



THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)



Mission

"To develop high calibre professionals
facilitating good corporate governance"

Vision

"To be a global leader in promoting
good corporate governance"

Motto

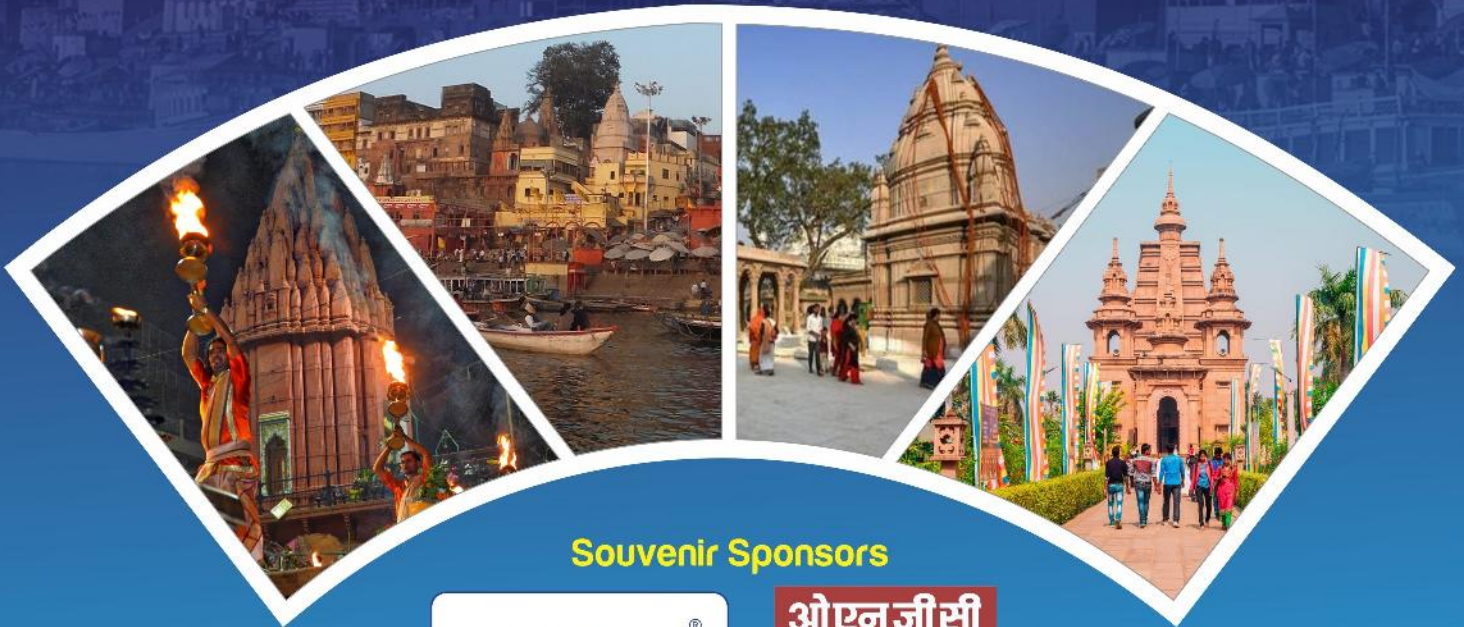
सत्यं वद। धर्मं चर।
इष्टं कुरु। अनादि। अविद्वेद्यं कुरु।
इष्टं कुरु। अनादि। अविद्वेद्यं कुरु।

SOUVENIR

51st National Convention of Company Secretaries

November 2-4, 2023 | Varanasi, Uttar Pradesh
Venue : Deendayal Hastkala Sankul (Trade Centre & Craft Museum)

Theme - India@G20: Empowering Sustainable Future
through Governance & Technology

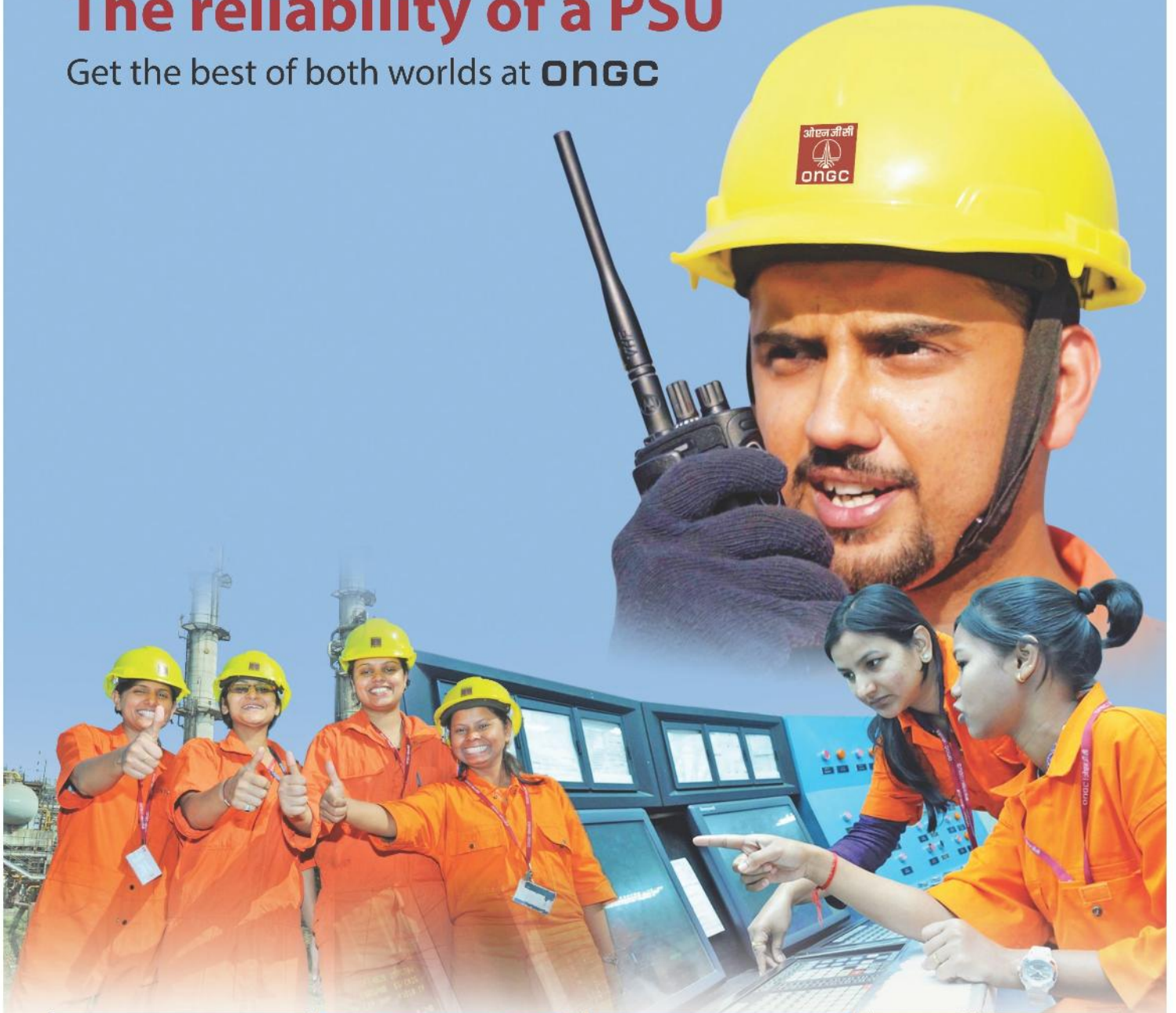


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51ST

NATIONAL CONVENTION OF COMPANY SECRETARIES

NOVEMBER 2 - 4, 2023

Venue

**Deendayal Hastkala Sankul (Trade Centre & Craft Museum)
Varanasi, Uttar Pradesh**

Theme

**India@G20: Empowering Sustainable Future through
Governance & Technology**

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51st National Convention of Company Secretaries

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November, 2023

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CS Asish Mohan, Secretary, ICSI on behalf of
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ICSI House, 22, Institutional Area, Lodi Road, New Delhi – 110 003
Phones : +91-11-45341000; Fax : +91-11-24626727
E-mail : info@icsi.edu; Website : www.icsi.edu

अनुराग सिंह ठाकुर
ANURAG SINGH THAKUR



सत्यमेव जयते



D.O. No. 3239 Min.(YA&S)/23

मंत्री
सूचना एवं प्रसारण और
युवा कार्यक्रम व खेल
भारत सरकार

MINISTER
INFORMATION & BROADCASTING AND
YOUTH AFFAIRS & SPORTS
GOVERNMENT OF INDIA

19 OCT 2023

Message

It gives me immense pleasure to note that The Institute of Company Secretaries of India is organizing its 51st Edition of the National Convention of Company Secretaries at Varanasi, Uttar Pradesh from 2nd to 4th November, 2023 on the theme, "India @ G20- Empowering sustainable future through Governance & Technology".

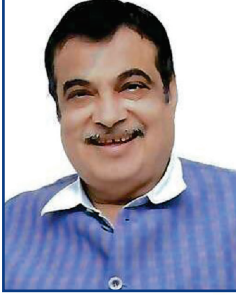
It is indeed a pleasure to know that the three-day Convention will have sessions covering all aspects of Governance from CSR to Risk to Corporate Boards and Leadership in light of technological advancement. I am sure that the participants will surely be benefited from the insightful discussions and deliberations. I believe that the Institute is holding true to its mission and vision and making continuous concerted efforts to make India a resilient, robust, and self-reliant nation.

I extend my best wishes to the Institute for successful conduct of the Event.

(Anurag Singh Thakur)



नितिन गडकरी
NITIN GADKARI



सत्यमेव जयते



आज़ादी का
अमृत महोत्सव

मंत्री
सड़क परिवहन एवं राजमार्ग
भारत सरकार
Minister
Road Transport and Highways
Government of India



भारत 2023 INDIA
वैश्वीय कुटुंबकम्
ONE EARTH • ONE FAMILY • ONE FUTURE

Message

I am glad to know that the Institute of Company Secretaries of India (ICSI) is organising the 51st edition of the National Convention of Company Secretaries at Varanasi, Uttar Pradesh on November 2-3-4, 2023, on the theme “India @ G20- Empowering sustainable future through Governance & Technology”.

