miklos A. Vasarhelyi, “The Current State and Future of the Audit Profession,” *Current Issues in Auditing*, Vol. 9, No. 1 (2015), pp. 10–16, <https://doi.org/10.2308/ciia-50988>

are rising OTT & 5G, cloud investments, mandatory data localisation rules, improved submarine cable capacity & AI workloads, etc. NASSCOM pointed out that India's data centre industry was expected to receive, on average, an annual investment of \$5B by 2025. These advancements will have a significant impact on the accounting and auditing industry.

One of the most important changes is the increasing reliance on technology-driven audits. Businesses today undertake complex cross-border transactions and operate under multiple regulatory frameworks. Traditional audit techniques alone may not be sufficient to handle the volume and complexity of such transactions. Auditors will increasingly use advanced technological tools to analyse data, assess risks, and provide assurance. The growing emphasis on Environmental, Social and Governance (ESG) reporting requires auditors to verify non-financial disclosures and ensure their reliability and compliance with applicable standards.

The widespread adoption of cloud-based systems is another significant development. It enables remote access to records, real-time collaboration, and efficient data management. While it improves audit efficiency, it also requires auditors to gain expertise in cybersecurity, data protection, and privacy regulations to safeguard confidential client information.

Blockchain technology is also emerging as an important tool in sectors such as finance, healthcare, and supply chain management. Its decentralised and tamper-resistant nature enhances transparency, traceability, and trust in transactions. Auditors will need to understand different blockchain models, including public, private, consortium, and hybrid blockchains, to effectively evaluate controls and verify transaction records.

Similarly, Big Data Analytics is revolutionising the audit process. By analysing large volumes of structured

and unstructured data, auditors can identify unusual patterns, detect potential fraud, and improve risk assessment. Data analytics enables more comprehensive audits and enhances the quality of audit conclusions.

Despite these technological advancements, human judgement will remain at the core of the audit function. Technology can assist in processing information and identifying exceptions, but risk evaluation and decision-making will require the expertise of auditors.

While discussing with my colleagues, both at the professional level as a Chartered Accountant and at the academic level with the faculty of Law and Management, I was told to consider the impact of the growth of digitalisation on future audits. It has been observed that researchers have argued that current financial reporting is losing its relevance to investors, and accounting usefulness is decreasing.

To bridge the emerging talent gap, technological concepts should be incorporated into the CA curriculum, while practising professionals must continuously upgrade their skills through training and refresher programs. Regulators and professional bodies should also modernise auditing standards and practices to align with technological developments.

The future of auditing will therefore require a combination of technological competence, professional judgement, and ethical conduct. Auditors who adapt to these changes will be better positioned to deliver high-quality assurance services in an increasingly digital and complex business environment. The time has come when auditors need to shift their focus to evaluate risks rather than focusing on transactional data.

Summary, Conclusion & Recommendations

Before the internet, financial statements were the primary source of information about a company

for investors, regulators and CAG (wherever applicable). With the advent of cloud-based audit tools, blockchain, and big data analytics, companies can now provide real-time information to stakeholders. The audit profession is adapting to these advances and becoming more sensitive to global economic changes. In the coming decades, greater use of AI and machine learning will shift the focus from transaction testing to risk evaluation.

Traditional paper & pencil checklists are already being replaced by automated decision aids, interactive checklists, and analytical software. Customised audit plans and XBRL reporting enhance auditors' efficiency in fieldwork. Future auditing may involve automation of judgments, modernised procedures, inclusion of ICT professionals in audit teams, reliance on internal audit functions, and changes in statutory audit frequency. Statutory auditors may increasingly depend on internal auditors, releasing time to address complex issues such as data privacy, security laws, and regulatory compliance. There is no doubt that the audit profession will significantly evolve over the next decade to remain relevant and competitive.

Let us not resist new advancements in technological requirements but equip ourselves with emerging technologies to ensure that audited financial statements, including audit reports, continue to be accepted as the gold standard, while meeting the standards set by our Hon'ble Prime Minister, Shri Narendra Modi. This requires our Mother Institute, ICAI, to evolve appropriate training modules for small & medium-size CA firms, even at no cost, to assist a large number of colleagues for future audits. This is essential; otherwise, traditional audit practices may become obsolete, much like many bookstores that failed to adapt to the digital revolution and were displaced by tablets, e-books, and smart devices.

Author may be reached at
eboard@icai.in



Dr. Rohit Moonka
Academician



Dr. Silky Mukherjee
Academician

Introduction

Courts are the primary institutions to adjudicate disputes between the litigants and a quintessential part of the justice delivery mechanisms. However, litigation before the courts is often found to be time-consuming and costly. In contrast, certain disputes are better suited for resolution through alternative dispute resolution mechanisms than litigation. Mediation is one of the 'primary' alternative dispute resolution mechanisms¹ where the parties intend to resolve their dispute by involving a neutral third party who provides assistance to the disputants consensually. Informal, cost-

The Mediation Act, 2023: An Overview and the Road Ahead

Due to the absence of exclusive legislation in India, Mediation was facing its own problems. Enactment of the Mediation Act, 2023, is a momentous breakthrough in the dispute resolution sphere in India. This is a reflection of the strong intent of the government, be it the executive or the legislature, to encourage amicable resolution of disputes and also to reduce the burden on the courts. This article offers an overview of the Mediation Act, 2023, emphasizing the significant features and also highlighting its incomplete areas for its effective execution.

effective and party-centric approach of mediation leads to a win-win situation for both parties and helps in preserving the relationship.

Despite this, there was no specific law regulating mediation in India. Till the enactment of the Mediation Act, 2023², it was largely conducted under Section 89 of the Code of Civil Procedure, 1908, with several lacunae attached to it. The need was long felt for an inclusive statute providing for a comprehensive structure for mediation, which can help gain more acceptability and encourage parties to resort to mediation. The Mediation Act, 2023, seeks to fill this gap by providing a comprehensive legal framework for mediation across India.

Legislative Background and Rationale

To bring this Act into existence, firstly, the Mediation Bill, 2021, was brought in and presented in the Rajya Sabha on 20th December 2021 by the Government and was referred to the Parliamentary Standing Committee on Personnel, Public Grievances, Law

and Justice for review. After a wide consultation and detailed review with various stakeholders, the Standing Committee submitted its report to the Rajya Sabha on 13th July 2022. Thereafter, the Union Cabinet approved some of the recommendations of the Standing Committee and re-introduced the Mediation Bill, 2023, in the Rajya Sabha, which was passed on 02nd August 2023 and by the Lok Sabha on 07th August 2023. It received the assent of the President of India on 14th September 2023 and became part of the statute. Through Gazette notification on 09th October 2023, the Central Government notified limited sections of the Mediation Act, 2023, to come into force. They are namely, 'Section 1, Section 3, Section 26, Section 31 to 38, Section 45 to 47, Section 50 to 54 and Section 56 to 57' of the Act.

The Mediation Act, 2023, is a defining moment in the sphere of ADR as it is the leading statute governing mediation in India. This Act formalizes mediation by providing for the enforceability of mediated settlement agreements, safeguards confidentiality, recognizes

¹ Sriram Panchu, Mediation Practice & law The Path to Successful Dispute Resolution 11–15 (Lexis Nexis 2nd edn., 2015)

² Mediation Act, 2023 (Act 32 of 2023)

online mediation, community mediation and provides for mediation service providers. The statement of objects of the Act highlights mediation as a cost-effective, time-efficient, and maintaining relationship which is predominantly appropriate for disputes involving relationships, including business and commercial disputes.³

Scope and Applicability of the Act

The Mediation Act, 2023, applies to mediation between the domestic parties⁴ as well as to International commercial mediation in India, wherein at least one party is a foreign national or a body corporate or body of individuals whose place of business is outside India.⁵ This Act also applies to court-referred mediation, pre-litigation mediation and mediation conducted pursuant to a mediation agreement. Certain kinds of disputes are explicitly barred from the application of this Act, such as disputes involving third-party rights, criminal offences and matters relating to sovereignty or public interest, which are provided in the First Schedule of the Act.⁶ However, the provisions of this Act *shall not apply to the proceedings conducted by the Lok Adalat and Permanent Lok Adalat under the Legal Services Authorities Act, 1987*.⁷

Salient Features of the Mediation Act, 2023

Definition of Mediation

The Mediation Act, 2023, expands the scope of mediation and

provides for legal recognition to voluntary pre-litigation mediation, online mediation and community mediation.⁸ It also removes the provision of conciliation from Part III of the Arbitration & Conciliation Act, 1996 and replaces it with mediation.⁹ Through this Act, different types and modes of mediations are statutorily recognized, however, conciliation has been completely omitted from different statutes and is being replaced by mediation governed under this Act.

Voluntary Pre-litigation Mediation

The Mediation Act provides for voluntary pre-litigation mediation in all civil disputes, irrespective of the fact that there was any prior mediation agreement in existence or not.¹⁰ Though the Mediation Act excludes commercial disputes of specified value from its purview, which will be subjected to the provisions of the Commercial Court Act, 2015.

Listing out Disputes not fit for Mediation

In the Mediation Act, 2023, provisions have been made to list out the matters that are not suitable for mediation.¹¹ This will help filter out such disputes instantly that are unfit for resolution through mediation. It is in contrast to the provisions of the Arbitration & Conciliation Act, 1996, which has not provided any guidelines for the classification of disputes that are subject to arbitration.

Timeline for Completion of Mediation

The Mediation Act, 2023 has incorporated a provision whereby a timeline has been introduced for the completion of the mediation process within 180 days from the date of first appearance before the mediator.¹² This period may be extended for another 60 days if agreeable to the parties. This provision will keep a check on all the stakeholders, including the mediator as well as parties, to complete the whole process of mediation within the time limit.

Establishment of the Mediation Council of India

To supervise the process of mediation, the Mediation Act provides for the establishment of an all-encompassing body named as the Mediation Council of India to perform the functions necessary for the development and promotion of domestic as well as international mediation in India.¹³

Provision for Online Mediation

Keeping pace with technological advancement, the Mediation Act, 2023, recognises online mediation under this Act.¹⁴ However, while online mediation is allowed, maintaining the integrity of proceedings and confidentiality is required to be maintained under this section, for which the mediator is empowered to take necessary measures.¹⁵

³ Statement of Objects and Reasons, Mediation Bill, 2023

⁴ Ibid., at Section 2

⁵ Ibid., at Section 3(g)

⁶ First Schedule, Mediation Act, 2023

⁷ Ibid., Section 26

⁸ Ibid. Section 3(h)

⁹ Ibid., Section 61, The Sixth Schedule

¹⁰ Ibid., Section 5(1)

¹¹ Ibid., Section. 6 read with First Schedule

¹² Ibid., Section 18

¹³ Ibid., Section 38

¹⁴ Ibid., Section 30

¹⁵ Ibid.

Agreement for Conducting Mediation

The Mediation Act, 2023, recognises such written agreements for mediation whereby parties agree to submit their existing or future dispute to mediation. Such agreements can be separate or integrated into the main contracts.¹⁶ This provision augments contractual certainty and encourages mediation, enabling drafting of the contracts.

Appointment and Conduct of Mediators

The Act provides that the mediators must perform impartially and neutrally. Prior to the commencement of the mediation, including during the mediation process, mediators are required to disclose any circumstances which may likely to give rise to any conflict of interest.¹⁷ The Act underscores facilitation, which reinforces the amicable nature of mediation.

Maintaining Confidentiality

Under the Mediation Act, 2023, confidentiality is mandated as a foundational stone of mediation. All communications during the mediation process, including statements, documents and proposals, are made confidential and inadmissible in evidence in any other proceeding.¹⁸ Any kind of recording of the proceedings during mediation is explicitly barred.¹⁹ Having these provisions as a part of the Act will facilitate open discourse between the parties and the mediator and safeguard profound personal information.

Mediated Settlement Agreements

One of the most unique features of the Mediation Act, 2023, is the

provision for mediated settlement agreements. Once this mediated settlement agreement is signed by the parties and duly authenticated by the mediator, it becomes final and binding and enforceable as a decree of a civil court under the provisions of the Code of Civil Procedure, 1908.²⁰ Such a mediated settlement agreement can be challenged before a court of law on very limited grounds, provided, viz:

- ‘(i) fraud;
- (ii) corruption;
- (iii) impersonation;
- (iv) where the mediation was conducted in disputes or matters not fit for mediation under section 6’²¹

Mediation Service Providers

The Mediation Act, 2023 provides for mediation service providers who will ‘accredit mediators and maintain a panel of mediators to provide the services of mediators for the conduct of mediation. They will also provide all facilities, secretarial assistance and infrastructure for the efficient conduct of mediation.’²²

Such mediation service providers can include *a body or an organisation that provides for the conduct of mediation under this Act and needs to be recognised by the Mediation Council.*²³ Apart from this, ‘an Authority constituted under the Legal Services Authorities Act, 1987 or a court-annexed mediation centre or any other body as may be notified by the Central Government will also come under the category of mediation service providers which shall be deemed to be recognised by the Mediation Council.’

Pending Tasks and Challenges Ahead

Despite the progressive framework formulated through the enactment of the Mediation Act, 2023, several tasks remain pending and yet to be implemented. Some of the major pending tasks related to this Act are discussed below:

Notification of Rules

The effectiveness of the Mediation Act, 2023, is yet to be tested as the majority of the rules relating to various aspects are yet to be notified. To name a few, rules regarding the qualifications and accreditation of the mediators, their fee structures, protocols for conducting online mediation and process and requirements for registration of mediation service providers are pending notification.

Non-operationalized Mediation Council of India

Since the Mediation Council of India has been entrusted with several important responsibilities under the Mediation Act, 2023. However, it is yet to be constituted and fully operationalized. Due to this one reason, the Mediation Act has yet to achieve its intended objective. Therefore, it is imperative that the Mediation Council of India must be immediately constituted and fully operationalized to let it accomplish its regulatory and other important functions efficiently.

Non-Applicability for the Enforcement of Foreign Mediated Settlement Agreement

As per the provisions of the Mediation Act, 2023, it applies only to those

¹⁶ Ibid., Section 4

¹⁷ Ibid., Section 10

¹⁸ Ibid., Section 22

¹⁹ Ibid., Section 23

²⁰ Ibid., Section 27

²¹ Ibid., Section 28

²² Ibid., Section 41

²³ Ibid., Section 40

mediations that are conducted in India, whether it is a domestic mediation or an International Commercial Mediation.²⁴ However, the Act does not make any provision for the enforcement of mediation settlement agreements conducted outside India and brought into India for enforcement. In this context, the recently brought Singapore Convention on Mediation, of which India is a signatory, provides for cross-border enforcement of mediation agreements. Making provision for the enforcement of a mediated settlement agreement resulting from international mediation will be on the lines of the Singapore Convention on Mediation and will help promote international trade.

Appointment of Mediator

In the Mediation Act, 2023, a mediator of any nationality is appointed as per the process agreed by the parties.²⁵ However, there are certain anomalies in this regard. First, for a foreign mediator to be appointed, he/she shall possess such qualification, experience and accreditation “as may be specified” in this regard. Second, there are no guidelines (unlike Schedule V of the Arbitration & Conciliation Act, 1996) to determine the circumstances giving rise to justifiable doubts with regard to the independence and impartiality of the prospective mediator. Both these aspects are required to be duly taken care of in future amendments to the Act.

Interim Injunction

The Mediation Act, 2023, provides for an interim injunction order that can be passed by the Court/Tribunal while referring them to mediation for protecting the interests of any party.²⁶ However, unlike Section 9 of the Arbitration & Conciliation Act, 1996, it does not provide for the nature and extent of such interim injunction orders.

It is also not clear that the conditions for the grant of an interim injunction will be similar to those for an interim injunction sought under Section 9 of the Arbitration and Conciliation Act 1996. A clarification in this regard will help the courts and the parties seeking interim injunctions under this Act.

Online Mediation

While the provision of online mediation is a laudable step, it will bridge the geographical gap and will be convenient to all the stakeholders. However, to ensure the process is safe and secure, detailed rules are required to be prescribed, which will govern the conduct of parties during such online mediation for maintaining confidentiality.

Community Mediation

In the Mediation Act, 2023, provision for community mediation is incorporated primarily to resolve disputes in any area or locality that is likely to affect the peace, harmony and tranquillity amongst the local residents.²⁷ For this purpose, the competent authority is required to maintain a permanent panel of community mediators, and any such community dispute will be referred to a panel of three such mediators. However, there is no provision for any training/capacity building with respect to the mediation process for such community mediators in the Act. In the absence of any training about mediation, the efficacy of such community mediation is doubtful.

Grounds of Challenge

In the Mediation Act, 2023, provision has been made to challenge the mediated settlement agreement arrived at between the parties.²⁸ However, there is no need for the provision of a challenge to a mediation settlement agreement arrived at by the mutual consent of the parties. Further, the Act

does not provide for any automatic stay if the mediation settlement agreement is challenged, which can lead to unnecessary litigation. Therefore, it is suggested that suitable changes must be made by the legislature in these aspects of the Mediation Act.

Conclusion

Enactment of the Mediation Act, 2023, which is the first standalone law on mediation in India, is certainly a constructive step to increase the space of the ADR apparatus in India. This Act signifies a transformative stride in the direction of an effective dispute resolution mechanism. By making provisions for statutory recognition of mediation settlement agreements, their enforceability as a court decree, adequate measures for maintaining confidentiality and institutional support through the Mediation Council of India, the Act braces mediation as a dependable alternative to litigation. This will also reduce the burden on the existing judicial system, which is already overburdened with the backlog of cases in India.

However, certain lacunae, such as delay in the rule-making, non-operationalization of the Mediation Council of India and lack of emphasis on institutional capacity building, are essential to realise the full potential of this Act. Therefore, to make the Mediation Act a comprehensive legal framework for the resolution of civil and commercial disputes, it is imperative to remove the above-stated defects, which will further India's position as a pro-ADR jurisdiction in all spheres.