I have no doubt that this Convention will serve as a platform for dialogues between regulators, industry leaders, professionals and other stakeholders and provide an integrative learning experience to the participants to reflect on their role in the times to come.

I extend my hearty felicitations to the ICSI on this occasion and wish every success in their endeavour to provide valuable information through the Souvenir in the service of the nation.

(Nitin Gadkari)

New Delhi
11th October, 2023

Theme

India@G20: Empowering Sustainable Future through Governance & Technology

“Technology has connected us like never before. It holds the promise of inclusive and sustainable development for all.”

~ Shri Narendra Modi, Hon'ble Prime Minister of India

G20 has a strategic role in securing future global economic growth and prosperity. Together, the G20 member nations represent around 85% of the global GDP, over 75% of the global trade, and two-thirds of the world's population. Given its key role in the global economy, the G20 has immense potential to deliver sustainable economic progress.

With its diverse economy, technological prowess, and commitment to sustainable development, during its presidency, India is focusing on various issues like inclusive growth, digital innovation, climate resilience, etc. By leveraging its presidency, India is fostering collaborative solutions that not only benefit its own population but contribute to the broader global well-being, reinforcing its spirit of *Vasudhaiva Kutumbakam*, i.e., 'the world is one family'.

India's commitment to digital governance and technological innovation is commendable. By leveraging digital platforms, India is striving to make public services more efficient and accessible. The exchange of knowledge and expertise within the G20 framework can lead to more effective governance, the responsible use of technology, and a brighter, more sustainable future for all.

Company Secretaries play a pivotal role in advancing a sustainable future by blending governance and technology. Company Secretaries are responsible for ensuring that a company complies with regulatory requirements, but they also play a crucial role in promoting sustainable practices. Through robust corporate governance, they guide organizations to make responsible decisions, fostering sustainability.

In the digital age, Company Secretaries leverage technology to streamline processes thereby enhancing efficiency. By harmonizing governance with technology, Company Secretaries empower businesses to embrace sustainability, making informed decisions, and achieving long-term environmental and social objectives, paving the way for a more sustainable future.

The 51st National Convention of Company Secretaries at Varanasi is a significant occasion under India's G20 Presidency to deliberate upon the emerging role of Company Secretaries in empowering sustainable future through Governance & technology for guiding the corporate on utilizing technology for promoting sustainable practices, fostering transparency and accountability.

Sub-themes

Digital Inclusion: A catalyst for Corporate Innovation and Social Progress

India is witnessing a rapid digital revolution, with the government's Digital India initiative aimed at transforming the country into a digitally empowered society and knowledge economy. Digital inclusion serves as a potent catalyst for both corporate innovation and social progress. In the business landscape, embracing digital inclusion enables companies to tap into a wider talent pool, fostering diversity and fresh perspectives. Inclusive practices lead to the development of products and services that cater to a broader range of consumers, enhancing competitiveness and fostering innovation. On the societal front, digital inclusion is instrumental in bridging the digital divide, ensuring that everyone has equal access to education, employment, and essential services. This not only empowers individuals but also fosters more equitable society. In turn, increased access to information and opportunities fuels economic growth and narrows socioeconomic disparities. Overall, digital inclusion acts as a dynamic force propelling both corporate dynamism and social well-being.

Startups and MSMEs – Engines for Growth

Startups and MSMEs are undeniably engines for economic growth and innovation. Start-ups and MSMEs play a key role in country's inclusive development. MSMEs form the backbone of economy, providing employment opportunities and stimulating local development. They are versatile and agile, capable of responding to market demands swiftly. Their growth often has a cascading effect, creating a network of interconnected businesses that benefit from each other's success. Start-ups on the other hand promote innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. They thrive on innovation, agility, and risk-taking, often challenging traditional industry norms. Government support through favourable policies, access to capital, and mentorship programs is crucial in nurturing these engines of growth. By promoting Startups and MSMEs, we can harness their potential to invigorate economy, promote innovation, and ensure a more prosperous future.

ESG: Creating Value and Sustainability for Future

ESG, short for Environmental, Social, and Governance, represents a transformative approach to business that emphasizes responsible practices, thus creating value and sustainability for the future. ESG can be used to better understand material risks and opportunities related to sustainability. ESG is more than compliance and reporting. ESG has evolved into a critical lens through which organizations are evaluated and held accountable. ESGs multifaceted criteria serve as the compass guiding decision-making processes towards long-term value creation, fostering resilience, and enhancing stakeholder trust. ESG is expected to bring a significant impact on the way businesses operate. ESG will improve businesses' financial performance, increase their attractiveness to investors and customers and make them more sustainable. By embracing ESG principles, businesses not only secure their future relevance but also contribute positively to a more equitable, sustainable, and prosperous world.

Women-led Development: Accelerated, Inclusive & Resilient Growth

India's G20 Presidency has shifted the focus for the first time from women's development to women-led development. Women-led development reflects a change in mindset from seeing women as passive recipients of development programs to active participants and leaders in the development process. Recognizing the important role that women can play in driving sustainable and equitable development, the notion of women-led development emphasizes the achievement of women with equal opportunities, decision-making power, and control over resources. Accelerated growth under women's leadership is characterized by increased productivity, innovation, and competitiveness. Women-led enterprises and initiatives often exhibit a commitment to ethical and socially responsible practices, fostering long-term economic stability. Women-led development is a transformative approach that prioritizes gender equality and women's active participation in economic growth. When women are empowered as leaders, entrepreneurs, and decision-makers, societies unlock a wealth of untapped potential. Women-led development stands as a potent catalyst for progress, offering a roadmap towards a more equitable, prosperous, and resilient world.

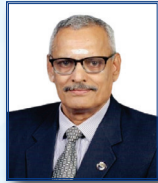
Corporate Boards: Readiness for Digital Transformation & Climate Change

Corporate boards play a pivotal role in steering organizations towards a future characterized by digital transformation and addressing the challenges of climate change. Readiness in these areas has become paramount for long-term sustainability and success of organisations. In current business environment digital transformation and climate change have become significant for organisational survival. Boards are expected to provide strong oversight to digital transformation initiatives and climate change issues to ensure longevity of their organisations. In the realm of digital transformation, corporate boards must be proactive in understanding emerging technologies, data analytics, and cybersecurity. Simultaneously, Boards must acknowledge the urgency of climate change. They should advocate for sustainability strategies that encompass energy efficiency, renewable resources, and carbon reduction initiatives. Boards that prioritize digital transformation and climate change readiness not only mitigate risks but also position their organizations to thrive in a rapidly evolving global landscape, ensuring a sustainable and resilient future.

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CS MANISH GUPTA
(President)



CS B. NARASIMHAN
(Vice President)



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** The designations mentioned are as on the date of award of honorary fellowship.

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*For selecting articles for publication in the Souvenir of the
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The Institute of Company Secretaries of India

The Institute of Company Secretaries of India (ICSI) is a premier national professional body constituted under an Act of Parliament, namely the Company Secretaries Act, 1980 (Act No. 56 of 1980) to regulate and develop the profession of Company Secretaries. The ICSI functions under the jurisdiction of the Ministry of Corporate Affairs, Government of India.

ICSI provides top-quality education to the students of Company Secretaries (CS) Course and has set and maintains best quality standards for CS members. The ICSI has on its rolls around 72,000 qualified CS members including over 11,000 members holding certificate of practice. Around 2,00,000 students are presently pursuing the Company Secretaryship Course.

Motto

सत्यं वद। धर्मं चर।

इष्टकारे त्रेह तृपते. अविदेह ह्यु त्रेह वच.

Vision

“To be a global leader in promoting good corporate governance”

Mission

“To develop high calibre professionals facilitating good corporate governance”

ICSI Network

Head Office: New Delhi

Regional Offices: EIRC (Kolkata), NIRC (New Delhi), SIRC (Chennai), WIRC (Mumbai)

Chapters: 72

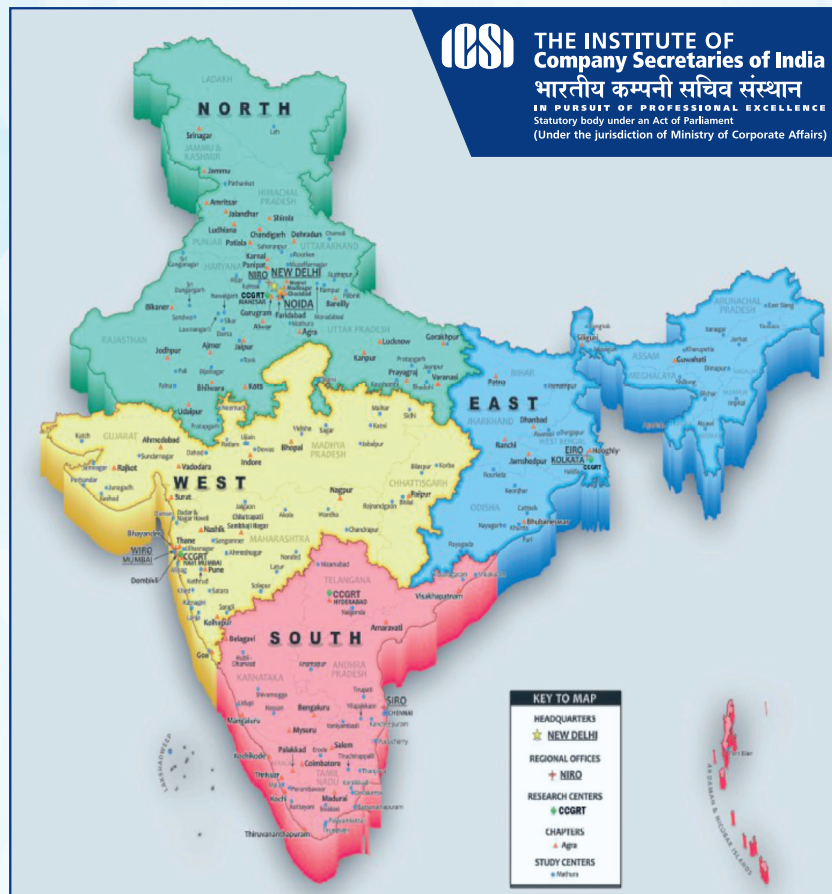
Research Centres: Navi Mumbai and Hyderabad

Overseas Centres: UAE, USA, UK, Singapore, Australia & Canada

Study Centres: 207

Examination Centres: 241

ICSI Study Circles: 24



ICSI - CENTRE FOR CORPORATE GOVERNANCE RESEARCH & TRAINING (ICSI-CCGRT), NAVI MUMBAI

ICSI-CCGRT, Navi Mumbai was established with the sole purpose of conducting high end research and training programmes for the CS fraternity on the contemporary issues concerning the profession. The Centre was inaugurated and dedicated to the nation in the worthy hands of Dr. A S Anand, then Chief Justice of India on 16th May 1999. Since then the Centre has been performing as an organ of the Institute in the domain of research, governance and training.

The primary objective of the Centre is to act as a catalyst organisation in the professional development of the Indian corporate sector through qualitative research and high level corporate training with 'Corporate Governance' as the thrust area. Since its inception, the Centre has undertaken a number of activities aimed towards fostering qualitative research.

ICSI - CENTRE FOR CORPORATE GOVERNANCE RESEARCH & TRAINING (ICSI-CCGRT), HYDERABAD

The ICSI in its candid endeavours to foster good corporate governance and inculcating analytical approach through research and training among CS fraternity and other vital segments of society, has initiated to set up learning and knowledge centres across India. The Institute has set up its second Research & Training centre in Hyderabad which has commenced its activities effective from June 2018.

The ICSI-CCGRT, Hyderabad sprawling in a lush green area of 4166 square meters is located in Uppal area of Hyderabad, the Capital of Telangana State which is best known as "City of Pearls" and located on the banks of Musi River. The Centre is at a walkable distance from NGRI Metro Station.

The vast campus of the Centre comprises 200 seater Auditorium, Training Halls of different seating capacity, Board Room, Computer Room, Library, Yoga Room & Institutional Blocks equipped with ultra-modern and state of the art audio visual aids to facilitate high end training programmes and undertaking research of topical interests to the Institute. The campus has also 24 self-content dwelling units on twin sharing basis catering to the residential projects of the Institute.

ICSI GOVERNANCE RESEARCH AND KNOWLEDGE FOUNDATION (ICSI GRKF)

ICSI Governance Research and Knowledge Foundation (ICSI-GRKF) is a company promoted by the Institute of Company Secretaries of India (ICSI), which is registered under erstwhile Section 25 of the Companies Act, 1956 (now section 8 under the Companies Act, 2013). It was incorporated on September 23, 2013. The main object of ICSI GRKF is “to generate, spread and impart knowledge, directly or in association with person(s) having similar objects or engaged in similar activities, in the area of corporate laws, governance, management, business sustainability and corporate social responsibility, capital and financial markets, auditing, fiscal and economic laws and policies, information and control systems and allied disciplines through research, publications, training, education or in any other manner.”

ICSI INSTITUTE OF INSOLVENCY PROFESSIONALS (ICSI IIP)

The ICSI – Institute of Insolvency Professionals (ICSI IIP) is a section 8 Company incorporated under the Companies Act, 2013 and formed by the Institute of Company Secretaries of India (ICSI) with its 100% capital owned by ICSI. The Company is registered as an Insolvency Professional Agency with Insolvency and Bankruptcy Board of India to enrol and regulate the members practising as Insolvency Professionals (IPs) in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016 read with rules and regulations made thereunder.

ICSI REGISTERED VALUERS ORGANISATION (ICSI RVO)

The ICSI Registered Valuers Organization (ICSI RVO) is a Section 8 Company incorporated under the Companies Act, 2013 and formed by the Institute of Company Secretaries of India (ICSI) with its 100% capital owned by ICSI. The Company is recognised as Registered Valuers Organisation with Insolvency and Bankruptcy Board of India, formed with the intent to Enrol, Register, Educate, Train, Promote, Develop and Regulate Registered Valuers as per the Registered Valuers Rules, while Establishing and Promoting high standards of Practice and Professional Conduct and Promote Good Professionalism, Ethical Conduct and Competency ensuring quality of Valuation work.

ICSI INSTITUTE OF SOCIAL AUDITORS (ICSI ISA)

The 'ICSI Institute of Social Auditors or the ICSI-ISA' is a Section 8 Company under the Companies Act, 2013, incorporated by the Institute of Company Secretaries of India with the objective to register Social Auditors, lay down criteria/ norms for empanelment as well standards of professional conduct for the registered Social Auditors. The Institute has also issued the ICSI Social Audit Standards (ICSI SAS 1 - ICSI SAS 16) to provide guidance to conduct Social Audit of Social Enterprises. The ICSI-ISA has commenced the empanelment of Social Auditors (SAs) who have obtained the requisite NISM Certification.

ICSI INTERNATIONAL ADR CENTRE

ICSI International ADR Centre ("ADR Centre") is a Section 8 company under the Companies Act, 2013, incorporated by the Institute of Company Secretaries of India. The objective of this "ADR Centre" is to promote Alternate Dispute Resolution (ADR) methods including Mediation and Arbitration to assist and educate all sections of society, individuals, corporates, firms, institutions and establishments, local or international, for resolving all kinds of claims and/or disputes expeditiously by establishing or promoting or assisting or educating in establishing and/or conducting, managing local and/or international ADR Centres, giving and providing all ADR services, knowledge expertise/guidance, training, managerial, supervisory, administrative and/or infrastructural support and/or assistance and training required for the above.

Functions of the Institute

- Develops a cadre of Company Secretaries for ensuring governance and effective management in corporates. Students with 10+2 qualifications appear in Company Secretary Executive Entrance Test (CSEET) and after qualifying the same, they are registered for Executive Programme (graduates/post graduates may directly register for Executive Programme) of Company Secretaryship Course with course contents in Law, Tax, Management, Accounting and Finance disciplines;
- Provides postal / oral / web-based coaching and training enabling students to qualify as Company Secretaries;
- Conducts Company Secretaryship Examination twice a year in June and December at centres spread all over India and at an overseas centre at Dubai;
- Arranges for practical training of Executive / Professional Programme qualified Students with Companies / Practicing Company Secretaries etc. empanelled with the Institute for the purpose;
- Enrols qualified persons as Associate / Fellow Members of the Institute and issues Certificate of Practice to Members taking up practice;
- Conducts Post Membership Qualification (PMQ) / Certificate / Crash Courses for Members of the Institute;
- Formulates Secretarial Standards, Auditing Standards and brings out Guidance Notes thereon;
- Conducts elections to the Council of the Institute;
- Publishes books and periodicals relating to management of companies and allied subjects;

Initiatives to achieve the Objectives

- Publishes widely read and highly acclaimed monthly Journal 'Chartered Secretary' which is listed under the prestigious listing of Journals by UGC, the UGC-CARE (Consortium of Academic Research & Ethics);
- Brings out daily Info-capsules, case digest series for Members and students, theme based e-journal 'Student Company Secretary' and module-wise/chapter wise monthly updates for Executive and Professional level students, e-bulletin 'CS Foundation Course' for Foundation level students, CS Executive Entrance Test (CSEET) e-bulletin and conducts mock tests for CSEET students;
- Grants ICSI Signature Award (Gold Medal & Certificate) to the toppers of B.Com.

Examinations of reputed Universities and selected programmes of IIMs as per the MoUs with the respective Universities/ institutions;

- ICSI Academic Collaboration with Universities & Academic Institutions for learning & development of students, professionals and academicians;
- Ties up with reputed Colleges for establishment of Study Centres for providing basic services to the students;
- Organises Career Awareness Programmes (CAPs) for the benefit of prospective students;
- Exercises supervision over the Members of the Institute both in practice and in employment in matters pertaining to Professional Ethics and Code of Conduct;
- Undertakes research in Corporate Laws, Corporate Governance, Management, Finance and Capital Market disciplines and brings out research publications of its own accord and on behalf of Government and its agencies / Institution;
- Renders expert advisory services to Members / Industry on issues relating to corporate laws;
- Undertakes initiatives for enhancing self-governance;
- Organises Professional Development and Continuing Education Programmes, National Convention of Company Secretaries, International / National / Regional Conferences directly or through its Regional Councils and Chapters, Chambers of Commerce, Department of Public Enterprises, Sister Professional Institutes and other Professional Development / Management Bodies;
- Interacts with various National and Regional Chambers of Commerce with regard to various Government Policies and Legislations;
- Interacts with various international, multi-lateral bodies / institutions with regard to issues relating to Corporate Governance, Business Ethics, Sustainability and Corporate Social Responsibility;
- Interacts with Centre and State Governments on various issues concerning the profession;
- Undertakes benevolence of Members;
- Interacts with Members of Corporate Secretaries International Association (CSIA) and Company Secretaries Institutes in other jurisdictions;
- Bestows ICSI National Award for Excellence in Corporate Governance to best governed companies;
- Bestows ICSI CSR Excellence Award;
- Bestows Best Secretarial Audit Report Award;
- Bestows Best PCS Firm Award;
- Bestows Business Responsibility & Sustainability Award;
- Bestows ICSI Lifetime Achievement Award to eminent corporate personalities for translating Excellence in Corporate Governance into reality; and
- Conducts Investor Awareness Programmes throughout the country under the aegis of the Investor Education and Protection Fund (IEPF), Ministry of Corporate Affairs (MCA).

Building Future Professionals to Guide Corporate India

The ICSI conducts the Company Secretaryship examination to develop professionals specialized in corporate laws, management and governance.

CSEET

Students passed / appearing in Senior Secondary (10+2) Examination or equivalent thereto may appear in Company Secretary Executive Entrance Test (CSEET) and after qualifying the same, they are registered for Executive Programme of Company Secretaryship Course.

STAGES OF COMPANY SECRETARYSHIP COURSE

The Company Secretaryship Course is conducted in the following stages:

EXECUTIVE PROGRAMME

A student passed / appearing in the Senior Secondary (10+2) Examination or equivalent thereto and passed Company Secretary Executive Entrance Test (CSEET) Examination shall be eligible to appear in the Executive Programme.

OR

ICAI, ICMAI Final Course passed, Graduates (Minimum 50% marks) and Post Graduates can seek direct admission to Executive Programme.

OR

Foundation Passed Student of ICSI

PROFESSIONAL PROGRAMME

A registered student is admitted to the Professional Programme on passing the Executive Programme.

ICSI MEMBERSHIP

A Company Secretary is defined under the Company Secretaries Act, 1980 to mean a person who is a member of the ICSI.