Authors may be reached at
rohitmoonka@gmail.com
and eboard@icai.in

²⁴ Ibid., Section 2

²⁵ Ibid., Section 8 (1)

²⁶ Ibid., Section 7(2)

²⁷ Ibid., Section 43

²⁸ Ibid. Section 28



Dr. Saptarshi Ray
Academician



Harsh Jindal
Consultant

Capital requirement is the most important for a bank, at any point in time, to stay solvent in the long run and be able to meet cash requirements of the depositors from time to time. Bank failures have not been uncommon in the past. The Herstatt Bank (1974) crisis was one of the catalysts to awaken central banks and take steps towards banks' financial health. It was by the end of 1974 that a group of ten central bank governors across Europe came together to form a committee on banking regulations and supervisory, commonly known as the Basel Committee. The Basel Committee was a consequence of the numerous bank failures that caused a catastrophic effect on the world economy. Basel Accord I was the first in the series,

Transition of Basel III as an approach towards Improving Risk Management in the Banking Sector

The Global Financial Crisis compelled the Basel Committee to come up with an improved Basel III regulation in 2010. It aimed at introducing changes to existing regulations, the addition of new regulations, and constraining overly optimistic internal models used by banks. Most of the changes have been made in the credit risk section which include introduction of capital conservation buffers and countercyclical cover. In terms of liquidity measures, Basel III introduced liquidity standards to ensure short-term and medium-term funding stability of the banks. Since implementation, the Committee has always consistently focused on transition and enhancement, leading to a move from Basel III to Basel 3.1 in 2017 (which the industry refers to as Basel IV). The study aims to examine the status of major banks with respect to enhanced risk management practices.

primarily addressing Credit Risk and related Capital Adequacy for the banks to always stay solvent. Later, it was realised that banks are not involved in just basic banking functions of lending and borrowing but have extended to taking market risk. Subsequently, to address this, Basel Accord II was introduced, in the form of three pillars, focusing on various kinds of risks. The addition of Market Risk, Operation Risk and increment in Capital Adequacy Ratio were the major focus of the Basel Committee. In the late 2000s, with the Great Financial Crisis of 2008, bank liquidity played a pivotal role in amplifying the impacts of the economic downturn. Basel III was introduced in 2013 through 2019 with an initial implementation deadline of March 2020. The said framework focused on strengthening the core capital for a bank, and at the same time adding a cushion for globally and systemically important financial institutions to cope with bad times. With time, the Basel Committee has been coming up with

recommendations and frameworks to cope with newly arising risks. Since 2017, the committee has published numerous new frameworks as a part of Basel III post-crisis reforms, which the industry generally also refers to as Basel 3.1 or Basel IV.

Background Study: Transition from Basel I to Basel III

The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities that was established by the central bank governors of the Group Ten (G10) in 1974. The committee expanded its membership in 2009, and then again in 2014. Now, the BCBS has 45 members from 28 jurisdictions, consisting of central banks and authorities responsible for banking regulations.

BASEL I was the first international banking regulatory framework, introduced in 1988, that aimed to promote the stability of the international

banking system by establishing a minimum capital requirement for banks. The focus of Basel I was to ensure that banks maintained a minimum level of capital to absorb unexpected losses. The capital requirement was set at 8% of risk-weighted assets (RWAs). Risk weightings ranged from 0% for government bonds to 100% for unrated or poorly rated corporate bonds and other high-risk assets. Later, in the mid-1990s, BCBS introduced netting and market risk & trading book adjustments in 1995 and 1996 respectively. Basel II was introduced in 2004. It aimed to improve the measurement and management of credit risk, operational risk, and market risk. The accord accompanied three pillar approaches consisting of:

1. Capital Requirement,
2. Supervisory Review &
3. Market Discipline (leading to Information Transparency)

Basel III was introduced in 2010. Basel III increased capital for credit risk and tightened the definition of capital in response to the 2007–2009 financial crisis. Basel III increased capital requirements for credit risk and tightened capital definition for Tier 1 and Tier 2 capital. Core Tier 1 equity capital must be at least 4.5% of risk-weighted assets, total Tier 1 capital must be 6% of risk-weighted assets, and total capital (Tier 1 plus Tier 2) must be at least 8% of risk-weighted assets.

The Capital Conservation Buffer (CCB) is a component of Basel III capital requirements that requires banks to hold an additional buffer of common equity Tier 1 capital to ensure that banks have an extra layer of protection to absorb losses during periods of financial stress. The CCB is

set at 2.5% of a bank's risk-weighted assets (RWAs) and is in addition to the minimum common equity Tier 1 capital requirement of 4.5%. This means that banks are required to hold a total of 7% of common equity Tier 1 capital. Total Tier 1 capital must be 8.5% of risk-weighted assets and Tier 1 plus Tier 2 capital must be 10.5% of risk-weighted assets in normal periods. If a bank's capital level falls below the CCB requirement, it will face restrictions on its ability to pay dividends, buy back shares, or pay discretionary bonuses to its executives.

The Bank for International Settlement came up with regulatory frameworks in 2013, and since then, there have been significant changes in the originally proposed "Basel III framework". The Basel Committee came up with Basel III reforms in 2017. The committee says:

"It complements the initial phase of Basel III reforms previously finalised by the Committee. The Basel III framework is a central element of the Basel Committee's response to the global financial crisis. It addresses a number of shortcomings with the pre-crisis regulatory framework and provides a regulatory foundation for a resilient banking system that supports the real economy." - BCBS, Dec 2017

Generally, in the banking industry, Basel III (2017) significantly reduced reliance on internal models by enhancing standardized approaches and introducing capital output floors, and many more changes have come from time to time in order to immunize banks against financial crisis.

Transition to Basel 3.1 or Basel IV

Major reasons for continuous improvement to Basel III by the Basel Committee on Banking Supervision (BCBS) have been made to accommodate newly emerging risks within the banking industry. The aim is to make banks more resilient and less prone to economic downturn and ultimately avoid the deepening of an economic crisis.

As far as the central banks across the world are concerned, active participation has been seen in the implementation of the Basel framework, and the implementation stages are presented in Figure 1.

The definition of capital is an important aspect while classifying different equity classes into capital buckets. The Capital "definition" for G-SIBs and Non-G-SIBs

Figure 1: Basel Implementation Worldwide

		AR	AU	BR	CA	CN	HK	IN	ID	JP	KR	MX	RU	SA	SG	ZA	CH	TR	GB	US	EU
Capital	CCyB	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
	MAR NCCD	1	4	4	4	1	4	3	4	4	2	3	2	4	4	4	4	1	4	4	4
	CCP	4	4	4	4	4	4	3	3	4	4	4	2	4	4	4	4	4	4	4	4
	EFB	4	4	4	4	4	4	1	na	4	4	4	2	4	4	4	4	4	4	2	4
	SA-CCR	4	4	4	4	4	4	3	4	4	4	1	4	4	4	4	4	4	4	4	4
	SBC	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	1	4	2	4
	TLAC	na	4	4	4	4	4	1	na	4	1	4	4	4	4	4	4	1	4	4	4
	CR SA 2023	3	4	4	4	4	3	1	4	4	4	4	2	4	4	2	3	1	3	2	3
	CR BB 2023	na	4	4	4	4	3	na	na	4	4	1	4	4	4	2	3	1	3	na	3
	CVA 2023	1	1	1	4	4	3	1	4	4	4	1	1	4	3	2	3	1	3	2	3
	MRC 2023	1	1	2	4	4	3	2	4	4	4	na	1	4	3	2	3	1	3	2	3
	OR 2023	3	4	3	4	4	3	3	4	4	4	4	4	4	4	2	3	2	3	2	3
	OP 2024	na	4	na	4	4	3	na	na	4	4	1	4	4	4	2	3	1	3	2	3
	RBC 2013	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Leverage	LR EXP 2017	4	4	2	4	4	3	1	4	4	4	1	1	4	4	2	3	2	4	4	4
	G-SIB	na	na	4	4	4	4	na	na	4	4	na	na	na	na	na	na	na	4	4	4
	D-SIB	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	na	4
SIB	LR Buffer	na	na	na	4	4	na	na	na	na	na	na	1	na	na	na	na	na	4	4	4
	IRBB	4	3	4	4	4	4	3	4	4	4	2	2	4	4	4	4	2	4	4	4
IRRBB	IRBB	4	4	4	4	4	4	4	4	1	1	1	4	4	4	4	4	4	4	4	4
	NSFR	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Liquidity	LCR	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
	ILR	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Large exposur.	LCR	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
	LEX	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Disclosure	Crypto	na	1	1	2	1	2	na	na	1	1	na	1	na	1	na	1	1	1	1	2
	DISC Pillar III	4	3	4	4	4	4	1	4	4	4	2	4	4	4	4	4	4	4	na	4
	DISC DEC 20..	4	3	4	4	4	4	1	4	4	4	2	4	4	4	4	4	4	4	4	4
	DISC JAN 2018	4	3	4	4	4	4	2	4	4	4	4	2	4	4	4	4	4	4	4	4
	DISC DEC 20..	4	3	4	4	4	4	1	4	4	4	1	4	4	4	4	4	1	4	4	4
	DISC TLAC	na	na	na	4	3	4	na	na	4	3	4	na	4	na	na	na	na	4	4	4
	DISC MR 2023	1	1	1	3	4	3	1	4	4	4	1	1	4	3	2	3	1	3	2	3
Disclosure	DISC Jan 2023	1	3	1	4	4	3	2	3	4	4	2	1	4	4	2	3	1	3	2	3

1 draft regulation not published
2 draft regulation published
3 final rule published (not yet implemented by banks)
4 final rule in force (published and implemented by banks)
na not applicable

Select period

30/09/2024

Adoption Status

adoption completed

adoption not started

standard not yet due

adoption in progress

not applicable

Select standard

(All)

Source: https://www.bis.org/bcb/implementation/rcap_reports.htm

are comprehensive and widely available on public platforms. Post 2017, there have not been any major changes in the capital definition, but a few new guidelines have been introduced for implementation and better risk management practices around the world.

Basel III Reforms: Capital Efficiency, Liquidity Standards, and Systemic Risk Control

- **Introduction of a leverage ratio:** Basel III introduced a non-risk-based leverage ratio to prevent excessive lending and off-balance-sheet leverage, ensuring banks do not depend solely on risk-weighted assets to determine capital adequacy.
- **Enhanced liquidity standards:** Two major liquidity ratios were added: (i) the Liquidity Coverage Ratio (LCR), requiring banks to hold high-quality liquid assets to withstand a 30-day stress period; and (ii) the Net Stable Funding Ratio (NSFR), designed to promote stable, long-term funding structures.
- **Improved risk coverage:** Basel III strengthened the measurement of risks associated with complex products like derivatives and expanded the calculation of counterparty credit risk, reducing interconnected exposure in the system.
- **Focus on systemically important institutions:** Additional capital surcharges and intensified supervision were introduced for Global Systemically Important Banks (G-SIBs) to address their higher systemic impact.
- **Strengthening risk governance and transparency:** Basel III encourages improved disclosure, enhanced risk culture, and robust internal risk management frameworks to support better financial decision making.
- **Impact on the banking sector:** Although higher capital requirements may create short-

term pressure on profitability, the reforms significantly enhance stability, resilience, and long-term confidence in the banking sector.

Effect of Basel Guidelines on JP Morgan Chase's Capital Adequacy & Return on Equity

JP Morgan Chase (JPM) is one of the oldest banks in the world, the largest in terms of assets under management, and one of the most well recognized banks worldwide. Most major countries that hold reserves in terms of dollars generally have country accounts with JPM or similar large banks. The bank faced trying times during the 2008 crisis, and its solvency was also questioned by the critics. Both the regulators and the bank realised that they cannot afford to declare JPM bankrupt or insolvent. Therefore, to address this, adequate capital must be maintained to sustain bad times.

As presented by BCBS, the Basel regulations suggest proper capital requirements that are to be met by all globally active banks, and an additional safety tier for Globally Systemically Important Financial Institution (G-SIFIs). The domestic regulators also ensure that proper supervision

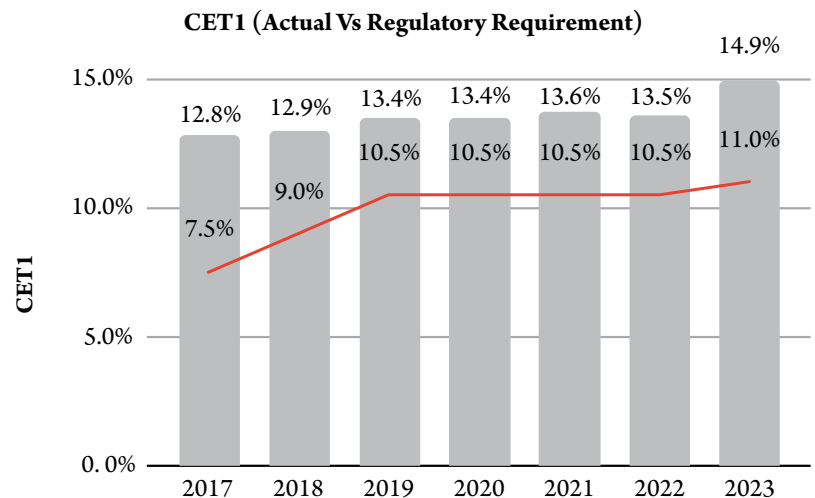
is done, and sometimes, even an additional buffer is added to banks' capital requirement. BIS has closely monitored banks such as JPM in order to avoid financial crises arising due to poor risk management practices.

Basel III introduced the Capital Conservation Buffer and the Countercyclical Buffer. It also introduced an institution-specific buffer in order to add an extra layer of safety to the entire financial system. Regulators have constantly been working towards increasing core capital requirements and making capital definitions stricter.

The trend in Common Equity Tier-1 capital over the years, as can be seen in Figure 2, showcases how requirements have gone up, and banks have been consistently increasing capital to cope with these changes. (Regulatory requirement are shown by the red line, while the bank's actual capital is represented by grey bars.)

Similarly, the Total Capital Trend over the years, shown in Figure 3, represents how total capital requirements have increased and how JPM has perfectly worked on the capital side to not only stay above regulatory limits but also to maintain a good buffer in case of any further regulatory requirements.

Figure 2: CET1 Comparison

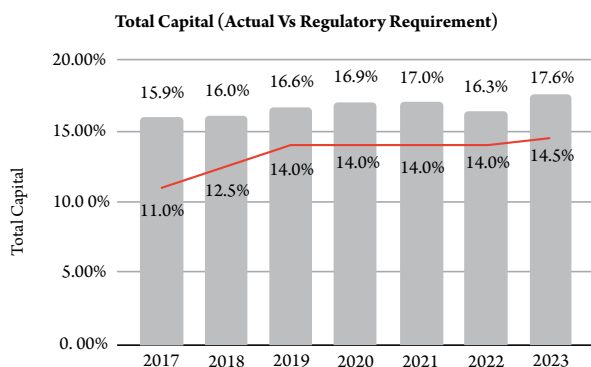


Source: Compiled by Authors from JP Morgan Chase Annual Reports

(From 2017 to 2019, JP Morgan followed the Basel III (transitional) approach for calculating CET1. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

(Regulatory requirement are shown by the red line, while the bank's actual capital is represented by grey bars.)

Figure 3: Total Capital Comparison



Source: Compiled by Authors from JP Morgan Chase Annual Reports

(From 2017 to 2019, JP Morgan followed the Basel III (transitional) approach for calculating Total Capital. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

The liquidity position, as shown in Table 1, is another important part of the company.

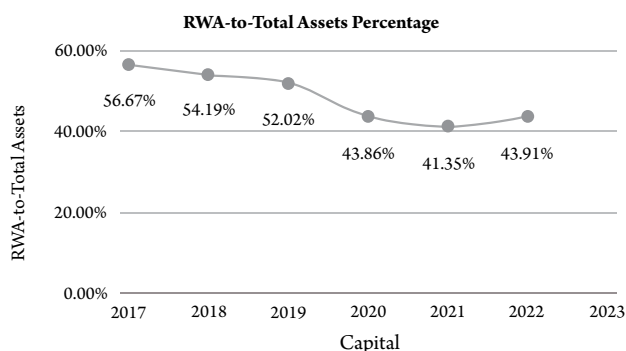
Table 1: Liquidity Profile of JP Morgan Chase

Year	Eligible High-Quality Liquid Assets	Net Cash Outflow	Liquidity Coverage Ratio	Excess Eligible High-Quality Liquid Assets
2017	\$560.08	\$472.08	119%	\$88.00
2018	\$529.27	\$467.70	113%	\$61.57
2019	\$545.28	\$469.40	116%	\$75.88
2020	\$697.06	\$634.04	110%	\$63.02
2021	\$738.12	\$664.80	111%	\$73.32
2022	\$733.05	\$652.58	112%	\$80.47
2023	\$798.63	\$704.86	113%	\$93.77

Source: Compiled by Authors from JP Morgan Chase Annual Reports

(From 2017 to 2019, JP Morgan followed the Basel III (transitional) approach for calculating Liquidity Profile. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

Figure 4: RWA-to-Total Asset Percentage



Source: Compiled by Authors from JP Morgan Chase Annual Reports

(From 2017 to 2019, JP Morgan followed the Basel III (transitional) approach for calculating RWA-to-Total Assets Percentage. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)



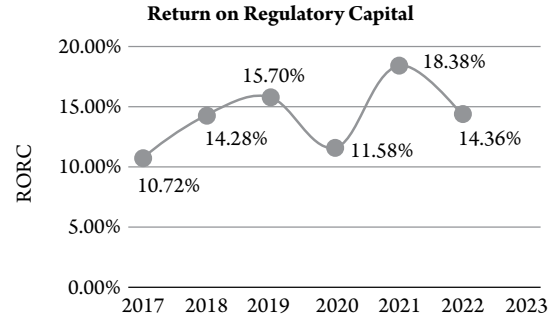
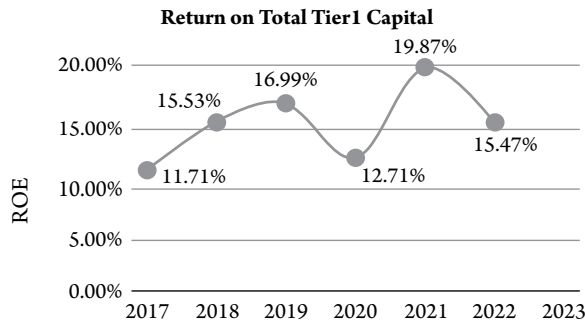
The RWA-to-asset ratio can be seen to be declining over the years, indicating a reduction in RWA over the year. Figure 4 shows a decline in RWA post the introduction of new Risk-Weighted Assets (RWA) calculation methods and techniques.

As a result of the decrease in RWA over time, the capital requirements for banks have decreased, ultimately leading to a healthy Return on Equity and Return on Regulatory Capital, as shown in Figures 5A & B.

In conclusion, we can say that the bank has benefited from the introduction of the new Basel Regulations, leading to no negative impact on ROE and a sharp reduction in RWA.

Effect of Basel Guidelines on HSBC's Capital Adequacy & Return on Equity

HSBC, an acronym from its founding member, The Hongkong and Shanghai Banking Corporation, is a British universal bank and financial services group headquartered in London, England, with historical and business links to East Asia and a strong multinational footprint. Many major officials gave inputs during the preparation of the Basel framework for banks' capital adequacy. Detailed data has been gathered and analysis has been done in order to make meaningful interpretation and comment on how Basel has impacted

Figures 5A & B: Return on Capital Comparison

Source: Compiled by Authors from JP Morgan Chase Annual Reports

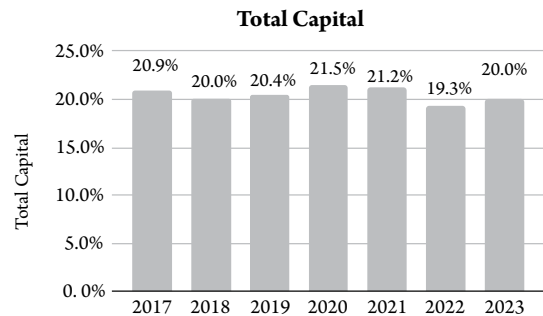
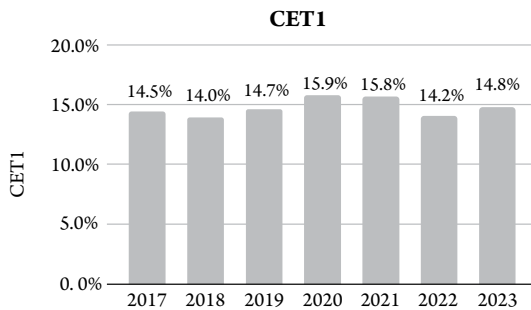
(From 2017 to 2019, JP Morgan followed the Basel III (transitional) approach for calculating Return on Capital Comparison. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

HSBC in a European context. Banks in Europe are governed by the Prudential Regulation Authority of the Bank of England.

While checking for different capital ratios for HSBC, it was noted that the bank has consistently worked on improving and maintaining adequate

ratios as per the Basel framework. Figures 6A & B showcase the difference between Total Capital as per Basel and Common Equity Tier 1 Capital (between the years 2017 to 2023). They also reflect the growth in capital over the years. There has not been a significant increase, but the ratio has always been above regulatory requirements.

Coming to the liquidity position, as shown in Table 2, the Liquidity Coverage Ratios have been significantly above the regulatory requirements. High-Quality Liquid Assets are almost 1.5 times the Net Cash Outflow. We can say that HSBC has a good liquidity position to cope with stressed times.

Figures 6A & B: CET1 & Total Capital

Source: Compiled by Authors from HSBC Annual Reports

(From 2017 to 2019, HSBC followed the Basel III (transitional) approach for calculating CET1 and Total Capital. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

Table 2: Liquidity Profile of HSBC

Year	Eligible High-Quality Liquid Assets	Net Cash Outflow	Liquidity Coverage Ratio	Excess eligible High-Quality Liquid Assets
2017	\$512.60	\$359.90	142%	\$217.49
2018	\$567.20	\$368.70	154%	\$305.37
2019	\$601.40	\$400.50	150%	\$301.68
2020	\$677.90	\$487.30	139%	\$265.15
2021	\$717.00	\$518.00	138%	\$275.45
2022	\$647.00	\$490.80	132%	\$205.91
2023	\$647.50	\$477.10	136%	\$231.26

Source: Compiled by Authors from HSBC Annual Reports (2017 - 2023)

(From 2017 to 2019, HSBC followed the Basel III (transitional) approach for calculating Liquidity Profile. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

Now, the focus comes to Risk-Weighted Assets (RWA), and their movement, increase, and decrease over time. The following interpretations can be made from Table 3. RWA has been relatively constant over the research period. This raises the question of whether the bank's total assets were also stagnant. This can be seen in the next segment of the RWA-to-Total Asset ratio:

Table 3: RWA Change year-over-year

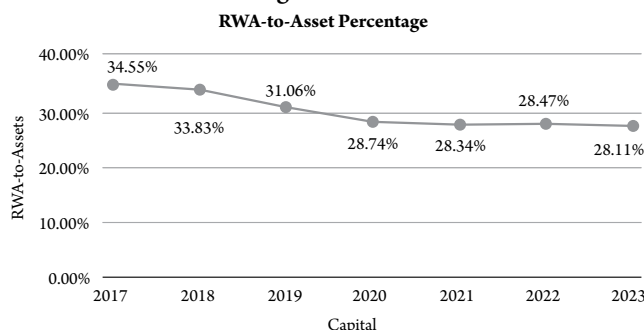
RWA	2017	2018	2019	2020	2021	2022	2023
Total RWA	\$871.30	\$865.30	\$843.40	\$857.50	\$838.23	\$839.70	\$854.10
\$ Change		-\$6.00	-\$21.90	\$14.10	-\$19.24	\$1.43	\$14.40
% Change		-0.69%	-2.60%	1.64%	-2.29%	0.17%	1.69%

Source: Compiled by Authors from HSBC Annual Reports

(From 2017 to 2019, HSBC followed the Basel III (transitional) approach for calculating RWA. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

The RWA-to-Asset has been decreasing over the years, meaning that, with stagnant RWAs, the total assets have been increasing through the years, leading to a declining trend in Figure 7.

Figure 7: RWA-to-Asset Percentage

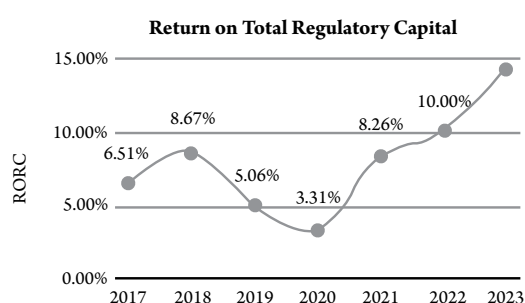
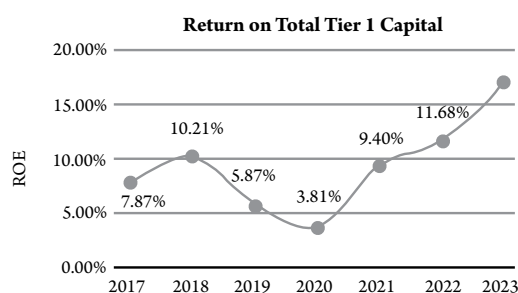


Source: Compiled by Authors from HSBC Annual Reports

(From 2017 to 2019, HSBC followed the Basel III (transitional) approach for calculating RWA-to-Asset Percentage. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

One of the major performance metrics for any bank is Return on Equity (ROE). After the implementation and new amendments of Basel, ROE and RORC have shown significant improvements, as can be seen in Figures 8A & B. Hence, HSBC has benefited partly from the introduction of the new Basel guidelines as well.

Figures 8A & B: Return on Capital Comparison



Source: Compiled by Authors from HSBC Annual Reports

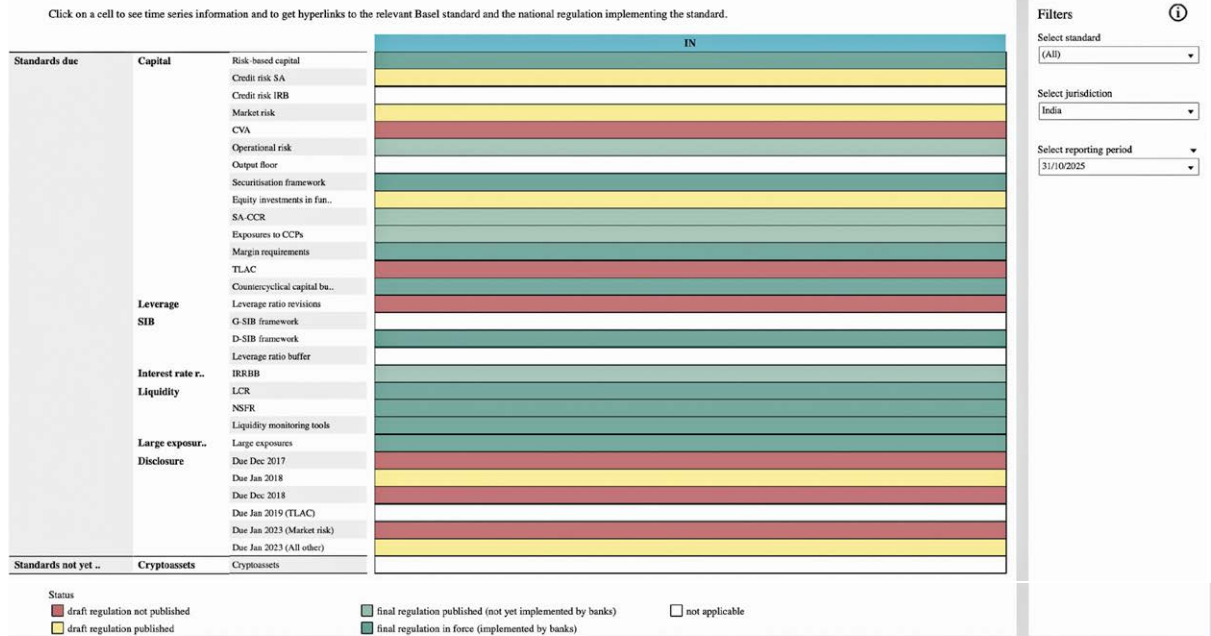
(From 2017 to 2019, HSBC followed the Basel III (transitional) approach for calculating Return on Capital Comparison. From 2020 onwards, there was a change in the computation methodology to Basel III (fully phased-in). The authors have maintained uniformity in the calculations.)

In conclusion, we can say that HSBC has benefited from the introduction of the new Basel regulations, ultimately leading to improvement in ROE and a sharp reduction in the RWA-to-Asset ratio.

India's Status on the Implementation of Basel III

The RBI started the implementation of Basel III capital regulations on April 1, 2013, with a transition period for full compliance completed by March 31, 2019. It has continued to update and add to the Basel III norms as and when newer reforms are introduced. The Basel III capital framework was also extended to All India Financial Institutions (AIFIs) and came into effect from April 2024. The Reserve Bank of India issues the norms and guidelines for Basel III in India, which are sometimes stricter than the international Basel norms, further strengthening the Indian Banking System.

Figure 9: Basel Implementation in India



Source: https://www.bis.org/bcbs/implementation/rcap_reports.htm

Findings

A summary of the findings from the above analysis is as follows:

- For many types of exposures, there is a significant and much needed reduction in risk weights. The unnecessarily high risk weights for various reasons has been matched to industry expectations.
- Banks have been given lesser options to use internal model approaches that are designed by the banks themselves; the shift is toward using more standardized approaches to ensure reliability and comparability among banks.
- Exposure calculation for securitisation portfolios and additional liquidity measures have been included. It will be vital to see how bank performance evolves after implementation.
- Bank performance has responded positively since the implementation of Basel IV. More practical risk weights have led to a reduction in RWAs, which has

“BASEL I was the first international banking regulatory framework, introduced in 1988 that aimed to promote the stability of the international banking system by establishing a minimum capital requirement for banks.”

further led to a decrease in the minimum required regulatory capital.

- Return on Equity (ROE), being a function of profit and capital, has increased as a result of the above facts. Net Interest Margins have almost remained flat which is directly related to profits. So, it can be said that ROE has increased on account of reduction in capital requirements.

Recommendations

Major recommendations from the above analysis are as follows:

- One of the major insights is the reduction in risk weights for assets held by banks by the Basel Committee for Banking Supervision (BCBS). While this is a step taken toward more practical and realistic risk weights, some areas still remain unaddressed. The BCBS should take up all such areas to ensure even better risk management practices.
- Although the new approaches are undoubtedly more practical, they have increased the complexity of modeling and assessing all kinds of risks that a bank faces. Bankers should wisely take decisions while implementing Basel IV, balancing practicality with complexity.
- Banks with high-quality collateral and loans get lower risk weights. This framework is devised in a way which promotes banks

to give higher-quality loans to reduce capital requirements. However, risk and profitability should be kept in mind because it's one of the core aspects of banking.

- From the case study, it is also seen that by adopting a new rule for the calculation of RWAs, there is a significant reduction in banks' RWA-to-Assets ratios. It can be due to improved asset quality or better calculation techniques developed by Basel. A proper in-depth analysis is required to come to a conclusion.
- The increase in Return on Equity due to the reduction in the required CET1 capital may be one of the reasons, apart from other internal reasons. Further research can be conducted to support such findings.

Conclusion

In the above study, the objectives and motivations of the Basel Committee on Banking Supervision (BCBS) for introducing Basel IV reforms were discussed in the beginning, and concerns related to the misuse of internal model flexibility by bank and the strategies used in order to reduce capital requirements and

“The RBI started the implementation of Basel III capital regulations on April 1, 2013, with a transition period for full compliance completed by March 31, 2019. It has continued to update and add to the Basel III norms as and when newer reforms are introduced.”

thereby increase Return on Equity were also raised.

Furthermore, comparison with the previous framework has also been made wherever possible, highlighting the major differences in risk weights and their potential impact on the banks' risk-weighted assets calculations.

Additionally, key guidelines as framed by the Bank for International Settlements have been discussed by elaborating on major risk assessment areas like credit risk, market risk, and operational risk, along with other factors like liquidity ratios and capital floors.

Lastly, case studies on JP Morgan Chase and HSBC have been taken up to understand the impact of Basel IV on banking operations, leading to meaningful insights.

In conclusion, it can be said that all objectives of the research have been fulfilled, and results have been obtained and mentioned in this study.

References

- Schneider, S., Schröck, G., Koch, S., & Schneider, R. (2017). *Basel "IV": What's next for banks: Implications of intermediate results of new regulatory rules for European banks*. McKinsey & Company. <https://www.mckinsey.com/in/~media/mckinsey/business%20functions/risk/our%20insights/basel%20iv%20whats%20next%20for%20european%20banks/basel-iv-whats-next-for-banks.pdf>

- Magnus, M., Margerit, A., Mesnard, B., & Korpas, A. (2017). *Upgrading the Basel standards: From Basel III to Basel IV? European Parliament*. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/587361/IPOL_BRI\(2016\)587361_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/587361/IPOL_BRI(2016)587361_EN.pdf)
- Amorello, L. (2016). *Beyond the horizon of banking regulation: What to expect from Basel IV?* *Harvard International Law Journal*, 58(1). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2888960
- Feridun, M., & Özün, A. (2020). *Basel IV implementation: A review of the case of the European Union*. *Journal of Capital Markets Studies*, 4(1), 7–24. <https://www.emerald.com/jcms/article/4/1/7/204651/Basel-IV-implementation-a-review-of-the-case-of>
- Bodellini, M. (2019). *The long journey of banks from Basel I to Basel IV: Has the banking system become more sound and resilient than it used to be?* *ERA Forum*, 20(1), 81–97. <https://doi.org/10.1007/s12027-019-00557-x>
- Parchimowicz, K., & Spence, R. (2020). *Basel IV postponed: A chance to regulate shadow banking?* *Erasmus Law Review*, 13(1), 13–22. <https://eprints.leedsbeckett.ac.uk/id/eprint/7381/1/BaselIVPostponedAChanceToRegulateShadowBankingPV-SPENCE.pdf>
- Helbekkmo, H., Levy, C., & White, O. (2019). *Creating the bank enterprise risk management function of the future*. *Journal of Risk Management in Financial Institutions*, 12(4), 297–310. <https://www.ingentaconnect.com/content/hsp/jrmfi/2019/00000012/00000004/art00002>



Authors may be reached at
harsh.jindal8377@gmail.com
and eboard@icai.in



CA. Harsh Poddar

Member of the Institute

Beyond Traditional Banking – Tailored debt products to suit changing business needs

India's rapidly evolving economic landscape has created unprecedented opportunities for businesses across sectors. However, access to timely and flexible financing remains a core challenge for many businesses. Traditional bank lending (term loans and cash credit facilities), once the go-to solution, is increasingly proving insufficient due

to rigid norms, collateral requirements, and slow processes.

This article explores alternative financing avenues including trade finance, asset-backed finance (sale and leaseback, equipment funding, lease rental discounting), and structured finance (promoter funding, acquisition funding, and venture debt). It provides a comprehensive overview of each financing model, its use cases, and limitations, helping the Chartered Accountants community to guide business leaders in making informed capital-raising decisions in a dynamic environment.

Introduction

In India's entrepreneurial ecosystem, the ability to secure the right kind of financing at the right time can define business success. While traditional bank loans have been the mainstay of corporate finance, they are not always well-suited to the needs of agile, high-growth, or distressed businesses, especially those with:

- Irregular, lumpy cash flows (e.g., defence contractors) or exponential short-term growth spikes (e.g., Direct-to-Consumer brands on q-commerce).
- Asset-light models (e.g., Quick Service Restaurant chains and aggregator platforms) or balance sheets dominated by intangible assets like proprietary software and patents.
- Accelerated business cycles (e.g., fast fashion brands) and shorter product lifespans driven by rapid technological obsolescence (e.g., consumer electronics).

These limitations have opened the door to a new wave of alternative financing options, tailored to modern business models and cycles. These new-age financing tools are not only designed to meet diverse capital needs but are also structured with greater flexibility and responsiveness to business realities. This shift is largely powered by technology, making these modern solutions possible through:

- Seamless API integration provides lenders with instant access to a borrower's banking, GST, and other compliance data.
- Alternative credit assessments evaluate the borrowing entity's transaction flows and its promoter's behavioural metrics in conjunction with historical financials.
- Continuous, real-time risk monitoring helps identify early warning signals instead of relying on delayed, periodic financial statements.