ASSOCIATE MEMBERSHIP

After successful completion of examination and training, a candidate is conferred with Associate Membership of the ICSI

FELLOW MEMBERSHIP

A member of the ICSI is entitled to get himself enrolled as a fellow, if he is an Associate Member for at least five years.

CODE OF CONDUCT FOR MEMBERS

The members of the ICSI are subject to Code of Conduct as provided under the Company Secretaries Act, 1980.

DISCIPLINARY MECHANISM

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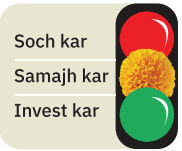
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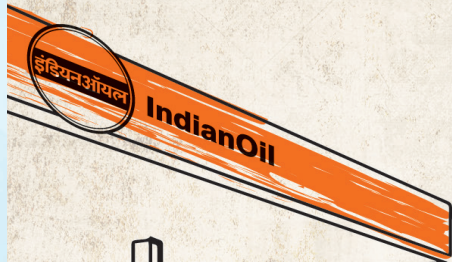
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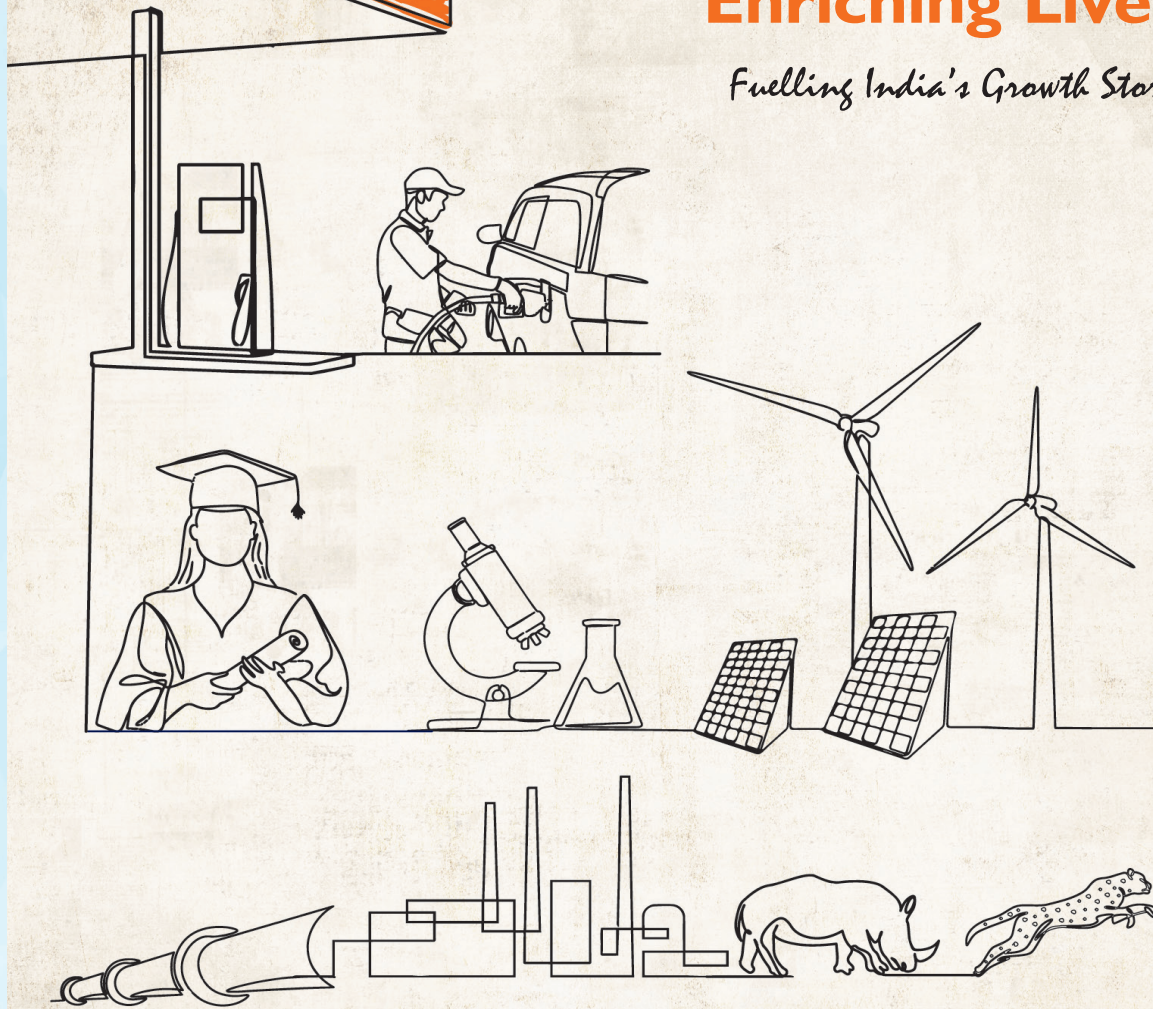
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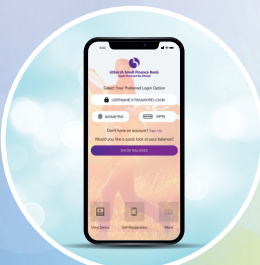
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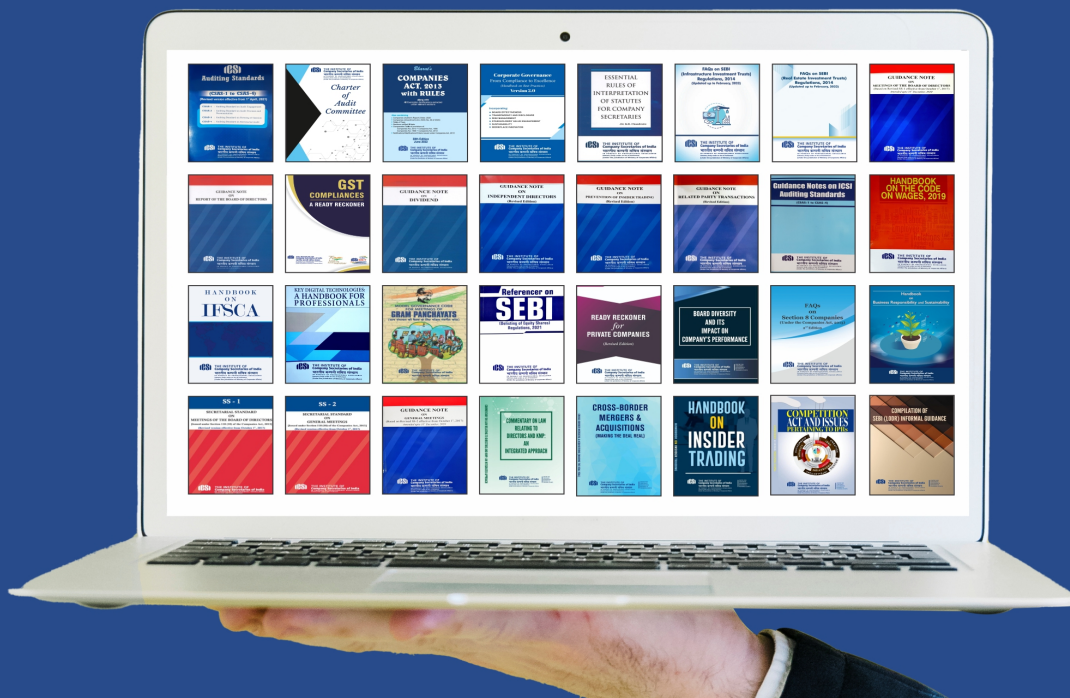
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Reinvent, Evolve and Lead

Pujya Dr. Gnanvatsalswami*

1. Identify and awake the hidden and dormant energies in you

As sometimes we do not know that we possess certain energies and talents. Only in awkward and unfavourable situation/circumstances if we take it positively, can arise these inner energies/ talents within you so that you face the situation.

2. Associate with inspiration

Always keep the company of good people. Keep reading a book always for self-motivation. Attend and watch those programmes (TV/person) that actually inspire you for better self of your own. Engage yourself in such kind of activities that create inspiration for you.

3. Dig out the goodness/values from within

P. Vivekanand Swami said that Each Soul is potentially divine. HH Pramukh Swami Maharaj said that all of us possess goodness within us. We have to introspect and dig out the values from within so that we can become better person. Performance = Potential – Internal negative interference. Your performance level is decided not only by your potential but how much your potential is disturbed by internal interferences of negativity.

4. Do what only you can do

You have to delegate your routine work to reinvent yourself. If you keep yourself engaged in day to day affairs, you will not find time and energy to reinvent yourself. You do only things which you need to do.

5. Choose the right mode of your life

At any situation/point of time, you have two modes – negative and positive. Whether should I do or I can do it tomorrow? Choose the best mode so that you are always in performance mode.

**Life Coach & Eminent Speaker, BAPS Swaminarayan Sanstha*

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.

India@G20: Empowering Sustainable Future through Governance & Technology

CS Isha Mehta*

India@G20

India, as chair of the G20, has offered a vision of *Vasudhaiva Kutumbakam* (**One Earth, One Family, One Future**) to bring all citizens of the world together and make the world better for everyone. India has also proposed an approach of Life (**lifestyles for sustainable development**) to the G20. It requires “coherent actions amongst stakeholders at all levels rooted in collective actions across society”. It also recognizes and amplifies the role of local communities, local and regional governments and traditional knowledge in supporting sustainable lifestyles, but in more concrete terms, it identified six lines of effort:

- Ensuring growth,
- Addressing the climate crisis,
- Reversing the setbacks on sustainable development goals,
- Pushing digital public infrastructure,
- Reforming multilateral institutions, and
- Promoting women-led development.

How G20 can strengthen Global Governance?

- **Integration of Sustainable Practices:** The G20 should take proactive measures to integrate sustainability into economic policies and decisions. This could involve incentivizing green investments, supporting renewable energy adoption and encouraging circular economy models.
- **Collaborative Leadership and Agenda Setting:** The G20 should prioritize collaborative leadership, focusing on setting agendas that reflect the diverse interests of its member nations while also promoting sustainable development, equitable resource distribution and global stability.
- **Bridging the Gap in Resource Distribution:** To address inequitable resource distribution, the G20 should create initiatives that facilitate technology transfer, knowledge sharing and capacity building for developing nations. Investment in education, healthcare and infrastructure can empower these countries to actively participate in global governance and contribute to sustainable solutions.