This article offers a structured examination of a few of such financial solutions. By diving deep into their operating mechanisms, eligibility norms, pricing, and ideal use cases, the aim is to equip Chartered Accountants with the insights necessary to optimise their funding strategy in an increasingly competitive market.

Emerging Alternatives: A Taxonomy of Modern Financing Instruments

A. Trade Finance

i. Cross-border factoring/discounting

- **Modus Operandi:** Cross-border factoring/discounting is a short-term working capital financing tool designed to support businesses engaged in the import and export of goods. When a seller dispatches goods to a buyer overseas, the lender provides an advance to the seller of up to 90% of the invoice value

at the time of shipment. The buyer (borrower) pays the full invoice value to the lender on the due date, typically 90 to 120 days later. Upon receipt of these funds from the buyer (borrower), the lender remits the remaining 10% balance to the seller, minus applicable charges.

- **Interest Rate:** 8% to 12% p.a. for importers, with slightly lower rates for exporters. Interest rates are generally linked to SOFR (for USD-denominated transactions).
- **Primary Security:** No charge is filed on any assets.
- **Collateral Security:** No charge is filed on any assets. The lender mitigates their risk by obtaining insurance cover on the transaction.
- **Active Lenders:** Examples of few active lenders in this segment are Modifi, Drip Capital, TradeWind and DP World.
- **Ideal For:** This financing model can support the working capital requirements of the borrower by complementing the existing cash credit facility.
- **Key Points:** Import/export factoring offers quick liquidity without any collateral security and is generally considered off-balance sheet financing, thus not impacting financial ratios of the borrower.

ii. Domestic factoring/ discounting & TReDS

- **Modus Operandi:** Domestic factoring involves the discounting of invoices either through direct arrangements with Banks/NBFCs or via electronic platforms like Trade Receivables Discounting System (TReDS). TReDS is an RBI regulated digital platform which enables MSMEs to receive early payments against invoices without collateral.

- **Interest Rate:** Interest rates range from 8% to 15% p.a. depending on a case-to-case basis and the credit rating of the buyer and/or supplier.
- **Primary Security:** No charge is filed on any assets.
- **Collateral Required:** No charge is filed on any assets.
- **Active Lenders:** Most private and public sector banks, along with NBFCs, offer this discounting facility. TReDS platforms are offered by Receivables Exchange of India Limited (RXIL), a JV between NSE and SIDBI, and InvoiceMart, among others. These platforms provide a transparent platform for the financing.
- **Ideal For:** MSMEs seeking timely working capital funding without approaching Banks for Cash Credit facility.
- **Key Point:** Registration on TReDS is mandatory for corporates with turnover above Rs. 250 crores, signalling government support for digital supply chain financing.

**The process is explained in fig 1.*

B. Asset-Backed Finance

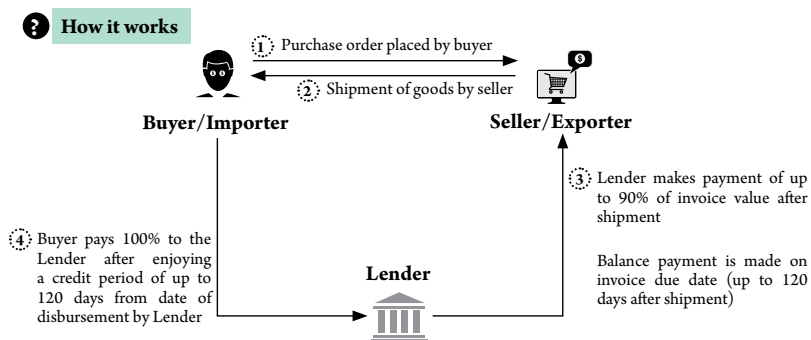
i. Equipment Funding

- **Modus Operandi:** Equipment funding involves the purchase of machinery using financing provided by banks or NBFCs.

The lender typically covers 50% to 100% of the equipment's purchase price, including taxes and installation costs. The borrower repays the loan through periodic instalments over a specified tenure which can range from 3 to 7 years.

- **Interest Rate:** Banks typically charge 8% to 10% p.a., while NBFCs may quote higher rates, ranging from 10 to 14% p.a.
- **Primary Security:** The machine financed by the lender will be exclusively charged to the lender.
- **Collateral Required:** While banks may demand collateral in the form of a fixed deposit (5% to 25% of asset value), many NBFCs approve such loans without any additional collateral requirement.
- **Active Lenders:** Apart from Banks, certain NBFCs like Tata Capital, Bajaj Finance, and Oxyzo Financial Services are active lenders in this segment.
- **Ideal For:** This financing solution is suitable for businesses requiring frequent acquisition of machinery or movable equipment, especially in manufacturing or processing sectors.
- **Not Suitable For:** Businesses which operate on an asset-light model do not require Equipment Finance.

Fig 1. Trade Finance





- **Key Point:** Equipment finance enables businesses to boost productivity and revenue without a large upfront capital outlay, and the loan is typically serviced through cash flows generated by the asset itself.

ii. Sale and Leaseback

- **Modus Operandi:** Under a sale and leaseback arrangement, a business sells its owned, unencumbered fixed assets to a financial institution, typically an NBFC. The asset is then leased back to the original owner for continued operational use through monthly rental payments. At the end of the lease term, the business may repurchase the asset at nominal cost depending on the terms of the sale-leaseback transaction.
- **Interest Rate:** Effective financing cost, reflected through lease rentals, can be as low as 9% p.a. in certain cases. Generally, the effective financing cost is around 12% p.a.
- **Primary Security:** Not applicable, since the asset is sold to the lender and thus not reflecting in the books of business.
- **Collateral Required:** Generally, a fixed deposit ranging between 10% to 25%

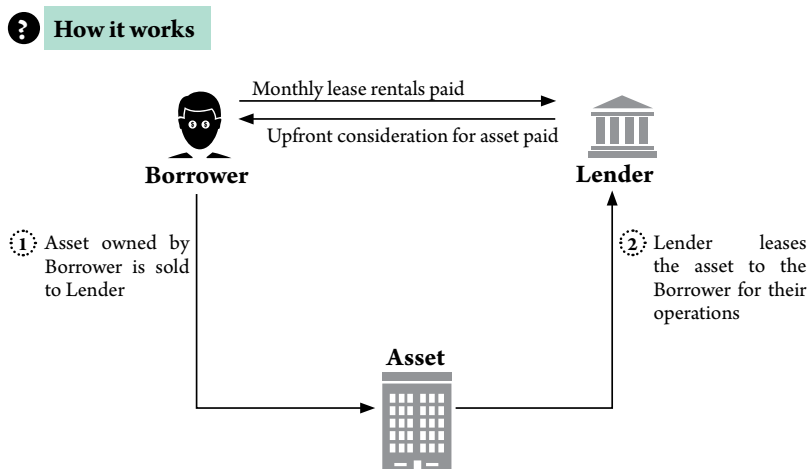
of the asset value may be required as collateral security. This amount can be lower or higher depending on case-to-case basis.

- **Active Lenders:** Siemens Financial Services and Tata Capital are among the notable players offering sale and leaseback products at competitive terms.
- **Ideal For:** This model is ideal for asset-heavy industries such as textiles, beverages, and sectors with significant capital expenditure. It is particularly effective for companies facing a temporary liquidity crunch, and those with accumulated GST input tax credit (ITC) that can be utilized. The sale of fixed assets results in collection of output GST which can be set-off against existing ITC balance, thus resulting in freeing up of cash flow.
- **Not Suitable For:** Borrower may not be entitled to subsidy linked to Fixed Assets appearing in the balance sheet.
- **Key Point:** Sale and leaseback help unlock liquidity without impacting operational continuity and lowers reported leverage on the company's books since the transaction is structured as a lease rather than a loan.

iii. Lease Rental Discounting (LRD)

- **Modus Operandi:** Lease Rental Discounting is a financing option where businesses can borrow funds against their rental income from pre-leased properties. In this structure, the lender provides a loan based on the future cash flows (rental income) generated from a commercial property that is already under lease agreement. The loan tenure is linked to the lease tenure. The loan amount typically ranges from 70% to 85% of the present value of future rental income.
- **Interest Rate:** Banks generally charge interest rates in the range of 8% to 10% p.a., depending on factors like the tenure, tenant stability, and property value. NBFCs may offer slightly higher interest rates but they may also disburse higher loan amounts on a case-to-case basis.
- **Primary Security:** The underlying property is taken as primary security by the lender apart from the lease rental income stream.
- **Collateral Required:** Collateral is generally not required.

Fig 2. Asset- Backed Finance



“Through ULI, lenders get instant, seamless access to a massive variety of data required for underwriting, including state-level land records, satellite imagery (useful for agricultural credit), tax filings and KYC details, and Account Aggregator financial data.”

- **Active Lenders:** Most Banks and NBFCs offer this lending facility.
- **Ideal For:** LRD is one of the most preferred options of borrowing by real estate developers.
- **Not Suitable For:** In case lease tenure is short (up to 1 year) and/ or the lessee is not a reputed name, then Lenders may not consider LRD facility. However, a Loan Against Property (LAP) may be availed in such cases.
- **Key Point:** LRD offers businesses the ability to leverage their existing rental agreements for immediate liquidity. This facility enables them to raise funds for various purposes, such as expansion, reinvestment in business, or to meet short-term financial needs, without the need to sell the property or disturb the ongoing lease arrangements.

*The process is explained in fig 2.

C. Structured Finance

i. Private Credit Funding

- **Modus Operandi:** For structured use cases where

Banks are not allowed to lend due to regulatory framework, private credit funds come to the rescue. These funds can structure the transaction for all kinds of needs of borrowers. Typical end uses include – buyback of shares from exiting shareholder, delisting of the company, acquisition of another business, funding stuck real estate projects, one-time settlement funding, etc.

- **Interest Rate:** Interest rates vary significantly depending on the structure of the transaction. Typically, interest rates range in the mid-teens to high-teens p.a. Since the interest rates are high, the lenders structure the repayments to match the expected future cash flows of the borrower.
- **Security Required:** The security required for transactions differ on a case-to-case basis. Possible securities include - land, building, plant and machinery, listed co. shares, and even unlisted shares.
- **Active Lenders:** Many lenders like InCred Capital, Edelweiss, Modulus, Kotak Credit Funds, Baring Private Credit, UTI Alternates, are in this space.
- **Ideal For:** Ideal for special situations transactions where banks are unable to lend because of high risk or regulatory framework.
- **Not Suitable For:** May not be suitable for companies with unstable or declining business performance, as the interest rates are high and servicing of the same can become a challenge.
- **Key Point:** In case of structured credit requirements, private credit offers tailor-made solutions to borrowers.

ii. Venture Debt

- **Modus Operandi:** Venture Debt is a type of financing that allows early-stage, high-growth startups to borrow funds. Unlike traditional loans, which rely on collateral and credit history, venture debt is secured by the company's future cash flows and often the backing of existing equity investors. Typically, this form of debt is provided to startups that are in the growth or scaling phase and have recently raised equity funding. The loan is typically structured with interest payments and may include a warrant or equity kicker, allowing the lender to convert a portion of the debt into equity in the future.
- **Interest Rate:** Interest rates for venture debt are generally higher than traditional loans and is around 15% p.a. or higher, depending on the company's stage of growth, market conditions, and the financial health of the business. This is due to the higher risk taken on by the lender, given that the borrowers are often not yet profitable.
- **Security Required:** Venture debt is typically secured by the company's assets, such



as intellectual property, equipment, or future receivables. In some cases, the lender may require the company to pledge some equity or issue warrants, which gives the lender the right to convert a portion of the debt into shares at a later stage, usually when the company raises more equity capital or is acquired.

- **Active Lenders:** Few names of the leading venture debt providers in India are, Trifecta Capital, BlackSoil, Stride Ventures, Innoven Capital.

- **Ideal For:** High-growth startups that have raised venture capital and have recurring revenues in form of subscriptions.

- **Not Suitable For:** Not suitable for very early-stage startups that do not have a proven track record of revenue or customers, as the lenders usually require some level of market validation and revenue generation. Startups that are not backed by venture capital or institutional investors may also find it more difficult to access this form of financing.

- **Key Point:** Venture debt provides growing startups with access to capital without giving up significant equity. It is a valuable tool for businesses that need to extend their cash runway or accelerate their growth without diluting ownership in the company.

iii. Revenue-Based Financing (RBF)

- **Modus Operandi:** The Lender advances upfront capital after considering the borrower's monthly sales and unit economics. Repayments are defined as a percentage of sales, so the EMI burden automatically reduces during slow months and accelerates during peak seasons.

“Tailored debt products represent a transition from “loan as a product” to “credit as a service”—adaptive and responsive to business realities. Institutions that successfully integrate data, technology, and risk governance will define the next phase of banking beyond traditional boundaries.”

- **Interest rate:** Lenders typically charge a flat fee (typically 6% to 12% on the principal). This rate may seem deceptively low, but the effective interest rate usually translates to 18% and higher.

- **Security required:** Lenders secure their capital by setting up an escrow mechanism or an auto-debit mandate directly integrated with the borrower's payment gateways or nodal bank accounts.

- **Active lenders:** Specialized fintech platforms like Velocity, GetVantage, and Recur Club, help in arranging these facilities.

- **Ideal For:** Digital-first businesses with high gross margins and predictable recurring revenues. This includes D2C brands, B2B SaaS platforms, e-commerce sellers.

- **Not Suitable For:** Pre-revenue startups, traditional brick-and-mortar stores with sales collections in cash, low-margin B2B trading firms, or project-based businesses that experience massive, lumpy cash inflows.

- **Key Point:** RBF results in zero equity dilution and no board seats.

Real Life Case Studies

■ Case Study 1

Borrower is engaged in the manufacturing of steel bars. The borrower had availed of cash credit facility from multiple banks. As the business grew, managing the documentation with multiple banks became a hassle. For every enhancement in sanctioned limits, the banks would have a long-drawn process which would impact the business growth. To complement this cash credit facility, the Borrower started with Rs. 5 cr of unsecured bill discounting facility from TReDS platform. In a few years, this facility was enhanced to Rs. 300+ cr by lenders on the TReDS platform.

■ Case Study 2

Borrower is engaged in the manufacturing of consumer electronics. Borrower had a large balance of GST ITC on their books due to earlier capex which impacted short-term liquidity. Borrower entered into sale and leaseback transactions with lenders for the machines owned by Borrower. By selling the machines to the lender, the Borrower collected GST on output which was set-off against GST ITC balance and resulted in





immediate liquidity relief for the Borrower's cashflows.

■ Case Study 3

Borrower is engaged in the business of manufacturing of nutraceuticals. The promoters wanted to buy out the stake of their JV partner. So, promoters approached private credit fund for funding the transaction and used proceeds to give exit to JV partner. The transaction was backed by unlisted shares of the Borrowing company. The repayment event was tied to the listing of the Borrower company.

Regulatory and Policy Considerations

While the alternative debt products are filling a critical gap in the market

for the borrowers, this shift puts the regulator in a tricky spot. RBI has to balance rapid innovation with systemic protection, weigh seamless data access to lenders against borrower's privacy concerns, and figure out how new credit models fit into traditional capital adequacy and prudential norms.

RBI and the Government of India have been proactively laying the foundation through digital public infrastructure initiatives such as the Account Aggregator framework, UPI, GSTN integration, etc. and the e₹ (Central Bank's Digital Currency).

RBI recently launched ULI (Unified Lending Interface), a platform designed to do for credit exactly what UPI did for payments. Through ULI, lenders get instant, seamless access to a massive variety of data required for underwriting, including state-level land records, satellite imagery (useful for agricultural credit), tax filings and KYC details, and Account Aggregator financial data. As programmable money and smart covenants gain wider acceptance through the e₹ (Central Bank's Digital Currency) and tokenization, lenders will gain even more precise, automated tools to manage risks.

These initiatives have created a strong foundation for the banking

ecosystem and will enable highly scalable and tailored debt solutions in the times to come.

Conclusion

In conclusion, as India's business landscape continues to evolve, so must the financing strategies that support its growth. While traditional bank loans have their place, alternative financing models like trade finance, equipment leasing, structured finance, and revenue-based financing offer businesses the flexibility and agility needed to thrive in a dynamic market. Tailored debt products represent a transition from "loan as a product" to "credit as a service"—adaptive and responsive to business realities. Institutions that successfully integrate data, technology, and risk governance will define the next phase of banking beyond traditional boundaries. By understanding the nuances of these options, business leaders and financial managers can make more informed decisions, ensuring they access the right capital at the right time to fuel growth, manage risk, and capitalize on new opportunities.

Author may be reached
poddarharsh1998@gmail.com

BENEVOLENCE

VOLUNTARY CONTRIBUTION TO THE CHARTERED ACCOUNTANTS' BENEVOLENT FUND (CABF)



CA. Padmini Khare Kaicker

Firm Name: **B K KHARE & CO**
Firm No.: **105102W**
Amount: **₹25,00,000**
Place: **Mumbai**



CA. Monika Ahuja

Member of the Institute

Talent Acquisition, Training, and Retention Strategies in CA firms

The Chartered Accountancy (CA) Profession requires a variety of skills and a high level of discipline to deliver quality services. Not only technical, but also soft skills such as communication skills play a major role in the success of a firm. Finding, acquiring, training, and retaining such talent is difficult and of utmost importance.

This article emphasizes various techniques related to talent acquisition, training, and retention strategies in CA firms to strengthen their professional services and maximize customer satisfaction.

Introduction

The right talent acquisition strategy is crucial for any business, and in CA firms, it can truly make or break the firm. Talent acquisition, training, and retention are critical components for the success of CA firms, as the quality of talent within the firm determines the quality of services being rendered by the firm. Effective strategies for talent acquisition, training, and retention can help ensure that the right technical expertise is being maintained within the firm. This will help CA firms to build a competent work environment capable of delivering quality services. This article focuses on various approaches to hiring, training, and retaining talent in CA firms to deliver high-quality services.

Challenges faced by CA Firms in Attracting the Right Talent

1. Season-Driven Workload: The workload in the Chartered Accountancy (CA) profession is very seasonal, which makes it difficult to manage workflow and

retain staff during the entire year. During the peak season (such as ITR filing, audits, and year end closings), team members feel over-burdened due to work pressure, and once the season is over, they have comparatively lighter schedules, which can limit opportunities to fully utilise and demonstrate their skills and expertise.

2. Long Qualification Process: Unlike other professions, the qualification process in the CA profession is very time consuming. Firms invest their time and resources to train articled assistants with the objective of retaining them for the future. However, due to the lengthy qualification process, the turnaround time for realizing the benefits of this investment increases.

3. Competitive Hiring Landscape: The demand for skilled accountants and finance professionals exists not only in CA firms but also in other fields such as banks, corporates,

consultancy, etc. Due to this high demand, attracting and retaining a skilled professional becomes a challenging task.

4. Technological Shift: Due to technological shift, existing professionals are required to keep themselves updated with the required skills. This poses a challenge for the employers to find competent and talented employees. Employers must also train their existing employees to keep pace with the technological shift and deliver quality services.

5. Changing Expectations of Young Professionals: Today's professionals look beyond salary while choosing an employer. Flexible working arrangements, career development opportunities, and workplace culture play a major role in attracting talent. CA firms that are unable to adapt to these changing expectations may face difficulties in hiring and retaining skilled professionals.

6. Keeping Up with Regular Amendments: CA Professionals are required to keep themselves

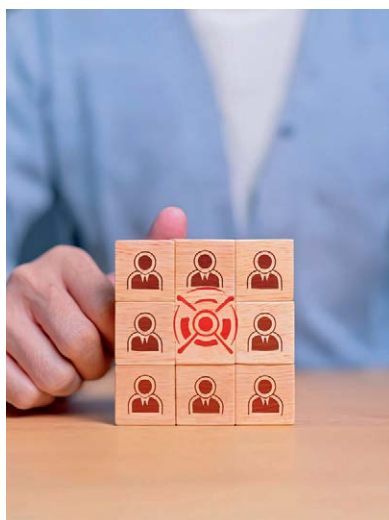
updated with all the latest amendments. Staying updated is not something that everyone can easily manage. Only a well-informed professional can provide effective assistance and finding such a professional is a task in itself.

Considering these ongoing challenges, CA firms should implement a holistic approach to manage their human capital.

Talent Acquisition Strategies in CA Firms

Talent Acquisition strategies play a vital role in attracting, hiring and retaining skilled professionals. As the demand for skilled professionals exists not only in CA firms but across various industries, talent acquisition strategies have become more vital than ever. These strategies help firms hire individuals on the basis of their talent, rather than solely on the basis of their degree. Firms can explore digital platforms, campus recruitment, and other methods. If recruitment strategies are aligned with long-term organizational goals, the firm automatically heads towards sustainable growth.

1. **Campus Hiring & Internship Programs:** To recruit skilled individuals, partnerships can be established with commerce colleges, CA coaching centers,



“The demand for skilled accountants and finance professionals exists not only in CA firms but also in other fields such as banks, corporates, consultancy, etc. Due to this high demand, attracting and retaining a skilled professional becomes a challenging task.”

and ICAI branches. These collaborations will help firms identify talented individuals.

2. **Employer Branding:** Any professional will be attracted to workplaces that promote work-life balance, offer growth opportunities, and provide a continuous learning environment. When a firm focuses on its human capital, it earns credibility and more people prefer to work with such a firm.
3. **Prioritizing Attitude in Hiring:** At the time of hiring, employers should prioritize soft skills rather than technical skills. Technical skills can be taught, but soft skills are deeply inculcated in an individual's personality. Conducting interviews with personality assessments will help in identifying individuals who can maintain the firm's culture.
4. **Referrals & Former Employee Networks:** In order to recruit talented staff, referral programs can be initiated. Offering rewards for referring new candidates to the firm will motivate existing employees to refer talented individuals.
5. **Employing External Hiring Support:** Employing external hiring support should be viewed as a strategic investment rather than just a cost. This enhances

hiring quality while allowing internal teams to focus on core business functions.

6. **Competitive Compensation Packages:** Many CA firms find it difficult to match the salaries offered by corporate employers, making them less attractive to talented individuals. To stay competitive, CA firms can focus on non-financial incentives such as flexible work models and a positive organizational culture.
7. **Hybrid Work Model:** Operating in a hybrid work model enables CA firms to attract and hire talented individuals from diverse locations. This flexibility not only broadens the talent base but also promotes work life balance which makes the firm more attractive to professionals seeking both professional and personal growth.

Training Strategies in CA Firms

Effective training strategies help CA professionals gain technical knowledge and apply that knowledge while delivering services. Training strategies help update candidates on the latest changes in law and technology, resulting in a more educated staff. Educated staff deliver quality services, which lead to customer satisfaction and eventually enhances the company's prestige.

1. **Planned Induction and Onboarding Process:** CA Firms should plan proper induction and onboarding process which should include a brief introduction to the organization and the roles and responsibilities of each individual. This will make sure that the employees are aware of what is expected from them, leading to a smoother workflow.
2. **Continuous Skill Enhancement:** In order to keep pace with the competition, it is essential to stay updated with all the latest amendments in the applicable laws including the Income-Tax

“As the demand for skilled professionals exists not only in CA firms but across various industries, talent acquisition strategies have become more vital than ever. These strategies help firms hire individuals on the basis of their talent, rather than solely on the basis of their degree.”

Act, GST Act, and the Companies Act. Conducting regular classes and training programs can help achieve this objective and ensure delivery of high-quality work.

3. **Technology and Digital Tools Training:** Different tools like Tally, Zoho, SAP, and similar platforms help individuals perform task with fewer errors. Therefore, employees should be trained to use these platforms to complete their work in less time and with more accuracy.
4. **Soft Skills Development:** Companies should plan proper training sessions to improve the soft skills of candidates, such as



communication, presentation, client handling and professional behavior. Improving these skills help attract clients, which leads to customer satisfaction. It also helps in personal growth and continuous learning of employees.

5. **Continuing Professional Education (CPE):** Providing structured learning opportunities to candidates helps them learn new skills. Continuous Education removes education gap and supports upskilling of employees. Employers should allow employees time during working hours to complete this CPE to ensure their growth. This not only ensures compliance with regulatory requirements but also enhance the skills of professionals.
6. **Work Integrated Learning:** Job rotation, client rotation, and similar practices help team members gain experience in diverse tasks. This will help proper work management during the absence of an employee. Additionally, these practices promote continuous knowledge enhancement within the team.
7. **Setting Standard Operating Procedures:** Setting Standard Operating Procedures (SOPs) helps new and existing staff work in a prescribed manner. These standards help maintain accuracy and consistency in work. They also help gain the advantage of the expertise gained through experience, enabling professionals to adopt the most efficient way to complete tasks.
8. **Normalizing Errors:** Committing mistakes should be treated as a natural part of the work process. Employees should be provided with a fear free environment, which will help boost their confidence to take initiatives. This not only improves individuals' confidence but also leads to greater efficiency and collaboration within the firm.



9. **Consider Learning Curve:** It is important to allow new employees time to settle in. This will help them feel comfortable in the work environment. The learning curve will automatically take effect, and it is essential to understand that new team members can't perform at the level of experienced members.

Retention Strategies in CA Firms

The success of a CA firm largely depends on its employees. To make sure that the objectives of the firm and its employees do not contradict each other, the firm should create such an environment and culture in which employees feel valued and their growth is not hindered. Firms must emphasize implementing strategies that accelerate the growth of both the firm and its employees. Such strategies help reduce employee turnover and retain talent pool within the firm.

1. **Career Development Opportunities:** Every employee seeks development not only in financial terms but also in terms of skills and learning. On-the-job training and seminars provide a sense of motivation for employees to learn new skills in a rapidly changing environment. This helps prepare employees to adapt effectively to such changes.

2. **Work-Life Balance:** In order to allow employees to work at their full potential, it is essential to ensure that a healthy work-life balance is maintained. Individuals who get time to recharge themselves after work come back more energetic, clear and focused. Organizations should ensure that work-life balance is maintained and no single employee is overburdened with excessive workload.
3. **Recognition and Appreciation:** To keep employees motivated, it is important to recognize their efforts and reward them for their contribution. This motivates low performing employees and creates a sense of competition to perform better. It also encourages high performing employees to maintain their performance. Continuous recognition and rewards help retain the talent pool within the firm.
4. **Positive Work Culture:** Work culture plays a crucial role in the efficiency and loyalty of employees. A negative work culture can make employees less interested in the growth of the firm and eventually in their work. Hence, a firm should always maintain a positive work culture where employees enjoy a sense of belonging and are willing to contribute to the growth of the firm.



“Companies should plan proper training sessions to improve the soft skills of candidates, such as communication, presentation, client handling and professional behavior. Improving these skills help attract clients, which leads to customer satisfaction. It also helps in personal growth and continuous learning of employees.”

5. **Alumni Network:** Former employees can be valuable assets, even after they leave the organization. Having a strong alumni network helps share knowledge and creates opportunities to bring talented people into the firm. These alumni often have extensive industry connections and may refer highly suitable candidates for open positions. Alumni also help market the firm on different platforms, thereby increasing its reach across sectors.
6. **Feedback:** Feedback plays a crucial role in identifying and addressing the concerns of the employees in a timely manner. When proper feedback is provided to employees, they understand what is expected from them, which leads to improved performance and promotes the growth of both employees and the organizations.
7. **Performance Based Rewards:** Rewards should match the contribution made by each employee and compensate them fairly for their efforts. There must be a well-structured reward system in place that

encourages employees to strive for excellence and develop a competitive attitude. Rewards such as bonuses and increments motivate employees to work harder. When employees see a clear link between their efforts and tangible rewards, they are more likely to remain committed to the firm.

8. **Prioritizing Employee Health:** Healthy employees are more capable of delivering high quality work. Hence, a firm should always prioritize its employees' health. This can be achieved by providing regular health check-ups and health insurance. Firms can also organize fun activities in the workplace so that employees can get a break from office work. Such activities help reduce work-related stress and support employees' overall well-being.

Conclusion

As businesses are becoming more complex, compliance related complexities are also increasing; hence, the Chartered Accountancy profession needs to adapt to such rapid changes. CA firms should focus on continuous learning and training to cater to the needs of their clients. The success of CA firms will depend on their talent pool and the systems in place to deal with new challenges. Focusing on talent acquisition and analyzing the business environment is key to success in this new world.

Author may be reached at
monika.ahuja477@gmail.com
and eboard@icai.in



Q Whether a Chartered Accountant in practice can engage in any business or occupation other than the profession of Chartered Accountancy?

No, in terms of Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949, in general a Chartered Accountant in practice is not permitted to engage himself in any business or occupation other than the profession of Chartered Accountants.

However, there are following exceptions to it: -

- (i) A Chartered Accountant can be a Director of a Company (not being a Managing Director or Whole-Time Director), unless he or any of his partners is interested in such company as an auditor. [Proviso to Clause (11)]
- (ii) A Chartered Accountant in practice may engage in other business or occupation in pursuance of Regulation 190A of the Chartered Accountants Regulations, 1988.

Q Whether a member in practice can provide equity research service, and publish retail research report?

A member in practice may be an equity research adviser and as per the entry appearing in Appendix (9) of CA regulations, 1988, a member in practice is permitted to publish a research report on their own behest.

Q Whether a member in practice is allowed to become whole-time director of a company?

No, members in practice are not allowed to become whole-time Director of a company generally. However, a member in practice

may become a Managing Director or a whole-time Director of a body corporate subject to the Council Guidelines of Corporate Form of practice.

Further, a member in practice may engage in Office of a Managing Director or a whole-time Director of a body corporate within the meaning of the Companies Act, 2013, provided that the member and/or any of his relatives do not hold substantial interest in such concern, after obtaining a specific permission from the Institute. However, the member in practice will not be allowed to perform attest function after obtaining such specific permission.

Q Whether a member in practice owning intellectual property rights of domain names sell these domain names to some entity for earning royalty on the same?

No, since the activity of selling domain names for earning royalty would amount to "other business/occupation", which is prohibited under Clause (11) of Part-I of the First Schedule to the Chartered Accountants Act, 1949.

Q What shall the "Attest function" include for the purpose of Appendix (9) of CA Regulations, 1988?

For the purpose of Appendix (9) of CA Regulations, 1988, attest function would cover services pertaining to audit, review, certification, agreed upon procedures and compilation as defined in the framework of statements on standard auditing practices and guidance notes on related services published in the July, 2001 issue of the Institute's Journal.

Q Whether a member in practice is required to obtain prior permission to act as editor of journals?

As per the Appendix-F of Volume-I of Code of Ethics, 2026, a member in practice can engage in business of editorship of journals including professional journals without permission. However, for editorship of journals other than professional journals, the member in practice is required to obtain prior and specific permission from the Institute and will not be able to perform attest functions.

Q Whether a member in practice can become a Whole-Time Director or Managing Director in an IPE/RVE constituted as a company?

A member in practice, being an Insolvency Professional or Registered Valuer, may become a Whole-Time Director or Managing Director in an IPE/RVE constituted as a body corporate within the meaning of the Companies Act, 2013, recognised by the Insolvency and Bankruptcy Board of India after obtaining a specific and prior approval from the Council and will be able to perform attest functions.

Q Whether a member in practice can also practice simultaneously as an Actuary?

No, the members in practice have not been permitted by the Council to practice as Actuary simultaneously.

Q Whether a member in practice is permitted to be an athlete/play tournaments simultaneously along with holding certificate of practice?

Since the activity of being an athlete/playing tournament is not covered under the Appendix (9) to the CA Regulations, a member in practice may only be an amateur athlete; however, it is not permissible for him to be a professional athlete.

Q Can a member act as an Insurance Surveyor?

As per Appendix (9) of CA Regulations, 1988, a member of the Institute in practice is generally permitted to act as a Surveyor and Loss Assessor under the Insurance Act, 1938, provided he is otherwise eligible. Such a member can perform attest functions.

Q Can a member holding Certificate of Practice be entitled to own Agricultural land and continue agricultural activity?

Yes, member holding Certificate of Practice can own and hold agricultural land and continue agricultural activity.

Q Whether a member in practice is generally permitted to write script/story for a movie?

A script/story for a movie may be based on a Book written by a member in practice. However, merely writing a script/story for a movie would not fall within the general permission provided under the Appendix (9) to CA Regulations, 1988. Such a member would require permission of the Council in this regard.

Q Whether a member in practice can enter into transactions in securities?

Yes, as per Appendix (9) of CA Regulations, 1988, a member can enter into a transaction in securities provided in case of commodity derivatives; only such transactions which are settled on cash basis can be entered into.

Q Can a member in practice act as head examiner for any examination?

Yes, as per Appendix (9) of CA Regulations, 1988, a member in practice can be engaged in valuation of papers, acting as paper-setter, head-examiner or a moderator for any examination without taking permission and will continue to be able to perform attest functions.

Q Can a member in practice engage in full time or part time employment in business concerns?

A member in practice can engage in full time or part time employment in business or non-business concerns as per Appendix (9) of CA Regulations, 1988, after obtaining a specific and prior approval from the Council of ICAI and will not be able to perform attest functions. However, for engaging in full time or part time employment in business concerns, the member and/or his relatives should not hold substantial interest in such concerns.



1. Classification of Bank Fixed Deposits held under Lien as Current or Non-Current Assets under Ind AS framework.

A. Facts of the Case

- The Company avails Bank Guarantee (BG) and Letter of Credit (LC) facilities from several banks to support its business operations. The Company's banking arrangements can be categorised into two distinct models:
 - *General Lien Arrangements:* Banks provide BG/LC facilities against a general lien on the Company's total deposits, with facility limits based on a percentage of deposits. No specific deposits are earmarked against individual BG/LC.
 - *Specific Deposit-backed Facilities:* Other banks provide BG/LC facilities against deposit of equivalent amounts, where specific fixed deposits are placed as margin money or security for individual guarantee or credit facilities.
- The Company maintains these deposits with varying maturity periods, predominantly structured with *original maturities of less than twelve months*, irrespective of whether they are subject to lien arrangements or held free of any encumbrance.

C&AG's Audit Observation:

- Bank balances amounting to ₹ 22,257.31 lakhs held as margin money and security deposits under lien against borrowing/bank guarantee/LC having claim end dates exceeding 12 months are not realisable by the Company within its operating cycle, and

therefore should be classified as non-current assets rather than current assets.

Company's contention:

- As per Schedule III to the Companies Act, 2013, bank deposits with more than 12 months maturity shall be disclosed under 'Other financial assets – Non-Current Assets'.
- All bank deposits in question, including those under lien, uniformly carry original maturity periods of *less than twelve months*.
- Therefore, their classification as 'Current Assets' in the balance sheet as of March 31, 2025, is consistent with the explicit requirements of Schedule III.

B. Query

- Whether bank fixed deposits with original maturity periods of less than twelve months as on the reporting date, but held under lien arrangements against bank guarantees, letters of credit, or borrowing facilities that extend beyond twelve months from the reporting date, should be classified as 'Current Assets' or 'Non-Current Assets' under Schedule III to the Companies Act, 2013.
- Whether the original contractual maturity period of the deposit should be the primary determining factor for current/non-current classification, or whether the period of the underlying lien arrangement (BG/LC/borrowing facility) should govern the classification, and
- The appropriate accounting treatment when deposits are held under general lien arrangements where specific linking to individual guarantees or facilities is not practically feasible.