*Company Secretary, Indo Thai Realities Ltd., Indore

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.

- **Women-Led Development:** The Indian presidency focused on four specific themes for women development:
 - i) The first is education, where G20 members agreed on the need to increase investment for “affordable, inclusive, equitable, safe and quality education”.
 - ii) The second is women's entrepreneurship, where G20 members agreed to promote women's financial inclusion, strengthen their access to markets and facilitate their capacity building.
 - iii) The third theme is promoting women's leadership at the grassroots by ensuring their equal participation in political systems and governance and supporting women's organizations.
 - iv) The fourth is recognising the role of women and girl as “change makers” in the domain of climate, food security and nutrition.
- **Engines for Growth:** Startups have become the engine for innovation-fueled economic recovery, reorientation, and growth for nations around the world. Startup20 is the first of its kind official engagement group initiated under the IndiaG20 presidency. The engagement group would act as the voice of the global startup ecosystem bringing together varied stakeholders on a common platform.

According to a survey conducted by Inc42, 75% of Indian investors believed that hosting the G20 summit would bring about a positive impact on the Indian startup ecosystem. In the last five years, the Indian startup ecosystem witnessed exponential growth. As of May 2023, India is the home to 108 Unicorns, collectively valued at \$340.80 billion. Out of them, 44 Unicorns emerged in just 2021 and 2022. This rapid growth places India as the third-largest global startup ecosystem.

- **ESG-Driven New World:** The concept of Environmental, Social and Governance (ESG) has gained significant traction in recent years as a framework for assessing sustainability and societal impacts of business entities. The ESG ecosystem refers to the interconnected network of stakeholders, including companies, investors, regulators, government and civil society organizations that plays a critical role in promoting and implementing sustainable practices.

The G20 summit provides us with a unique opportunity to collectively redefine our priorities, reimagine our strategies and forge partnerships that will steer us towards a more sustainable and resilient future.

- **Digital Public Infrastructure (DPI):** DPI refers to blocks or platforms, such as digital identification, payment infrastructure and data exchange solutions that help countries deliver essential services to their people, empowering citizens and improving lives by enabling digital inclusion. The identity system Aadhaar, payment platform UPI and others, all of which have been receiving ringing praises globally. DPIs are interoperable, open, and inclusive systems supported by technology and provide essential, society-wide, public and private services that play a critical role in accelerating this digital transformation in an inclusive manner.



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- **Reforming Multilateral Development Banks:** Revamping multilateral development banks (MDBs), global coordination in the regulation of crypto-assets, financial inclusion through digital public infrastructure (DPI) and efforts to develop a globally fair and sustainable tax system are among the seven key achievements of the finance track under the G20 India Presidency.
- **Global Economic Growth:** Global economic growth is below its long-run average and remains uneven. G20 recognises the critical role of private enterprise in accelerating growth and driving sustainable economic transformations. Leaders of G20 will work with private sector to facilitate investments including Foreign Direct Investments (FDIs) towards sustainable business models, create inclusive, sustainable and resilient global value chains and support developing countries to move up the value chain, devise pipelines of investible projects in developing countries by leveraging expertise of MDBs to mobilise investments and promote the ease and reduce the cost of doing business.

Digital Inclusion

At the one Family Session of the G20 Summit, hon'ble Prime Minister Shri Narendra Modi elaborated on how to collectively think about empowering fellow humans and making our planet more inclusive as well as sustainable. He gave the example of how technology has been leveraged to bring a positive difference in the lives of our citizens.

Digital Inclusion refers to the ability of individuals and groups to access and use information and communication technologies. The concept of Digital Inclusion has gained prevalence in the 21st Century, with technology creating millions of jobs and being used in all spheres, all the way from banking to farming to defense. Companies that innovate and digitize rapidly will be in a better position to take advantage of India's large market.

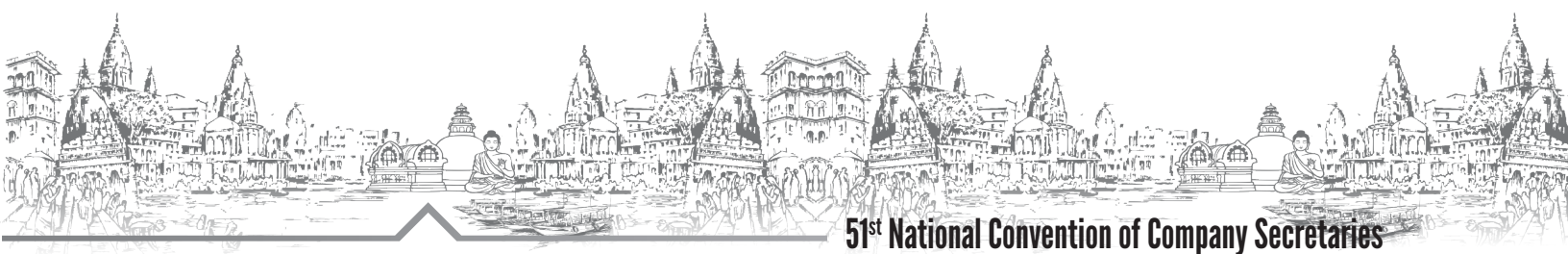
Digital Inclusion refers to the ability of individuals and groups to access and use information and communication technologies. Following are the elements of Digital Inclusion:

- strong and affordable broadband and internet service
- internet accessible devices that meet the needs of users
- access to IT training
- quality technical support
- online content that encourages independent use of online platforms

Digital Inclusion: A Catalyst for Corporate Innovation

Companies that innovate and digitize rapidly will be in a better position to take advantage of India's large market and so is the case of Jio. When Jio launched its 4G services in India in 2016, it practically demolished the remaining businesses which thrived on offering 2G and 3G services. Reliance Jio's debut may have made telecom firms edgy but consumers aren't complaining. The intense price war after Jio's debut has unleashed attractive internet data offers by telecom providers who are now doing everything to ensure their customers don't switch.

- India is on its way to becoming a digitally advanced country. With more than half a billion internet subscribers, India is one of the largest and fastest-growing markets for digital



consumers. Digital Inclusion is uplifting our country towards advancement and filling gaps owing to physical infrastructure. The Facebook-Jio deal aims to empower nearly three crores *Kirana* shops by bringing them into e-commerce fold through the collaboration of JioMart and WhatsApp.

- Private sector innovation has made online usage more accessible by bringing internet-enabled services to millions of consumers. According to telecom gear maker Ericsson, Indians used about 12 GB data per month on average in 2019, the highest consumption globally, and this is expected to more than double over the next five years to 25 GB data per month. Looking at the potential of the market, Reliance Jio and Google has entered into a smartphone deal which has paved the way for low-cost smartphones combined with affordable data and world-class telecom infrastructure.
- Although, India has ensured digital access, digital infrastructure, digital empowerment and bridging of digital divide with the common thread of digital inclusion, but still it has a long way to go. By 2025, India has the potential to become a trillion-dollar digital economy, and as a result, India's digital footprint is one of the fastest-growing in the world.

Startups and MSMEs: Engines of Growth

- The Indian startup ecosystem has lauded the inclusion of startups in the New Delhi Leaders' Declaration for the first time ever in the history of G20. Industry stakeholders say that the move will lead to easier access to capital, reduce regulatory hurdles and may revive funding activity.
- The Declaration, through the Startup20 initiative, recognised startups as "natural engines of growth" and key to socio-economic transformation by driving innovation and creating employment. It also introduced a framework for the development, deployment and governance of digital public infrastructure (DPI).
- Rajan Anandan, MD, Peak XV Partners who was also the co-chair of the finance taskforce, said one of the most significant recommendations is that every G20 nation should invest 1% of their gross domestic product (GDP) into startups by 2030. "This will add up to \$1 trillion per year of startup funding across the G20 nations,".
- The Government of India has proposed numerous initiatives for young professionals in the technology industry, including the Startup India seed fund, Atal innovation mission, Skill India, software technology parks and nextgen IEDC (Innovation and Entrepreneurship Development Centres). Indian youth's high rate of literacy and internet usage at this age will facilitate their acquisition of new skills as it encourages creative thinking and entrepreneurial risk-taking. As a result of these initiatives, youth have gained a new sense of confidence to pursue their entrepreneurial aspirations.
- India has introduced the Startup20 Engagement Group, a group that has the ability to change the G20 and drive development trend through innovation, collaborative effort, entrepreneurial spirit and social inclusion. By partnering through the Startup20 engagement group, member country startups are able to recognize and tackle important issues in the creation of new products or services that not only make a business sense but also address social and environmental concerns.



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- The Government of India proposed Startup India to increase the number of young entrepreneurs. It focuses on three areas: simplification and handholding, funding for startups and collaboration between industry and academia. It assists recent graduates in initiating innovative projects to address a social need. I believe that Startup India has contributed to the development of the nation and reaffirmed the Government of India's commitment to realise the Make in India dream by creating a hub for innovation, design and startups. Despite layoffs and a pandemic, India's startup industry has created 23,00,000 jobs in 2022.
- Startups are characterised by a work environment in which everyone wears multiple hats. Digital transformation will bring them one step closer to becoming that one unicorn startup. There are numerous ways in which digitalization can help startups streamline their processes and increase their revenue. One of these steps involves utilising validated data.

The following steps will further enable startups' expansion:

- i) Access to Capital,
- ii) Infrastructure and logistics spending,
- iii) Mentorship and Direction,
- iv) Fostering Innovation.

ESG: Creating Value and Sustainability for Future

- The G20 recognises the importance of collective action in tackling environmental challenges and climate change while promoting transitions towards more flexible, transparent and cleaner energy systems. The OECD supports the G20 Presidency's work, building on its extensive expertise in green growth, clean and climate-resilient infrastructure, fossil fuel subsidies, energy regulation, green finance and investment, environmental taxation and Environmental, Social and Governance (ESG).
- Business entities are increasingly being held accountable for sustainability of their performance by all stakeholders. This is prompting a growing number of companies to incorporate ESG considerations into their operations and reporting on their initiatives for sustainable performance through various frameworks and reporting standards.
- Regulators have also started playing an important role by setting and enforcing standards and guidelines for sustainable practices. This can help to ensure that companies are held accountable and that investors have access to reliable and comparable ESG data.
- The G20 summit provides us with a unique opportunity to collectively redefine our priorities, reimagine our strategies, and forge partnerships that will steer us towards a more sustainable and resilient future.
- These are the key dialogues that India needs to refocus in this context:
 - i) **Tracking per-capita emissions:** India can champion the tracking of per-capita emissions as an indicator of climate action. With India having the lowest per-capita emissions among G20 nations, efforts to reduce per-capita emissions can lead to a sharper decline in aggregate national emissions.