C. Points considered by the Committee and Opinion

- The Committee notes that each asset *as at the reporting date* has to be assessed as current or non-current on the basis of the relevant criteria as per the definition of 'current asset' under Ind AS 1, 'Presentation of Financial Statements' and Division II of Schedule III to the Companies Act, 2013.
- The Committee further notes the requirements of Ind AS 7, 'Statement of Cash Flows' which states that the cash equivalents are short-term, highly liquid investments with maturity of normally three months or less from the date of acquisition and which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.
- The Committee notes that the bank deposits are not contended by the querist or auditor as highly liquid investments with maturity of normally three months or less from the date of acquisition.
- Further, the Company does not seem to intend to hold these deposits for the purpose of meeting short-term cash requirements. Therefore, these deposits do not meet the aforesaid definition of cash equivalents.
- The Committee further notes that clause (c) of paragraph 66 of Ind AS 1 states that an entity shall classify an asset as current when it *expects to realise the asset within twelve months after the reporting period*.
- Thus, short-term bank deposits having the original maturity period of less than twelve months would generally qualify as current assets (since as on the reporting date, the maturity period will be less than 12 months).
- Now the next issue to be examined is whether such bank deposits held under lien arrangements (general or specific) against bank guarantees, letters of credit, or borrowing facilities that extend beyond twelve months from the reporting date can still be classified and presented as current assets.
- In this regard, the Committee notes that the definition of current asset signifies the importance of the expectation of the entity with regard to the asset's realisation, viz., conversion/exchange into cash or use in the settlement of liability at the reporting date.
- Thus, the classification of an asset should not be based solely on contractual maturity but should also consider the substance or economic reality regarding expectation of realisation at the reporting date.
- Thus, when there are restrictions on realisation of bank deposits and the nature and duration of restrictions are such that bank fixed deposit(s) is (are), in substance, not expected to be realised within twelve months from the reporting date, or where such deposit(s) is (are) required to be continued or renewed by the Company to support long-term BG/LC/borrowing arrangements, which make(s) the deposit(s) not expected to be realisable within twelve months from the reporting date, such deposit(s) should not be classified and presented as 'current asset', but should instead be classified as 'non-current asset'.
- The Committee further notes that Ind AS Schedule III requires bank balances other than cash and cash equivalents (which meet the definition of 'current asset') to be presented as 'financial assets' under 'current assets'.
- Further, it requires 'Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments' to be disclosed separately.
- The Guidance Note further explains these requirements and specifically requires that the disclosure regarding 'bank balances other than cash and cash equivalents' should include items such as balances with banks held as margin money or security against borrowings, guarantees, etc. and bank deposits with original maturity of more than three months but less than 12 months.
- Accordingly, the Committee is of the view that **bank deposits held (under general or specific lien arrangements) as margin money or security for individual guarantee or credit facilities (such as Letter of Credit) should be presented as 'financial assets' under 'current assets' with a separate disclosure for the same in the financial statements (including notes), provided such bank deposits despite the restrictions due to lien arrangements still meet the definition of 'current asset', as explained above.**

2. Accounting treatment of expenditure incurred on repair, recovery and reinstallation of damaged assets during construction phase, under Ind AS framework.

A. Facts of the Case

- A company is the crude oil and natural gas producer in India.
- The construction of production facilities for one of its offshore fields (abc-field) has been executed through Lump Sum Turnkey (LSTK) contracts.

- For development of the abc-field project, the Company placed a Notice of Award (NOA) to Consortium X (Contractor) for Subsea Umbilical, Risers and Flowlines (SURF) and Subsea Production Systems (SPS) works covering subsea installations for 34 wells.
- As part of these activities, critical subsea assets, viz., Subsea Distribution Unit (SDU-1234) and Associated Umbilical (UM-1234), forming part of the core subsea production network, were installed and proper installation was confirmed by the Third-Party Inspector (TPI) and Project Management Consultant (PMC).
- During a pre-lay survey for installation of Steel Tube Flying Leads (STFL), it was discovered that the installed SDU had toppled and separated from its foundation and the umbilical had been dragged and displaced.
- Subsequent investigation by PMC and on-board inspectors concluded that the disturbance was “most likely caused by the drilling rig anchor” during demobilisation, and not due to the Consortium X’s own operations.
- At the time of the incident, the subsea production system was incomplete and non-functional. First Oil from abc-field was achieved only after reinstatement of the subsea infrastructure.
- Consortium X requested for approval of a Change Order (increase in project cost) for recovery, repair and reinstallation of the displaced assets, which was approved by the Company’s Board.
- The work included recovery of displaced subsea assets, detailed inspection and assessment, repair and refurbishment, reinstallation and integration into the subsea production system, and testing and commissioning readiness activities.
- The querist has stated that these reinstatement works were critical for constructing and preparing the production system for First Oil. The related costs were categorised as rebuilding core production infrastructure during the construction phase, not as repairs of an operating asset or periodic maintenance, as the field had not yet been commissioned.
- Consortium X notified the Contractor’s All Risks (CAR) insurers of the subsea damages.
- The Company’s management approved acceptance of the Loss Adjuster’s recommended settlement amount and final insurer confirmation is awaited. Consortium X confirmed that any costs recovered through the CAR insurance policy would be passed on to the Company.
- The Company capitalised the expenditure as part of ‘Capital Work-in-Progress (CWIP)’, subsequently transferred to ‘Property, Plant and Equipment (PPE)’ upon commissioning, during financial year 2023-24, considering it to be directly attributable to bringing the production system to the condition necessary for its intended use under Ind AS 16.
- The Comptroller & Auditor General (C&AG) raised an audit observation that the cost incurred in recovery, repair and re-installation of damaged abc-field subsea assets had been capitalised in contravention to the principles of recognition of assets laid down in Ind AS 16. The Company should recognise the expenditure incurred as an abnormal cost or loss and expense it in the statement of profit and loss.
- *Company’s perspective:*
 - As per Guidance Note on Accounting for Oil and Gas Producing Activities, all expenditure incurred during the development phase which are directly attributable to bringing assets into the condition necessary for intended use must be capitalised. The reinstatement expenditure — though arising from a disruptive event — qualifies as capitalisable since it constitutes a necessary part of the development works that enabled the field to achieve First Oil.
 - The reinstatement expenditure clearly passes the ‘avoidance test’ i.e. without these works, the production system could not have reached its working condition.
 - The reinstatement works were required to restore SDU and umbilical systems to their specified coordinates and operating conditions, without which First Oil could not have been achieved. Until commissioning (‘First Oil’), all necessary costs to bring the asset to working condition should form part of capitalised cost.
 - The one-time subsea repair/reinstallation was not a routine maintenance activity but a construction-phase reinstatement necessary to complete the asset.
 - In the offshore operations, such repair and reinstallation costs are an expected and integral component of installation. They are factored into project execution norms globally and are not considered as abnormal or exceptional losses.

B. Query

- Whether the Company’s accounting treatment of capitalising expenditure incurred for reinstatement

of subsea assets during the construction phase is appropriate.

- Whether the expected insurance proceeds against capitalised cost incurred for reinstatement of subsea assets should be:
 - (a) Adjusted against the cost of the related asset (reduction in capitalised expenditure under Ind AS 16), or
 - (b) Recognised as separate income in profit and loss when virtually certain/received.

C. Points considered by the Committee and Opinion

- With regard to the issue raised on accounting treatment of expenditure incurred for reinstatement of damaged subsea assets during development phase of abc-field, the Committee notes that the Guidance Note on Accounting for Oil and Gas Producing Activities (for entities to whom Ind AS is applicable), issued by the ICAI refers to the accounting principles contained in Ind ASs (for example, Ind AS 16) to accounting for costs incurred on activities including development and production of oil and gas.
- In the context of damage occurred, the Committee notes from paragraph 66 of Ind AS 16 that impairments or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.
- Further, paragraph 63 of Ind AS 16 requires an entity to apply Ind AS 36 to determine whether an item of PPE is impaired.
- Thus, in the extant case, **when the incident causing damage to the assets occurred, the Company should first assess the impairment as per the requirements of Ind AS 36 (even though the overall production facilities may not have been commissioned at that stage).**
- **Any impairment loss incurred should be recognised in profit or loss as per the requirements of Ind AS 36.**
- Furthermore, as per paragraph 66 (b) of Ind AS 16, **the Company should evaluate as to whether any asset or any component of asset of the previously capitalised asset is destroyed and consequently is no longer expected to generate future economic benefits; and therefore, whether any such asset or component of asset would require derecognition under paragraph 67 of Ind AS 16.**

- The Committee further notes from the Facts of the Case that the subsea assets were initially confirmed for proper installation by Third-Party Inspector and it is due to subsequent activities involving demobilisation of rig that the incident causing damage took place which necessitated reinstatement activities of sub-sea assets and incurrence of the reinstatement expenditure to restore the assets to their originally intended condition and location.

- Thus, such expenditure represents rectification of damage performed *subsequent to* installation of assets rather than expenditure incurred to complete an unfinished construction or development activity. Paragraph 10 of Ind AS requires that not only the initial costs of acquisition or construction of an asset but also costs incurred subsequent thereto to add, replace or service the asset needs to be included as cost of the asset. For such costs to be included as part of the cost of the asset, the measurement requirements of Ind AS 16, inter alia, prescribe that, only costs *directly attributable* to bringing the item of PPE to the location and condition necessary for it to be capable of operating in the manner intended by management should be capitalised as part of the cost of PPE.

- Furthermore, paragraph 22 of Ind AS 16, inter alia, states that while determining the cost of a self-constructed asset, the cost of abnormal amounts of wasted material, labour, or other resources incurred is not included in the cost of the asset.

- In this regard, the Committee is of the view that to determine what are abnormal costs requires application of judgement considering the overall facts and circumstances.

- Accordingly, the Committee is of the view that **accounting treatment of expenditure incurred for reinstatement of subsea assets during the development/construction phase shall also require exercise of judgement as to whether the reinstatement expenditure meets the recognition and measurement principles under Ind AS 16.**

For example, whether the expenditure qualifies as directly attributable cost in accordance with paragraph 16(b) of Ind AS 16 and whether the expenditure includes any element representing the cost of abnormal amounts of wasted material, labour or other resources (viz. abnormal costs), which cannot form part of the capitalised cost and must be recognised in profit or loss, as discussed above.

- The Committee is further of the view that such judgement should be exercised in the specific facts and circumstances and considering the principles, as discussed above; and based on such judgement,

it should be decided whether these expenditure or costs need to be capitalised (included in the costs of PPE) or recognised in the statement of profit and loss.

- With regard to the issue raised relating to accounting for expected insurance proceeds, the Committee notes from the Facts of the Case that insurance proceeds are in respect of damages or loss incurred on subsea assets.
- In this regard, the Committee notes from paragraphs 65 and 66 of Ind AS 16, that compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable.
- Therefore, in the extant case, **the expected insurance proceeds should be recognised in profit or loss when it becomes receivable as per the requirements of Ind AS 16.**

3. Accounting treatment of restoration obligation on the project under the Service Concession Arrangement, under Ind AS framework.

A. Facts of the Case

- A company entered into a concession agreement with the President of India, represented through the Executive Director (Traffic-PPP), Ministry of Railways (MoR), Government of India.
- Under this Agreement, the Company was granted the authority to develop, finance, construct, operate, and maintain the project railway and to exercise and/or enjoy the rights, powers, benefits, privileges, authorisations and entitlements as set out in the agreement during the concession period.
- The concession period is set for 30 years from the date of commencement of commercial operations or until the Company achieves a Net Present Value (NPV) payback of 14% on its equity investment, whichever occurs first or such extended period as provided for in the agreement, unless terminated earlier.
- At the end of concession period, the Company shall be entitled to receive and MoR shall pay to the Company an amount equal to book value.
- The Operation and Maintenance of the project railway is being conducted by MoR through Western Railway (WR) and by its own resources under its right, which is co-terminus with the Concession Agreement, entered into between the MoR and the Company.

- As per Concession Agreement, there is an obligation on the Company to keep the Project Assets in a proper working condition, including making replacement in accordance with the standards laid down by MoR, of all Project Assets whose lives have expired. Such replacement shall be carried out by the Company either by itself or through MoR, and the costs of such replacements shall be borne by the Company.
- The Company has classified the assets arising out of concession arrangement as intangible assets and amortisation has been charged to the Statement of Profit and Loss over the period of concession.

Observations made by C&AG during audit of F.Y. 2023-24:

- The Company in the financial statements, has disclosed that at present, reliable estimate for restoration obligation is not available; therefore, provision for same is not provided in financial statements, the same will be provided in the year in which reliable estimate becomes available.
- The C&AG stated that the above note of the Company is not correct as it is not impossible to estimate the restoration obligation. Therefore, the Company should estimate the restoration obligation and necessary provisions should be made in the books of account.

Accounting treatment made in the financial statements of F.Y. 2024-25

- In compliance with the observation of C&AG on the financials for the year ending 31st March 2024, the Company estimated obligation for resurfacing of Rs. 14,200 lakhs to be incurred from F.Y. 2024-25 to the end of concession period. The amount of obligation has been apportioned over the period, i.e., each year, certain amount is charged to profit and loss considering time value of money and appropriation of expenses.
- In financial year 2024-25, the Company has charged an amount of Rs. 1,045.25 lakh in statement of profit and loss and balance amount shall be charged over the period as finance cost and resurfacing cost.

C&AG's Observation during audit of F.Y. 2024-25

- The Company had estimated a liability of Rs. 14,200 lakhs for replacement obligations in respect of major items of Project Railway which are likely to become due for replacement during the remaining concession period as per their codal lives.
- However, against this, the Company has made a provision of Rs. 1045.25 lakhs as on 31st March 2025. Thus, there was a short provision of Rs. 13,154.75 lakhs.

Management Reply to observations of C&AG

- The Company has estimated a total restoration liability of Rs. 14,200 lakhs over the remaining concession period. Of this, Rs. 1,045.25 lakhs has been recognised in the current year, with the balance to be systematically provided in the financial statements over the remaining concession period, towards replacement obligations in respect of major railway assets.
- This liability represents a *maintenance obligation*, accruing over the concession period from inception until the expected replacement of assets as their service potential is consumed.
- Since the consumption of assets occurs gradually, the obligation for restoration also accrues over time.
- Recognising the entire liability of Rs.14,200 lakhs in a single year would be inconsistent with the *matching concept* under Ind AS, as the liability accrues over the next 17 years and becomes payable only in the long term.

B. Query

- Whether the accounting treatment adopted by the Company — recognition of restoration obligation progressively over the period i.e. upto the date restoration obligation arises — is appropriate and in accordance with Ind AS, i.e., yearly allocation of expenses and finance cost in statement of profit and loss on a systematic basis.
- Whether the treatment suggested by the C&AG—recognising the entire obligation upfront in statement of profit and loss —is appropriate.

C. Points considered by the Committee and Opinion

- The Committee notes the requirements of Appendix D to Ind AS 115 which state that the separate services within a service concession arrangement, i.e., 'construction services', 'upgrade services' or 'operation services', must be disaggregated because each separate phase or element has its own distinct skills, requirements and risks and are accounted for accordingly.
- The Committee notes that as per the terms of concession agreement with Railways, the Company has been incurring costs on carrying out the replacement of various items of the Project Railway on expiry of their codal lives within the concession period (viz., restoration activities), however, the Company will not be reimbursed

separately by the grantor (viz., MoR) for these restoration activities.

- Also, such restoration activities have been considered as maintenance obligation, which do not include any upgrade element and are incurred to maintain the project assets in proper working condition.
- The Committee further notes that paragraph 21 of Appendix D requires an entity to recognise and measure its contractual obligations to maintain or restore infrastructure in accordance with Ind AS 37. Therefore, in the given case, the restoration activity will be accounted for as per Ind AS 37.
- In this regard, the Committee also notes the requirements of Ind AS 37 and extracts from Example 2 of Illustrative Examples (IE) to IFRIC 12, issued by IASB.
- The Committee notes that the Company's restoration obligation arises as a consequence of use of the project assets during the operating phase and in this regard, assumes that the service potential of these assets is consumed evenly in proportion to their useful life.
- **Since as per the requirements of Ind AS 37, the restoration obligation is to be measured at the best estimate of the expenditure required to settle the present obligation at each reporting date and since such best estimate of expenditure required to settle the obligation at any date is proportional to the use of the project assets by that date and which will increase proportionately by each passing year (considering the assumption), the provision to be recognised should be increased in annual increments by charge to profit or loss over the useful life of the respective project assets till their expected date of replacement/restoration.**
- **Also, the provision should be discounted to its present value in accordance with Ind AS 37 and the carrying amount of provision in each reporting period is increased to reflect the passage of time, which is to be recognised as borrowing or finance cost in the Statement of Profit and Loss.**
- Therefore, the Committee notes that the in-principle approach followed by the Company to build and recognise the provision over the concession period (considering the expected replacement of assets); rather than recognising the entire amount at the end of the reporting period, is as per the requirements of Ind AS 37.

(For complete text of the Opinions, please refer the link: <https://www.icai.org/post/eac-opinions-published-in-journal>)

1. This gist provides only a summarised version of the Expert Advisory Committee's opinion for general informational purposes. While due care has been taken in preparing the summary, it does not purport to capture all facts, circumstances, assumptions, limitations, reasoning or contextual nuances forming part of the complete opinion. Users should refer, therefore, to the complete opinion for the authoritative text, detailed analysis, and contextual understanding. No reliance should be placed solely on this gist without reference to the full opinion.
 2. The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.
 3. Each opinion is based on the specific facts and circumstances as presented by the querist and is finalised considering the applicable laws, statutes, and accounting and/or auditing principles prevailing as on the date of finalisation, which is duly mentioned with each opinion. The Opinion must, therefore, be read in the light of any amendments and/or other developments subsequent to the issuance of Opinion by the Committee.
 4. The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in forty-four volumes. These volumes are available for sale and can be procured online through CDS Portal at <https://cds.icai.org/>
 5. Opinions of the Committee may be accessed at the following link: <https://eacopinion.icai.org/>
- Opinions can be obtained from EAC as per its Advisory Service Rules which are available on the website of the ICAI, under the head 'Resources'. For further information, write to eac@icai.in

1

I am born from profit, yet I am not the gain,
I reach the owners but leave the business domain.
I reward the stake without selling a share,
What am I that turns profit into a shareholder's share?

2

I seek the gap where prices differ,
In two markets, I move much swifter.
I buy where low and sell where high,
And capture the difference as time passes by.

3

I come as a message, looking true and bright,
I lure you with urgency, a tempting sight.
I seek your secrets through a deceptive wish,
I am a trap dressed as trust.

4

I pool the funds where properties stand tall,
From offices to malls, I share them all.
I let you earn from real estate's might,
Without owning a building outright.

5

I am paid before the year has reached its end,
In measured instalments, my dues I send.
Based on income that you expect to earn,
Who am I, helping tax obligations turn?

RACK the Brain

Answer
August 2026

1. Digital Signature
2. Yield Farming
3. Decentralized Finance (DeFi)
4. Cryptographic Security
5. Smart Contract



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



PROFESSIONAL DEVELOPMENT COMMITTEE TENDER MONITORING DIVISION



**LET'S VALUE
OUR PROFESSION
LET'S VALUE
OUR SERVICES**

RESPOND RESPONSIBLY. DELIVER EXCELLENCE.