- ii) **Mainstreaming circular economy principles:** The concept of a circular economy, which aims to turn used goods into reusable products, is essential for sustainability. India needs to address its challenges in waste management and air pollution control. By implementing effective land, water and air pollution control measures, including greening public procurement practices, India can create a conducive environment for circular economy initiatives.
- iii) **Allocated funds for climate-techs and green techs:** India should drive action on the funding to impact-based start-ups which are solving dire issues faced by us and the G20 countries. These start-ups can give economic support and create solutions for non-economic events which can help create a much more balanced world. India can collaborate with other vulnerable economies to create a collective solution bank through these upcoming ventures and solutions.
- iv) **Addressing net-zero targets:** While net-zero targets have gained popularity, there is still a long way to go for G20 countries to phase out coal use and reduce reliance on fossil fuels. India, with its commitment to a 2070 net-zero target and increased investments in renewable energy, can lead the dialogue on coal phase-outs and energy transition. By advocating for concrete roadmaps and policies, India can encourage G20 nations to align with net-zero goals. India started this dialogue with renewable energy and bio-fuel adaptation push but a concretised output can help us stay away from one of the biggest emission categories.

Emerging Perspective and Role of CS

- Company Secretaries play a crucial role in ensuring compliance, good governance and overall smooth functioning of businesses. Their responsibilities encompass various legal, regulatory and administrative aspects, making them indispensable for the success and sustainability of MSMEs and Startups. Traditionally, Company Secretaries have been associated with larger corporations, but their role has expanded to cater to the needs of smaller businesses as well.
- Here are some key reasons behind the growing prominence of Company Secretaries in India:
 - i) **CS as a GST Professional:** A Company Secretary can provide guidance and advisory services to business entities to interpret GST laws. He can assist in discharging various compliances under GST while undertaking activities like tax planning, maintaining GST records and drafting legal documents like replying to show cause notices.
 - ii) **CS as an Insolvency Professional:** A Company Secretary can enroll with a professional insolvency agency and register with the Insolvency and Bankruptcy Board of India (IBBI) as an insolvency professional.
 - iii) **CS as a Registered Valuer:** A Company Secretary can practice as a Registered Valuer. Where a valuation is required to be made regarding any stocks, shares, debentures, securities, etc. of a company, the Company Secretary can act as a registered valuer.

- iv) **CS as an Authorized Representative:** Company Secretaries have been representing before various Boards and Tribunals on behalf of a company and other persons, including National Company Law Tribunal, Competition Commission of India, Securities Appellate Tribunal, Registrar of Companies, Consumer Forums, Telecom Disputes Settlement, Appellate Tribunal, Tax Tribunals, other quasi-judicial bodies and Tribunals.
- v) **CS as an Advisor:** Company Secretary's role also includes advising companies on compliance with legal and procedural aspects. Having a Company Secretary on board from the early stages enables seamless scalability, ensuring that the company is well-prepared for expansion and can navigate legal complexities efficiently. Apart from compliance, Company Secretaries can provide valuable strategic support. They assist in drafting legal documents, structuring agreements and ensuring compliance during fundraising rounds. Their understanding of legal and regulatory frameworks helps management make informed decisions while minimizing legal risks.

The complexities of modern business have given rise to the growth of newer areas of specialization for the fraternity. Apart from the provisions of the Companies Act, 2013, which has substantially increased the scope of practice for a CS and expectations of the regulator from Company Secretaries, both in employment and in practice, considering the impact created by the profession in guiding the corporates in governance and compliances as also shaping the regulatory framework beyond the boundaries of Company Law in areas such as FEMA, Competition Law, Securities Law, Insolvency, Valuation, Taxation Laws, Arbitration etc., it can be said that CS is the preferred professional with multi-disciplinary focus in the field of Corporate Laws.

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Artificial Intelligence vs. Company Secretary

CS Satyan S. Israni*

Introduction

Artificial Intelligence (AI) has now become a part of everyday parlance. The rapid strides that AI has taken in calendar year 2023 have been enormous although it has been around since decades. AI has come more into prominence recently due to one of its use cases being ChatGPT, a product of the company called Open AI. ChatGPT is an artificial intelligence chatbot and it was launched in November, 2022. It has seen a meteoric rise and has captured the imagination of the world to such an extent that while Facebook took four years to get 100 million users, Google took one year, ChatGPT took only two months and continues to add millions of users every day with newer updated versions being made on a regular basis.

Before we dive deeper, we need to have an understanding of AI and ChatGPT.

What is AI?

Artificial Intelligence – AI for short, is the ability of a computer or a computer program or a robot to do tasks that are usually done by humans as they require human intelligence. AI has enabled us to do things faster and better when compared to humans doing the same task. It has created new opportunities and new technologies to do certain things more efficiently and methodically as compared to humans. A few examples are in the fields of law, education, research, health and environment.

AI basically requires human input to train the computer / machine / computer code to perform the required tasks. The way in which AI has evolved is that the types of AI learning can broadly be categorized in three categories:

- Narrow AI learning – performing narrowly defined set of tasks;
- Super AI learning – performing beyond human capability; and
- General AI learning – performing the same ability to think like humans.

Narrow and Super AI learning already exist in several use cases. AI has not yet evolved into General AI learning but efforts are on to get there sooner rather than later.

One example of AI which affects our daily lives is recommendations of what to see on Netflix. The AI takes customer data, such as previously viewed shows, purchase and search history, and then uses it to deliver recommendations to the customer. This type of AI is "Super AI", because the average human would not be able to process a customer's entire Netflix history and provide feedback of customized recommendations.

**Advocate, Solicitor (UK) & Managing Partner, SD Israni Law Chambers, Mumbai*

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Another example of presently existing AI, is Self-driving cars which are programmed to observe other cars on the road for their speed, direction, and proximity along with other data like knowing traffic lights, signs, curves, and bumps in the road. The data helps the car decide when to stop or change lanes so that it can avoid an accident.

What is Chat GPT and how does it work?

Chat GPT stands for (Chat Generative Pre-Trained Transformer) and is one of the many use cases of AI. It is basically a chat bot that has been fed historical data and upon being asked a question (known as a "prompt") gives a human like conversational response. This is a model based on a concept called "Generative AI" where new ideas or content are created using existing data. And this is being applied across spectrum and not just in ChatGPT. One finds such AI being used in images, videos, etc., and it seems the possibilities of "Generative AI" are limitless. The output of any such program or machine depends on the data that has been fed into it.

For example, if one were to ask the following question to ChatGPT: **Make a list of the amendments to the Companies Act, 2013.**

ChatGPT provided following answer:

"As of my last update in September 2021, the Companies Act, 2013 had undergone several amendments. Please note that there might have been additional amendments after that date. Here is a list of some notable amendments to the Companies Act, 2013:

- 1. The Companies (Amendment) Act, 2015: Enacted on May 26, 2015, this amendment brought various changes to the Act, including simplifying the private placement process, enabling the issuance of shares at a discount, easing related party transactions, and clarifying the definition of a significant beneficial owner.*
- 2. The Companies (Amendment) Act, 2017: This amendment was enacted on January 3, 2018, and introduced several changes aimed at improving corporate governance, simplifying procedures, enhancing ease of doing business, and strengthening the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT).*
- 3. The Companies (Amendment) Act, 2019: Enacted on July 31, 2019, this amendment focused on decriminalizing minor offenses, providing greater flexibility in corporate structuring, strengthening the accountability of companies and auditors, and improving the ease of doing business.*
- 4. The Companies (Amendment) Act, 2020: This amendment, enacted on September 28, 2020, aimed to further decriminalize certain offenses, promote ease of living, improve corporate governance, and enhance the ease of doing business in India.*

Please keep in mind that the Companies Act, 2013, is subject to frequent changes and amendments to keep up with the evolving business environment and regulatory requirements. To get the most up-to-date information, I recommend checking the official website of the Ministry of Corporate Affairs, Government of India, or consulting legal professionals specializing in corporate law."

From the above response, one finds that the answer is an intelligent answer just like a knowledgeable human would answer and is based on an analysis of the data which has been fed into the system.

Further, it took only a few seconds for ChatGPT to generate this response while a human being would take a much longer time to make such a note. However, it is pertinent to note here that the answer is reliant on the data that has been fed into the ChatGPT system and since in the present case, data is available only up to September, 2021, the output provided is also based on the historical data and not on real time data.

There have been rapid advancements in AI across industries and there is a genuine apprehension that the advent of AI will result in hundreds of thousands of jobs being lost as well as thousands of professionals will become redundant. While the projected numbers may be a bit far-fetched, the effects of AI are already being felt. Only recently, an E-commerce start-up 'Dukaan' has laid off 90% of its customer support team in favour of an AI bot and claimed that as a consequence, it was able to resolve customer complaints in less than 2 minutes while earlier it used to take almost 2 hours. As a result, the start-up also claimed that it reduced costs by 85%.

Benefits of AI for Professionals

AI has recently caused a huge disruption and forced a re-look at traditional business models and caused changing work paradigms. The impact of AI on professional services is not an exception, it is promising greater efficiency, accuracy and decision-making. AI as a prediction technology has the potential of automating various non-routine tasks across a wide range of occupations and there are several studies being conducted to study the potential of AI for the same. Some of the ways in which AI can be beneficial for professionals like Company Secretaries are as under:

1. Risk Assessment

A study conducted by one of the makers of AI due diligence technology, LawGeex stated that AI can be better in finding errors and analysing risk in non-disclosure agreements. Further, it was found in the study that it took about 92 minutes for an average lawyer to review five agreements with 85% accuracy whereas AI reviewed all five agreements in 23 seconds with 94% accuracy.

2. Legal Research

As already demonstrated earlier in this article, one can see the power of AI for legal research. AI has the ability to extract content from online data in seconds and provide an intelligent response. It can be a huge boon for professionals who spend hours on research searching for a particular amendment or a notification or a circular or a judicial precedent. With the help of AI, the search time can be literally reduced to seconds from a few hours.

3. Due Diligence

Another area where research has shown that AI can make a big difference is to M&A due diligence. With the help of machine learning, an AI based system learns to deduce on the basis of previous works how to prioritise, classify, organise and identify documents that are to be disclosed according to the business agreement with an increased efficiency and less cost.

4. Audits and Compliances

AI can perform repetitive as well as mechanical tasks extremely efficiently and with a high degree of accuracy making it a very handy tool for such assignments.

AI and the Company Secretary

The fear that AI will completely replace a professional is misplaced and borne out of lack of understanding and ignorance rather than anything else. The same fears were expressed with the advent of the Internet decades ago. Later, we realised that the real power of the internet was to be able to use it as an effective tool. While AI may have the potential to be used in certain aspects of a Company Secretary's role, it is highly unlikely that AI will make the position entirely redundant in the foreseeable future. In fact, if a CS can gather the understanding and knowledge about AI, he/she will be better equipped to harness the power of AI to assist in managing routine tasks like research, record-keeping, data analysis, regulatory compliance and document management.

The role of a Company Secretary involves a range of responsibilities that go beyond routine tasks, and it requires a combination of legal expertise, corporate governance knowledge and interpersonal skills that are challenging for AI to replicate entirely such as:

1. Evolving Legal Landscape

Law is an evolving subject. There is a constant process of learning, un-learning and re-learning as laws are constantly evolving and adapting to the ground realities and factoring in practical difficulties. There may be a provision which says something, but then there may be judicial interpretations which change the entire meaning altogether. AI is unable to interpret the latest law, analyse it and then strategically apply it to a given situation.

2. Interpersonal Skills

A Company Secretary plays an important role as the fulcrum between the various stake holders of a company such as the board of directors, shareholders, and regulatory bodies. To perform such a role, it is extremely necessary to have the ability to listen, interpret, interact and communicate which is a handicap for AI.

3. Problem Solving Ability

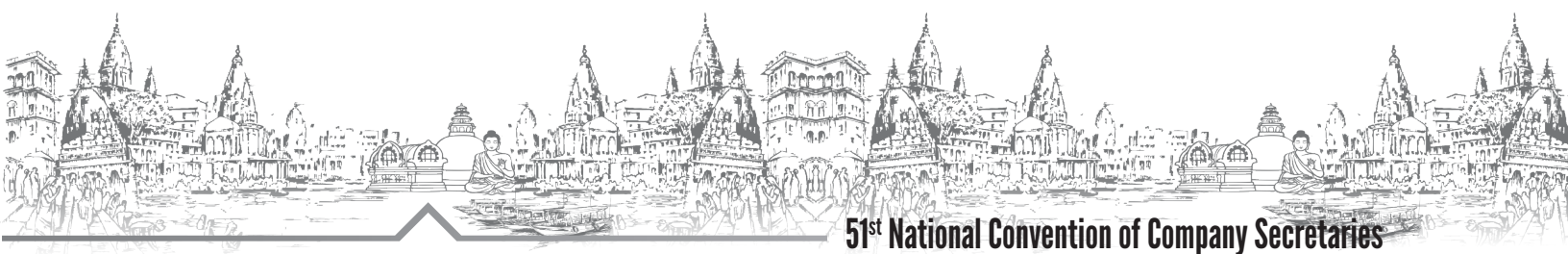
A Company Secretary by the very nature of his/her role is a problem solver and has to fire fight in several situations including unpredictable and unforeseen circumstances. This may need real time adaptability, creative decision making, knowledge of company culture, values and long-term objectives. All are traits which are human in nature and difficult, it is impossible to replicate in an AI model.

4. Confidentiality and Trustworthiness

As a matter of general law, a Company Secretary, as an officer of the company, owes duties to act in good faith in the best interests of the company. This implies duties not to act where there is a conflict of interests nor to make secret profits and to act ethically at all times. Maintaining trust and confidentiality is a critical aspect of the role, which may be challenging for AI to handle.

5. Reliability of AI

All the results that get thrown up by AI cannot be blindly relied upon without a fact check as there is no guarantee about the authenticity of the data that has been fed into the AI system. Recently, a lawyer in New York used ChatGPT to make legal arguments. But little



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did he know that ChatGPT behaved like a truant back bencher and fabricated arguments and generated fake precedents. This landed that lawyer in a huge soup! Not wanting such a goof up to be repeated again, in another case, a Texas federal judge has added a requirement that any attorney appearing in his court must attest that “no portion of the filing was drafted by generative artificial intelligence,” or if it was, then it was checked “by a human being.”

Conclusion

While AI will undoubtedly continue to play a significant role in enhancing the efficiency of various business processes, including those within corporate governance, the human element provided by Company Secretaries, with their legal expertise, strategic insights, and interpersonal skills, is going to remain essential in the future. The collaboration between AI and human professionals is likely to lead to more efficient and effective corporate governance practices. However, a Company Secretary's role will attain even more importance including one of a fact checker in the era of AI rather than making Company Secretaries redundant. Thus, a Company Secretary must take on the challenge thrown by AI and reimagine his/her role by harnessing the power of AI instead of getting intimidated by it. AI must be looked as a tool of empowerment and armed with such a tool, a Company Secretary can do wonders in the organisation.

In conclusion, Steve Jobs, founder of Apple Inc., a visionary of his time, has summed it up best in an interview he gave several years ago:

“Technology is nothing. What's important is that you have a faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them. It's not the tools that you have faith in – tools are just tools. They work, or they don't work. It's people you have faith in or not”.

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Digital Inclusion: A Catalyst for Corporate Innovation and Social Progress

CS Himani Patel*

Introduction

Digital inclusion refers to the activities necessary to ensure that all individuals and communities, have access to Information and Communication Technologies (ICTs).

Digital inclusion includes 5 elements:

- access to affordable, robust broadband and internet services,
- internet-enabled devices that meet the needs of the user,
- access to digital literacy training,
- quality technical support, and
- applications and online content designed to enable and encourage self-sufficiency, participation and collaboration.

As many services have moved online and with the increasing use of telehealth to deliver primary care, particularly during the COVID-19 pandemic in 2020, digital inclusion, including digital literacy and internet access is increasingly regarded as a social determinant of health.

As the digital revolution intensifies and grows, governments, non-profits and businesses will have to extend access to ICTs very broadly. It is the only way forward to creating a more enabling and competitive global society.

Some examples of digital inclusion are:

- **Digital health literacy:** using online consultations, telehealth services and health information portals to improve access to health care and health outcomes.
- **Online job services:** finding and applying for employment, training and career development opportunities online.
- **Voter registration:** using online platforms to register, verify and participate in elections and civic engagement.
- **Social inclusion:** providing specific programs and support for the most disadvantaged sectors of society, such as the elderly, people with disabilities or low-income groups, to enter the digital world.
- **Financial inclusion:** using digital tools such as mobile money, e-wallets, crowdfunding and remittances to access financial services and opportunities.

*Company Secretary

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Digital inclusion can be promoted in various ways. Government institutions, such as schools and libraries, typically provide free access to digital technologies including hardware, software and high-speed Internet. These same organizations can also provide digital content to their respective communities, as well as improve digital literacy skills through practical training programs and workshops. Integrating digital inclusion initiatives around community need areas, such as health and employment services, can also improve digital literacy and access to technology. This includes making essential services, such as education, employment, commerce and government accessible through ICTs or the internet.

Challenges/Barriers to Digital Inclusion

The pandemic and/or the political climate in the year 2020 and 2021 have brought some of digital inclusion issues to the forefront. The global socio-economic disruption in the year 2020 and 2021, not only highlighted the importance of access to reliable and transparent information for the public good, but also its role in responding to emergencies.

We are taught to be tech-savvy, to have the skills to utilize the internet and information on the internet. While this is the case for many, it is not so for all. We have seen this in those years, how much and to what extent we lack in digital skills; that those without the access and skills got more left behind and disconnected and how we had to learn and relearn new pathways and skills to join the digital highway. Many of us, had to reach and ask our junior colleague or a child to help to set up the technology, install zoom or other apps, to record a video, to create and share the content with a larger group of people, use the cloud, change the privacy settings, change the background, or learn how to press unmute.

Digital resilience encompasses the knowledge, skills, attitudes and values needed by individuals to thrive in this digital world and be confident in meeting the challenges and demands of the digital era.

The following are barriers/challenges to digital inclusion:

1. Lack of supporting infrastructure

One of the biggest barriers to digital inclusion globally is a lack of supporting infrastructure for people to access the internet, electricity, or cell connections. Even if households have access to computers or mobile devices, without consistent power to charge them or a strong internet connection, the opportunities these devices present are limited. This barrier is especially relevant in developing countries, but access to broadband can also be a problem in rural or remote areas of developed nations as well. Broadband adoption initiatives will be important in overcoming this barrier, especially as 5G arrives, bringing new 5G questions.

2. Inaccessibility to the Internet

Even if a robust supporting infrastructure is in place, people may face barriers to accessing the internet. The first is affordability. For low-income families, the monthly cost of internet can be prohibitive. Devices used to access the internet can also be too expensive for people on the margins, rendering digital technology inaccessible.

3. Lack of accommodations for disability

Lack of accommodations for disability can also bar people from accessing digital technology. Websites can be inaccessible because they lack alt text for screen readers

or because they have font sizes too small for older people. Deaf people may lack access because videos and podcasts lack captions or transcripts. And people with motor disabilities who use handheld devices may find websites difficult to navigate.

4. **Lack of multilingualism**

People can also be digitally excluded because of language barriers. Some people do not speak or read the languages that are dominant or available on the internet and digital platforms, such as English, Chinese, Spanish, etc. This can limit their access to information, services and opportunities online. This is an especially serious barrier when government services are not available in minority languages.

5. **Lack of Digital Skills**

Some people are digitally excluded because they do not have the skills to use the technology to its full potential. Older people who have not spent as much of their lifetimes using the internet or devices often face this barrier. People who do not know how to safely use digital technology can be at risk of phishing scams or identity theft. And people who have been incarcerated and have not been privy to technological changes can also face barriers in reintegrating into society.