PROFESSIONAL OPPORTUNITIES FOR CHARTERED ACCOUNTANTS

The ICAI has always been concerned about the tendering process and evaluation of tenders especially in case of Professional Services. ICAI has been keeping a close eye on the tenders floated by different organizations seeking CA services.

PDC through its dedicated division namely "**Tender Monitoring Division (TMD)**" monitor tenders floated by various organizations for professional services rendered by Chartered Accountants.

Members might be aware that tenders for services of Chartered Accountants are hosted at

<https://www.tmdicai.org/Opportunities.php>

to enable members to apply.



NOTIFICATIONS & COMPLIANCES

The ICAI has issued notification for adherence and compliance by the members of ICAI while responding to the tenders.

According to the notification issued in April, 2016 and also directives published in the Code of Ethics for the profession, a member in practice is free to respond to tenders with certain safeguards i.e. in case the services relate to areas which are exclusively reserved for Chartered Accountants, such as audit and attestation services, **a member can respond only if minimum fees** is prescribed in the tender document itself. Further, the quote cannot be less than the minimum prescribed fees. It is, however, mentioned that a member can respond to tenders which are open to other Professionals apart from CA; even though in the tender document, only CAs may have been invited to respond.

TMD ACTION - TILL DATE



879

CA firms against which enquiry is initiated (167 tenders)



153

Firms' cases referred to Director (Discipline)



138

Firms' cases referred to Peer Review Board



179

Firms' cases closed as per decision of TMD

Rest of the cases are under examination.

TMD AT A GLANCE



6058

Tenders examined till date



5476

Tenders hosted on the TMD Portal (<https://tmdicai.org>)



THIS YEAR SO FAR 1222

Tenders examined



THIS YEAR SO FAR 1119

Tenders hosted on the TMD Portal



LOW QUOTE BY MEMBERS

Members keep bringing to the notice of TMD instances of low quotes by members either at tmd@icai.in or through Portal – <https://tmdicai.org>.

The TMD of PDC examines the bids made by members in the context of conditions prescribed in the tender documents, the scope of work and resources needed to accomplish the task, and takes up the matter with the concerned member. The cost sheets are called and examined by TMD which, based on the findings, may escalate identified deviations to appropriate level for necessary action.



REPRESENTATIONS TO TENDERING ORGANISATIONS

Wherever the TMD comes across tenders where minimum fees is not prescribed in respect of audit/attestation services, or unreasonably restrictive eligibility conditions or conflicts or low fees are found in the tenders, representations are made to the tendering organisations.

Till now, **550** representations have been sent to such organizations where there seems to be some irregularity in the tender document issued by them for soliciting the services of Chartered Accountants. This year so far **60** representations have been sent.



RECENT DECISION REGARDING TENDERS

The Council of ICAI has decided that wherever the fee quoted by the member or the firm is extremely low and is not commensurate with the size, value, volume, manpower requirement and nature of work, the matter can be referred to Director (Discipline) for appropriate action. This decision shall stand whether or not the tender is issued in the area of service exclusively reserved for chartered accountants.



We urge our members to adhere to the related notifications issued by the ICAI and also the Code of Ethics relating to responding to tenders. All members are hereby requested to comply with the directions of Council so that the esteem of the profession is held high. The intent is to fetch a good price for the services, and at the same time, provide quality service.



If you come across any instance of violations, please write to The Secretary, Professional Development Committee of ICAI

✉ tmd@icai.in

☎ 0120-3045984

Accountant's Browser



PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during July – August 2026 for the reference of Faculty/Students & Members of the Institute.

1. Audit

ESG Performance and Auditor Scrutiny: Does Corporate Sustainability Drive more Key Audit Matters? By Noor Adwa Sulaiman, Ardianto Ardianto, Nadia Anridho, Cahyono Suham and Fiona Vista Putri. *Asian Review Accounting*, V. 34, No. 3, 2026, PP. 684-716.

Guardians at the Gate: Re-examining Audit Committee and Independent Director Scrutiny of Related-Party Transactions in the Post-2025 Framework by Ritu Dungarwal. *Chartered Secretary*, August 2026, PP. 80-83.

2. Computer

Artificial Intelligence, Algorithmic Governance and the Future of Securities Markets by Rahul Sahasrabuddhe. *Chartered Secretary*, August 2026, PP. 65-68.

3. Economics

Solid Waste Treatment, FDI and Economic Growth: Insights from Vietnam's Provinces by Cong Minh Huynh. *Journal of Asian Business and Economic Studies*, V. 33, No. 2, PP. 81-93.

Sustainable Banking in India: Navigating the Path to Environmentally Friendly Finance by Abhijit Biswas

and Arindam Bandyopadhyay. *Economic & Political Weekly*, August 01, 2026, PP. 80-87.

4. Investment

Beyond NSE: Delegated Regulatory Power and Public Accountability in India's Securities Market Institutions by Kamal Kumar. *Chartered Secretary*, August 2026, PP. 84-90.

5. Management

Breaking Deals, Counting the Cost: CSR Shortfall and M&A Deal Failure in the Mandatory CSR Framework by Sulagna Bhattacharya. *Journal of Asian Business and Economic Studies*, V. 33, No. 2, PP. 67-80.

Climate Finance in India: Pathways and Challenges by Amar Nath Yadav and Akash Solanki. *Economic & Political Weekly*, August 01, 2026, PP. 74-81.

Sustainability Governance and Greenwashing: The Role of Sustainability Committee in ASEAN-5 Countries by Yani Permatasari, Meifaza Ainur Rosyidah, La Ode Sabaruddin, Sandra Sukma Embuningtiyas and Rizqy Aiddha Yuniawati. *Asian Review of Accounting*, V. 34, No. 3, 2026, PP. 575-600.

Full Texts of the above articles are available with the Central Council library, ICAI, which can be referred to on all working days. For further inquiries please contact on 011-30110419 and 011-30110420 or by e-mail at library@icai.in

CLASSIFIEDS

6193 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

6194 Required Full/Part-time CA(s) as Partners/Retainers, Semi- Qualified, Article Assistants (Stipend Rs.15K pm) for Jammu & Kashmir, Delhi NCR, Chandigarh, Rajasthan, Uttarakhand, Himachal Pradesh, Punjab, Haryana, Mumbai, Kolkata, Hyderabad, Pune, Ahmedabad, Lucknow. Contact: 9205136037, E-mail: kkg200317@gmail.com

6195 Almost 50-year-old CA firm requires Exp. Practising CA as full-time partner (fully on revenue-sharing basis- no fixed remuneration) for Kolkata, Guwahati,

New Delhi, Chandigarh, Haryana, Jaipur, Bengaluru, Chennai, Hyderabad, Lucknow, Kanpur, Varanasi [Max-Age:35 yrs; Min-Exp:5 yrs] with expert knowledge of Finalisation of Accounts, Income Tax, GST, TDS, ROC, Company Law, etc. bwassb2005@gmail.com

6196 Established 30-year-old Mumbai-based CA firm invites merger proposals from interested CA firms to expand their practice Contact: info@vbgco.com

6197 A 39-year-old Lucknow-based CA firm invites proposals for partnership from new/senior/retired members. Newly qualified members from all the states who are interested to become partners can apply. Interested may contact: 9415101759, 9120130708, shivnarainabha@yahoo.co.in.



LEGAL Decisions



INCOME TAX

LD/75/12 ITAT Delhi: ITA No. 5335/Del/2025 The Dy. Commissioner of Income Tax Vs. Manchanda and Manchanda Builders P. Ltd. 29th June 2026

ITAT deleted addition made by AO by applying Percentage Completion Method (POCM) as against Project Completion Method (PCM) method consistently followed by Assessee; In relevant year, assessee had recognized revenue of 56 units at Rs. 23.01 Cr and the remaining units were sold in subsequent AYs where the year-wise revenue was recognized and due taxes were paid; Since project inception, assessee had recognized the revenue as per PCM and the AO cannot change the method to POCM randomly and bring to tax the income which was already offered for tax in earlier years or in subsequent AYs.

LD/75/13 Calcutta High Court: WPO 212 of 2026 Pricewaterhouse Coopers Private Limited Vs. The Assistant Commissioner of Income Tax 25th June 2026

HC quashed assessment order passed u/s 143(3) r.w.s. 144B against PWC, holding that granting merely two days to respond to show cause notice under Section 144B(6) without affording reasonable opportunity of hearing violated principles of natural justice; Assessment order was passed in undue haste at the far end of limitation, reducing the opportunity of hearing to a ritualistic formality; Reliance placed on SC ruling in SC judgment in Whirlpool Corporation and Harbanslal Sahnia; Matter remitted back to AO for de novo adjudication.

LD/74/14 Karnataka High Court: Income Tax Appeal No. 54 of 2025 Sri Kudlur Ramaswamy Sathyanarayana Vs. The Assistant Commissioner of Income Tax 18th June 2026

Karnataka HC upheld ITAT order sustaining addition of Rs. 1.50 Cr u/s 69 towards unexplained

investment, holding that the Assessee's categorical admission under Section 132(4) regarding undisclosed investment constituted substantive evidence; Mere filing of an ITR does not amount to retraction and that a valid retraction must be made at the earliest opportunity, supported by an affidavit, cogent evidence, or proof of coercion or duress; Noting that the alleged retraction was made after about one-and-a-half years and was unsupported by credible evidence, HC concurs with the ITAT that sufficient material existed to corroborate the admission and refuses to interfere with the addition.

LD/75/15 Kerala High Court: WP No. 4122 of 2023 Noel Villas and Apartments Vs. The Assistant Commissioner of Income Tax 08th June 2026

HC upheld assessment order passed without issuance of draft assessment under Section 144B holding that the same is mandatory only for an 'eligible assessee' namely cases involving transfer pricing variation or certain non-residents under Section 144C, not ordinary Assessee; Statutory requirement held to be satisfied a show cause notice clearly indicating proposed variations was issued and an opportunity to respond was granted; Further, HC held the order as not time-barred since by virtue of Finance Act, 2022, the time limit for AY 2020-21 was extended up to 30/09/2022, and the order was passed on 28/09/2022.

LD/75/16 ITAT Ahmedabad: ITA No. 63/Ahd/2024 Dhaval Patel Vs. The Assistant Commissioner of Income Tax 08th June 2026

Ahmedabad ITAT deleted additions based solely on WhatsApp chats, holding that uncorroborated electronic communication cannot constitute conclusive evidence of undisclosed income; The Tribunal observed that the message stating "50 lakhs given to Manan yesterday" nowhere indicates a cash payment and, therefore, the Revenue was unjustified in presuming an unaccounted cash outflow; Noting that the assessee had explained the transaction as a cheque payment and furnished the ledger account, PAN and address of Shri Manan and so the burden had shifted to the AO to conduct further enquiry; Suspicion, however strong, cannot replace evidence.

LD/75/17 ITAT Mumbai: 658/Mum/2026 Posco Holdings Inc Vs. The Dy. Commissioner of Income Tax 25th May 2026 (International Tax)

Mumbai ITAT allowed the assessee's appeal and held that penalty under Section 271AA was unsustainable as the assessee had established a reasonable cause for not reporting the

international transaction in Form 3CEB; Revenue failed to establish any nexus between the sale of raw materials and the assessee's Project Office/ PE in India; Further, no addition was made to the returned income, no profits were attributed to the PE, and the transaction had been accepted at Arm's Length Price in the hands of the Indian AE; These facts supported the assessee's bona fide belief that the transaction was not taxable in India under the Act or the India-Korea DTAA; Separately, ITAT held that the CIT(A) had exceeded its jurisdiction by enhancing the penalty to cover guarantee fees and trade affairs services, which were never the subject matter of the AO's penalty proceedings.

LD/75/18 ITAT Mumbai: 6255/Mum/2025 The Dy. Commissioner of Income Tax Vs. Anand Rathi Global Finance Limited 22nd May 2026

ITAT upheld deleting of disallowance of discount on issue of NCDs, holding that such discount is revenue expenditure allowable in the year of issue where Assessee opts to claim it fully; Ordinarily, revenue expenditure incurred in a particular year is to be allowed in that year, and Revenue cannot compel Assessee to spread the expenditure over number of years, when already incurred; Accounting treatment in books is not determinative of tax allowability and deduction must be tested strictly under the provisions of the Act; No statutory provision mandated amortisation of such expenditure and AO was not justified in spreading the deduction over the life of the debentures.

LD/75/19 ITAT Bangalore: 1798/Bang/2025 Kundapura Vyavasaya Seva Sahakari Sangha Vs. The Income Tax Officer 27st May 2026

ITAT held that the assessee, a primary agricultural credit co-operative society was entitled to deduction under Section 80P(2)(a)(i) in respect of interest earned on deposits with scheduled and co-operative banks; Following the Karnataka HC ruling in Tumkur Merchants, Tribunal held that interest earned on surplus business funds temporarily parked with banks remained attributable to the business of providing credit facilities and was not assessable as "income from other sources"; ITAT distinguished Totgars Co-operative ruling observing that the assessee had claimed deduction under Section 80P(2)(a)(i), not Section 80P(2)(d); ITAT deleted the disallowance of provision for interest and expenses, holding that it was based on mere surmises despite the assessee consistently following the mercantile system.

LD/75/20 ITAT Mumbai: ITA No. 1517/Mum/2026 Balgopal Trust Vs. The Income Tax Officer 27st May 2026

ITAT held that assessee was entitled to deduction u/s 54F since it had substantially complied with all the statutory conditions by acquiring rights in a specifically identified under-construction residential flat and paying the entire consideration including amount deposited with Bombay High Court; Denial of possession owing to the builder's default, despite the High Court restraining alienation of the allotted flat, could not defeat the exemption since the delay was beyond the assessee's control; W.r.t. amount deposited in Capital Gains Account Scheme, the Tribunal held that its subsequent deposit with the High Court pursuant to judicial directions constituted valid utilization.

LD/75/21 ITAT Mumbai: ITA No. 6105/Mum/2025 Income Tax Officer Vs. Vaibhav Vijay Sawant 20th May 2026

ITAT upheld the assessee's claim for deduction u/s 54, holding that exemption could not be denied merely because the new residential property was under construction, possession had not been handed over, or the purchase agreement was unregistered; The Tribunal observed that the assessee had invested the entire long-term capital gain within the prescribed period, and acquired enforceable rights through allotment letters; Relying on CBDT Circular No. 471 (1986) and the co-ordinate bench decision in Sunder Kaur Sujan, it held that booking an under-construction property amounts to construction of a residential house for the purposes of Section 54; Since the delay was attributable to the builder, as evidenced by RERA proceedings, assessee's exemption could not be denied.

LD/75/22 ITAT Chennai: ITA No. 2495/Chny/2025 Kuttiappagounder Duraiyan Vs. Income Tax Officer 04th May 2026

ITAT quashed reassessment proceedings u/s 147 noting that no evidence of 'issuance' of notice was placed on record by the Revenue; "issuance" of notice is complete when the notice is dispatched and goes out of the control of the issuing authority; Section 292BB cures defects in service of notice where the Assessee has participated in proceedings without objection, but it does not cure jurisdictional defects arising from non-issuance; Notice dated 29/03/2017 was issued on the same day, but was returned back on 31/03/2017, due to incomplete address of the Assessee, and the same was re-sent to the Assessee on 07/04/2017.

DISCIPLINARY CASE

Failure to detect and report fictitious sales transactions and non-payment of service tax while conducting statutory and tax audits – Issuance of unqualified audit report without sufficient audit evidence and failure to furnish information during disciplinary proceedings – Held, the Respondent is guilty of professional misconduct under Clause (2) of Part III of the First Schedule and Clauses (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

In this case, the Respondent, being the statutory auditor of the Company for the financial years 2010-11 to 2012-13 and the tax auditor for the financial years 2008-09 to 2012-13, was alleged to have failed to detect and report fictitious transactions recorded under the head “Sales–Bio–IT”. The Committee noted that the investigation conducted by the Department revealed that the Company had recorded fictitious sales to project an inflated financial position, while no consideration was received against such transactions. The investigation further established, based on bank statements, that no monetary transactions relating to the alleged services had taken place and that the Managing Director admitted the Company had not received any amount towards such services. The Committee also observed that customers purportedly shown as recipients of the services denied having entered into any agreement with or receiving any services from the Company. The Committee noted that despite certifying the financial statements, the Respondent failed to produce any audit working papers or evidence demonstrating the audit procedures performed to verify the material sales, which significantly contributed to the Company’s reported profits. It further observed that the Respondent issued unqualified audit reports despite the Company having neither paid service tax nor filed statutory service tax returns, although substantial demand had subsequently been raised by the Department. The Committee held that the Respondent failed to exercise due diligence, obtain appropriate audit evidence and report material misstatements in the financial statements. It also noted that despite repeated opportunities, the Respondent failed to submit any substantive defence or furnish the information sought during the disciplinary proceedings. Accordingly, the Committee held the Respondent guilty of professional misconduct falling within the meaning of Clause (2) of Part III of the First Schedule and Clauses (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR-162/15/DD-10/2016/DC-753/2018]

Failure to report material loan defaults, doubtful recoveries and loans sanctioned beyond permissible limits in audit of co-operative society – Non-reporting of material irregularities and failure to discharge statutory reporting obligations under Delhi Co-operative Societies Rules, 2007 – Held, the Respondent is guilty of professional misconduct under Clauses (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

In this case, the Respondent being the statutory auditor of a co-operative society alleged to have failed to report material irregularities relating to outstanding loans, recoverability of interest and sanction of loans beyond the financial powers of the Society. The Committee noted that the financial statements disclosed loans of ₹32.96 crore and recoverable interest of ₹31.49 crore, while only ₹5.21 crore was recognised as interest income during the year. It further observed that the Society had created a provision for doubtful recovery of interest and had instituted 591 arbitration proceedings against defaulting members, indicating prolonged and material defaults. Referring to Rules 80(6)(a)(v) and 80(7)(d) of the Delhi Co-operative Societies Rules, 2007, the Committee observed that the auditor was required to report material irregularities in the realisation of money due to the Society and disclose amounts appearing bad or doubtful of recovery. Though the Respondent claimed that a list of defaulters had been submitted with the audit report, the Committee found that the same was not submitted before the Registrar of Co-operative Societies and treated it as an afterthought. The Committee held that the Respondent failed to make any qualification or adverse comment despite the material outstanding loans and doubtful recoveries. With respect to the second charge, the Committee observed that several loans exceeded the permissible sanction limit under the Society’s bye-laws. Although the Respondent contended that the credit limit had been enhanced through amendment of the bye-laws, he failed to produce evidence of approval by the Registrar of Co-operative Societies and his submissions were found to be inconsistent with the statements made in the audit report. The Committee further noted an unusual transaction involving transfer of a deceased member’s outstanding loan to his son’s account, which remained unrecovered despite arbitration awards and held that such significant matters also warranted appropriate reporting by the auditor. Accordingly, the Committee held that the Respondent failed to exercise due diligence and discharge his statutory reporting responsibilities and was guilty of professional misconduct under Clauses (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR-250/15/DD/223/15/DC/990/2019]

The section on Legal Updates has been contributed by CA. Sahil Garud and Disciplinary Directorate.

ANNOUNCEMENT

5th Physical Batch - Sustainability Reporting Standards Board

Date(s), Time & Month		Place	Detail of Course
Date	Time		
September 5, 6, 11, 12 & 13, 2026	10:00 AM to 5:00 PM	Centre of Excellence (CoE) Kolkata (Through Physical Mode)	Certificate Course on Sustainability and BRSR

Chairman
Sustainability Reporting Standards Board, ICAI
E-mail: sustainability@icai.in



 पार्यानिर

प्रायश्चित्त संवाददाता < नयी दिल्ली
www.dailypioneer.com

मुखादि दिशि) आदिशिराआदि के अन्तर्ग प्रवेगन कृत्वा इति न कश्चि. "आदिशिराआदि-टीक्ष्णी की शिखा-शिरा न कश्चि की विषयमन्त्रा (मन्त्रि कान्ते) मं चष्ट अथ अकट्टरस्य भी (मन्त्रि लोते) इति की सम्यगे अथ अथ अष्टान्तर प्रवेगन मं टीक्ष्णी को स्यात्वेन प्रवेगन न कश्चि इति, तस्मिन् अथ अकट्टरस्य के मीदुम आनुष्यं अथ विधत्तस्य प्रवेगनस्य प्रवेगनी के मन्त्रस्य भवत्या वा सक्तं. तस्य पाल् इत्येवमिह आदिशिरा अकट्टरस्य प्रवेगनाओ को एकीकृत्य कान्ते मं भी ध्यान कृत्य तस्मिन् तस्मिन् टीक्ष्णी के लोते सत्यं सत्यस्य मं पुष्कलता मुनीक्षि इति सक्तं अथ विविय प्रवेगन प्रवेगनी को मज्जुवत् भवत्या वा सक्तं. "आदिशिरा के विषये न कश्चि. "अदिशिराओ की स्यात्वेन कश्चि इति, तस्मिन् अथ अकट्टरस्य अथ पानोशिरास्य भीमोशिरा सिरस्य को मज्जुवत् भवत्या वा सक्तं. "आदिशिराओ की स्यात्वेन कश्चि इति. "आदिशिराओ को विषय इति इति ह्ये साहोदरी मं टीक्ष्णी के विषय आनुष्यं अथ मज्जुवत् विषय प्रवेगन कल्पस्य स्थिति कान्ते मं मदति मियि, ओ अकट्टरस्य के मं मन्त्राओ अथ कल्पस्य स्यात्वेन की उत्तरतो के अन्तरा इति.

वदतते जमाने का अखबार
पीपुल्स समाचार

पीपुल्स संवाददाता • भोपाल
editor@peoplessamachar.co.in

अध्यक्ष सीए प्रसन्न कुमार डी, डायरेक्ट टैक्सेस कमेटी के उपाध्यक्ष सीए पंकज शाह, कॉन्फ्रेंस डायरेक्टर एवं पीडीसी अध्यक्ष सीए अभय छाजेड़ ने भी संबोधित किया।

न्यायालय एवं उच्च न्यायालयों के ऐतिहासिक निर्णय विषय पर सीए कपिल गोयल ने प्रमुख न्यायिक फैसलों का सूक्ष्म विश्लेषण प्रस्तुत किया। वहीं फाइनल एक्ट 2026 के मुख्य बिंदु एवं आयरक एडिथिनम संशोधन 2025 विषय पर सीए प्रमोद कुमार ने व्याख्यान दिया। वहीं टेक्स ऑनूट रिपोर्ट में सामान्य गैर-अनुप्राण विषय पर सीए पंकज शाह ने ऑट्ट प्रक्रिया की काफ़ूरी बारीकियों से सदस्यों को अवगत कराया। सीए मुरेंद्रा ने बताया कि रिवरार को दूसरे दिन अंतर्राष्ट्रीय कराधान, दूसरे व सीजर, टेक्स प्लानिंग पर तीन अन्य महत्त्वपूर्ण तकनीकी सत्र आयोजित होंगे।

समाचार
हिन्दी दैनिक

कोलकाता, समाज :
 इस्टीमेट ऑफ वॉर्ड अकाउंट्स
 ऑफ इंडिया (चाईएआरएस)
 ने मंगलवार को कोलकाता स्थित अपने
 सेंटर ऑफ एक्सीलेन्स में पश्चिम
 बंगाल विधानसभा के सदस्यों के
 लिए एक दिवसीय कार्यशाला
 आयोजित की। रूथ्थीम गवर्नर डॉ.
 पब्लिक फाइनेंशियल मैनेजमेंट ए.
 एल्लिजलेटिफ प्रेसिडेंट वीथ
 प्र आयोजित कार्यशाला में करीब 110
 विधायक शामिल हुए। कार्यशाला
 में राज्य के बजट के विश्लेषण,
 सरकारी लेखांकन, वित्तीय
 अनुशासन, जिम्मेदार और टिकाऊ
 वित्तीय प्रबंधन सहित सार्वजनिक
 वित्त से जुड़े महत्वपूर्ण विषयों पर
 चर्चा की गई। उद्घाटन सेव में पश्चिम
 बंगाल विधानसभा के अध्यक्ष रवींद्र
 बोस नेतरा समाप्ति अतिथि उप-
 स्थित रहे। आईसीआईएआरएस



सीए प्रसर कुमार डी. उपाध्यक्ष सीए मंगेश किनारे, पीजीएफएमसी चेयरमैन सीए हंस राज चुप, वाइस चेयरमैन सीए अर्पित काकरा, सीसीएम सीए रवि कुमार पटवा, सीए सजीव सांधी और आईआईआरसी चेयरमैन सीए मयूर अग्रवाल भी मौजूद रहे। सीए प्रसर कुमार डी ने कहा कि आईआईआईआई सार्वजनिक घन के पार्टाईज एवं प्रभावी उपयोग

के लिए प्रतिबद्ध है। सीए मंगेश किनारे ने कहा कि संस्थान अपनी विशेषज्ञता के माध्यम से बेहतर वित्तीय निर्णय, जवाबदेही और सुशासन को बढ़ावा देता रहेगा। कार्यशाला का समापन मजबूत वित्तीय समझ और विद्यार्थी निगरानी के जरिए पारदर्शिता, जवाबदेही एवं सुशासन सुदृढ़ करने के संदेश के साथ हुआ।

THE Hans India

CAs told to equip themselves with AI, Quantum Technologies



HANS NEWS SERVICE
MANGALAGIRI

CHARTERED Accountants must equip themselves with emerging technologies such as Artificial Intelligence (AI) and Quantum Computing to contribute effectively to the development goals of Viksit Bharat @2047 and Swarna Andhra Pradesh @2047, said Lanka Dinakar, chairman, Twenty Points Programme (Viksit Bharat-Swarna Andhra Pradesh) Implementation.

of ICAI at CK Convention in Mangalagiri late on Saturday, Dinakar said the CA profession had a crucial role in translating the visions of Prime Minister Narendra Modi and Chief Minister N Chandrababu Naidu into tangible outcomes.

He said Viksit Bharat @2047 was not merely a government programme but a national mission requiring the participation of every sector and professional community. Similarly, Swarna

ernment institutions, industries, MSMEs, start-ups, co-operatives and social-sector organisations.

Highlighting rapid technological changes, he said AI, Quantum Computing, Digital Finance, FinTech and Data Analytics were reshaping the financial and audit sectors. "The future Chartered Accountant cannot remain confined to traditional accounting and taxation practices. The profession must continuously evolve

with emerging technologies while maintaining the highest standards of ethics, independence and public trust," he said.

He urged CAs to support business formalisation, improve tax compliance, strengthen corporate governance, facilitate responsible investment and mentor MSMEs and start-ups. In Andhra Pradesh, they could contribute to Ease of Doing Business, Ease of Compliance and Ease of Investment.

he added. Dinakar congratulated ICAI-SIRC chairman Muppala Subba Rao, Yarra Tirupathaiiah, Vijayawada Branch chairman Uppuluri Jayanth, Guntur Branch Chairman Rudraravurpu Bharadwaj and their teams for organising the conference. He said the CA fraternity could play a decisive role in building a transparent, accountable, technology-enabled and globally competitive India and Andhra Pradesh by 2047.

CORPORATE SPONSORSHIP DELIVERABLES

SHOWCASE > ENGAGE > EXPLORE > NETWORK

	PARTICULARS	Title Sponsor 200 Lacs	Lead Sponsor 100 Lacs	Titanium Sponsor 75 Lacs	Platinum Sponsor 50 Lacs	Gold Sponsor 30 Lacs	Silver Sponsor 15 Lacs	Bronze Sponsor 10 Lacs	Pearl Sponsor 7.5 Lacs
	Price								
Speaking Opportunity	Speaking Opportunity	Keynote Address+ Two slots in Panel Session	Keynote Address	✓	-	-	-	-	-
Exhibition & Engagement Opportunities	Exhibition Stall Space	120 m ²	100 m ²	81 m ²	54 m ²	36 m ²	18 m ²	12 m ²	9 m ²
	Exclusive Meeting Room for Workshop/Networking	1 room for Full Day for all 3 days	1 room for Full Day (for all 3 days)	1 room for Half Day (for all 3 days)	-	-	-	-	-
	Dedicated hospitality desk with concierge for Title & Lead Sponsor delegates	✓	✓	-	-	-	-	-	-
Registration & Social Event	Complimentary Registrations	200	100	75	50	30	15	10	7
	Discount on Registration	10% discount upto 400 Delegates	10% discount upto 200 Delegates	10% discount upto 150 Delegates	10% discount upto 100 Delegates	10% discount upto 60 Delegates	10% discount upto 30 Delegates	10% discount upto 20 Delegates	10% discount upto 15 Delegates
	Complimentary Social Event Passes	200	100	75	50	30	15	10	7
Marketing	Exclusive prominent branding in the Conference Hall	✓	✓	-	-	-	-	-	-
	Logo on Registration Counter	✓	✓	-	-	-	-	-	-
	Logo on Dedicated Category Sponsor Banners at Venue	✓	✓	✓	✓	✓	✓	✓	✓
	Logo hyperlinked on the website	✓ (Home Page)	✓ (Home Page)	✓ (Home Page)	✓	✓	✓	✓	✓
	Logo on Delegate Badges	✓	✓	✓	-	-	-	-	-

CA. Mudit Vashishtha

Email: wofasponsorship@icai.in; ia@icai.in

M: 9350594067

	PARTICULARS	Title Sponsor 200 Lacs	Lead Sponsor 100 Lacs	Titanium Sponsor 75 Lacs	Platinum Sponsor 50 Lacs	Gold Sponsor 30 Lacs	Silver Sponsor 15 Lacs	Bronze Sponsor 10 Lacs	Pearl Sponsor 7.5 Lacs
	Price								
Marketing	Research Paper/Article in WOFA Souvenir	✓	✓	✓	✓	✓	-	-	-
	Colour Advertisement in Souvenir	Inside Back Cover Full Page	Back Cover Full Page	Front Inside Full Page	1 Full Page	1 Half Page	1 Half Page	1 Half Page	-
	Colour Advertisement in CA Journal	1 Full Page (6 editions)	1 Full Page (4 editions)	1 Full Page (3 editions)	1 Full Page (2 editions)	1 Full Page	-	-	-
	Sponsor Recognition in post WOFA 2026 thank you emails to delegates	✓	✓	✓	✓	✓	-	-	-
Media Recognition	Acknowledgement as category sponsor in newspaper advertisement	✓	✓	✓	✓	✓	✓	✓	-
	Recorded Video with CEO / Leadership to be promoted at WOFA 2026 website	4 min	3 min	2 min	-	-	-	-	-
	Social Media Posts with tags, mentions across Facebook, Instagram and Twitter	All Posts	All Posts	40	25	20	10	-	-
Brand Exposure	Display opportunity for your promotional film at Venue	2-3 min	2-3 min	1-2 min	1 min	-	-	-	-
	Recognition during WOFA 2026	✓ (Before Inaugural and in Vote of Thanks)	✓ (Before Inaugural)	✓ (Before Inaugural)	✓	-	-	-	-

Additional deliverables available for Title Sponsor:

Exclusive Networking Lounge [powered by (Company)]
 Exclusive Networking Dinner [powered by (Company)] (150 pax)
 On-stage presence during Overseas Chapters awards distribution ceremony
 Complimentary 5-star accommodation – four rooms for four nights
 Complimentary premium transportation – Four dedicated vehicles throughout the event
 Dedicated on-ground support – Two support staff for seamless assistance throughout the event

SOUVENIR ADVERTISEMENT

Full page Colour Advertisement 2,50,000
 Half page Colour Advertisement 1,50,000

EXHIBITION STALL

9m² 5,00,000
 6m² 3,00,000

Note: Customised sponsorship packages are also available

18% GST extra

FOR PARTICIPATION OF INDIAN CA FIRMS

A GOLDEN OPPORTUNITY TO SHOWCASE THE STRENGTH OF INDIAN ACCOUNTANCY PROFESSION AT THE WOFA 2026. Explore > Engage > Excel

- Unique opportunity to engage with over 5000 accounting & finance professionals from across the globe.
- Unique platform to exhibit in lines with ICAI Guidelines and explore professional opportunities.
- Exclusive Networking slots to explore pooling of resources and build a PAN India presence.
- Perfect platform for expanding knowledge and discovering new ideas to grow your practice.
- Collaborate, connect and network with your Peers.
- Get insights into global practice and emerging avenues for the profession.

SPECIALIZED PACKAGE

Deliverables	Titanium 40 Lacs	Platinum 25 Lacs	Gold 15 Lacs	Silver 7.5 Lacs	Bronze 5 Lacs	Pearl 2 Lacs
Speaking Opportunity at WOFA 2026	✓	-	-	-	-	-
Physical Booth	72 m ²	54 m ²	36 m ²	18 m ²	12 m ²	6 m ²
Networking Slot (Dedicated meeting room at the venue)	2 hrs per day for 3 days	2 hrs per day for 2 days	90 mins per day for 2 days	90 mins per day for 1 day	60 mins per day for 1 day	-
Complimentary Registration	50	30	20	10	7	3
Discount on Registration	10% discount upto 80 Delegates	10% discount upto 50 Delegates	10% discount upto 30 Delegates	10% discount upto 15 Delegates	10% discount upto 10 Delegates	10% discount upto 5 Delegates
Complimentary Social Event Passes	80	50	30	15	10	5
Color Advertisement in Souvenir	Full page	Full page	Full page	Half page	Half page	Name listing
Firm Name on Website	✓ (Home Page)	✓ (Home Page)	✓	✓	✓	✓
Displaying Firm's name at the Venue	✓	✓	✓	✓	✓	✓
Research Paper/ Article in WOFA 2026 Souvenir	✓	✓	-	-	-	-
Recognition in Post-convention thankyou Emails to delegates	✓	✓	✓	-	-	-
Firm Name on Registration Counter	✓	-	-	-	-	-
Firm Name on Delegate Badge	✓	-	-	-	-	-
Acknowledgement as Participating Firm in Newspaper Advertisement	✓	✓	✓	✓	-	-

18% GST extra.



ICAI DIGITAL LEARNING HUB

Your New Knowledge Sharing Hub!!!

Connect, Collaborate and Enrich your
knowledge & Professional Excellence
<https://learning.icai.org/>

ICAI Digital Learning Hub is an integrated Learning Management System (LMS) which brings a new knowledge ecosystem in a collaborative pedagogical model and with participatory learning to improve learner outcomes.

OUR STAKEHOLDERS

Members

Students

MRA/
MOU/SAFA
Members

What can Members do on the Digital Learning Hub?

- Subscribe to Certificate and Post- Qualification Courses
- Access Self-Paced Online E-Learning Courses
- Access Quick E-Referencers
- Subscribe to Web Lectures
- Register for Residential Programs
- Register for CPE Events
- Subscribe to E- Journals
- Undertake Assessments to assess one's subject knowledge
- Earn Structured & Unstructured CPE Credits
- Join Communities and interact with peers
- Take up Surveys, Quizzes, Polls
- Earn Badges

Benefits to the Stakeholders



CONTACT.



Share your valuable feedback on
<https://learning.icai.org/>



For Queries, mail to
elearning@icai.in



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

WOFA
WORLD FORUM OF ACCOUNTANTS
REDEFINING EXCELLENCE:
TECHNOLOGY | TRUST | TRANSFORMATION



THE WORLD HAS RESPONDED

HAVE YOU?

Delegates from **20 Countries** have already
registered for WOFA 2026.
Be part of a truly global gathering of
the accounting profession.

DELEGATES FROM 20 COUNTRIES



USA



UK



CANADA



SWITZERLAND



AUSTRALIA



SINGAPORE



UAE



BAHRAIN



KUWAIT



OMAN



BANGLADESH



MALDIVES



NEPAL



QATAR



SRI LANKA



MAURITIUS



KENYA



AFGHANISTAN



BHUTAN



TANZANIA



GLOBAL
INSIGHTS



GLOBAL
NETWORK



POWERFUL
IDEAS



STRONGER
TOGETHER



BRIGHTER
TOMORROWS



REGISTER NOW ➔



**16TH-18TH
DECEMBER 2026**



**WOFA 2026
VISAKHAPATNAM,
ANDHRA PRADESH, INDIA**



wofa.icai.org/register/pass



**TOGETHER TODAY
STRONGER TOMORROW**

CONVERSATIONS TODAY, A STRONGER TOMORROW.