6. **Lack of motivation**

Some people do not see the benefits or relevance of using the internet and digital technologies for their personal, professional or social goals. They may have low interest, awareness, or trust in online activities.

How to overcome the Challenges/ Barriers to Digital Inclusion

There are different ways to overcome the barriers to digital inclusion, depending on the specific needs and challenges of each group and individual. Some of the possible solutions are:

1. **Providing access to internet connectivity and digital devices**

This could involve offering low-cost or free internet services and devices, especially for people living in poverty or in remote or rural areas. It could also involve installing public wi-fi hotspots or providing assistive technology for people with disabilities.

2. **Providing digital literacy training and support**

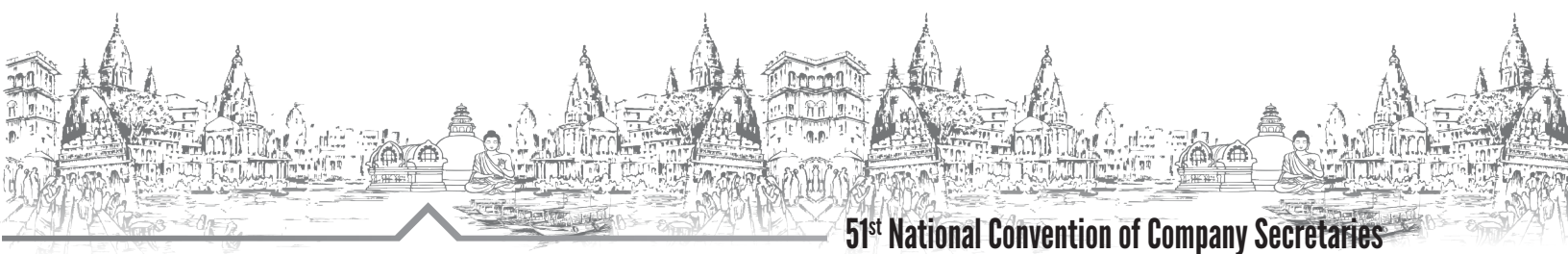
This could involve offering online or offline courses, workshops, tutorials or mentoring programs that teach people how to use digital devices and applications effectively and safely. It could also involve creating digital champions or intergenerational mentors who can help others learn and use digital skills.

3. **Providing multilingual content and platforms:**

This could involve translating existing online content and services into different languages, or creating new ones that cater to the linguistic and cultural diversity of users.

4. **Providing motivation and relevance**

This could involve raising awareness and interest in the benefits and opportunities of using the internet and digital technologies for personal, professional or social goals. It could also



involve using social prescribing or other methods to connect people with online activities that match their needs and preferences.

5. Providing inclusive design and trust

This could involve designing online content and services that are accessible, user-friendly, responsive and secure for all users, regardless of their age, ability, language or location. It could also involve building trust and confidence in online platforms by addressing issues such as privacy, security, misinformation, etc.

Importance of Digital Inclusion

Internet technology is neither a magic wand nor a necessary evil. In the past times, we used to look at digital tools as a way of keeping people apart. At this moment of collective trauma that we are all experiencing, they are bringing people together. Digital tools maintained the connection between people during lockdowns and made them feel included. They enabled us to reach out to a colleague, a friend, a long-distance family member. We have creativity, collaboration, community, small talk, humour, that entire realm of interaction and learning that internet technology enables.

One of our basic human needs is to belong to a group, a community. A sense of belonging positively affect engagement in the community. And through engagement, we create literate and knowledge societies and make connections and build quality relationships. The power of connected learning and creating resilient communities came upfront and that is a beautiful thing to see how people get together and help each other.

Access to ICTs play a significant role in social and economic outcomes for people in both developed and developing countries. Moreover, digital inclusion plays a major role in achieving digital equity, when every individual has the digital skills and resources needed to fully participate in the social, economic and civic aspects of society.

By Seeing the importance of digital literacy, the Supreme Court of India has declared the right to access the internet as a fundamental right, making it a part of the right to privacy and the right to education that comes under **Article 21** of the Constitution.

Digital Inclusion is Catalyst for Corporate Innovation and Social Progress

Digital inclusion is a catalyst for corporate innovation. Digital inclusion is the process of ensuring that everyone can access and benefit from digital technologies. It can help corporate innovation by enhancing green technology, improving digital skills, fostering trustworthy use and innovating openly, inclusively and ethically. Some strategies to infuse digital inclusion into your organization are: having a CEO champion, centering Diversity & Inclusion in your business strategy, holding leaders accountable for Diversity & Inclusion outcomes, creating a culture of belonging and measuring and reporting on Diversity & Inclusion progress.

Digital inclusion can benefit companies in various ways, such as:

1. Expanding their customer base

Companies can increase their market share and revenue by reaching out to new and underserved segments of the population, such as rural, low-income or marginalized

groups. For example, Reliance Jio has attracted over 400 million subscribers in India by offering low-cost and high-quality mobile internet services.

2. Improving their operational efficiency

Companies can automate and optimize their business processes, such as data collection, analysis, communication and decision making by using digital tools and platforms. This can reduce costs, errors and delays and enhance quality and productivity. For example, Larsen & Toubro has improved its project delivery and performance by using digital technologies such as sensors, drones, robots and cloud computing.

3. Innovating their products and services

Companies can understand the needs and preferences of their customers better and tailor their offerings accordingly by using digital insights and feedback. They can also create new features and solutions that address social and environmental challenges. For example, Hindustan Unilever has launched new products and features that are customized to the local market and solve problems such as water scarcity, sanitation and health.

4. Competing in the digital economy

Companies can enhance their competitiveness and differentiation in the market by adopting digital strategies and capabilities. They can also leverage the opportunities and benefits of the digital ecosystem, such as partnerships, collaborations and platforms. For example, Intellemo has created a unique platform that enables SMEs to access online marketing services at a fraction of the cost of traditional agencies.

5. Contributing to social good

Companies can demonstrate their social responsibility and commitment to the society by using digital inclusion as a core value and principle. They can also create positive impacts and outcomes for their stakeholders, such as customers, employees, partners and communities. For example, India Stack has enabled the interoperability of various digital services in India that can facilitate financial inclusion, identity verification, data sharing and consent management.

Some of examples of companies that has successfully implemented digital inclusion in their innovation process:

1. Reliance Jio Infocomm Limited

Reliance Jio, the telecom company, founded in 2016, by Mukesh Ambani. According to an article by Harvard Business Review, Reliance Jio has used digital technologies to connect with millions of rural consumers, expand markets by improving economic opportunity and improve the health and welfare outcomes. Reliance Jio has also partnered with the government to provide digital ID services through the India Stack, a set of APIs that enable data and payment flows across various sectors. Reliance Jio is one of the largest and fastest-growing digital businesses in India. Reliance Jio has also launched various digital platforms and applications, such as Jio TV, Jio Cinema, Jio Saavn, Jio Money and Jio Mart, to provide entertainment, e-commerce and financial services to its users.

2. Larsen & Toubro Limited

This engineering and construction conglomerate has leveraged digital technologies to enhance its operational efficiency, customer satisfaction and product innovation. Larsen & Toubro has invested in building digital ecosystems that connect, automate and analyse data from various sources, such as sensors, drones, robots and cloud computing. It has also developed solutions for smart cities, smart manufacturing, smart energy and smart healthcare.

3. Hindustan Unilever Limited

This consumer goods giant has innovated across product categories by using digital tools and insights to understand the needs and preferences of its customers. Hindustan Unilever has launched new products and features that are tailored to the local market choices and address social and environmental challenges. For instance, it has introduced Rin detergent with smart-foam technology that saves water, Domex toilet cleaning powder that is affordable and effective for rural households and Pureit water purifiers that use advanced technologies to provide safe drinking water.

4. Intellemo Adtech Private Limited

This digital marketing agency has created a unique platform that enables small and medium enterprises (SMEs) to access online marketing services at a fraction of the cost of traditional agencies. Intellemo uses artificial intelligence and machine learning to automate and optimize various aspects of digital marketing campaigns, such as keyword research, ad copywriting, landing page design and performance analysis. Intellemo also provides personalized guidance and support to its clients through its team of experts.

5. Payworld Digital Services Private Limited

Payworld is a fintech company that provides digital financial services to the unbanked and underbanked population in rural and semi-urban areas. PayWorld has a network of over 300,000 retail agents who offer services such as money transfer, bill payment, insurance, loans and e-commerce. Payworld aims to make digital financial services available to everyone, everywhere and to build the largest branchless digital banking network that helps create a more progressive society.

6. Capgemini Technology Services India Limited

Capgemini India, a technology consulting and services company that has launched several initiatives to bridge the digital divide and ensure technology is an opportunity for all. Capgemini India has partnered with NGOs, government agencies and educational institutions to provide digital literacy, skills development and employability training to marginalized communities.

7. Google India Private Limited

Google India a subsidiary of Google that has stepped up its product focus to drive digital inclusion in India. Google India has launched products and features that cater to the diverse needs and preferences of Indian users, such as voice-based search, multilingual support, offline access and low-cost smartphones.

8. SAP Lab India Private Limited

SAP Lab India launched a programme called Code Unnati. Code Unnati is among SAP's global corporate social responsibility (CSR) partnerships, in this case, supporting India's digital readiness commitment. SAP Labs India works with partners in government, as well as the non-profit and private sectors, including customers and education, to bridge the immense digital divide between people in the country's urban and rural communities. In addition to a digital-rich learning curriculum, the program offers students the opportunity for internships and employment at SAP. So far, it has trained over one million students aged 10-16 years in digital literacy; 65 percent of these children and adolescents were girls.

9. Hewlett-Packard (HP)

HP has launched several initiatives to promote digital inclusion and equity, such as the **HP LIFE** program that provides free online courses on entrepreneurship and IT skills, the **HP Amplify Impact** program that aims to empower 150 million people by 2030 through technology access and education and the **HP Sustainable Impact** program that focuses on environmental, social and governance (ESG) performance. HP's vice president of global head of engineering for workstations and thin clients, Jim Zdankus, says that improving digital inclusion and equity comes down to company culture and thought leadership.

10. Uber and Airbnb

These Companies use digital platforms to connect service providers and consumers, creating new markets and opportunities for people who might otherwise face barriers to entry or participation.

11. Netflix

This Company uses a subscription-based model to offer personalized and diverse content to its users, catering to different preferences and needs.

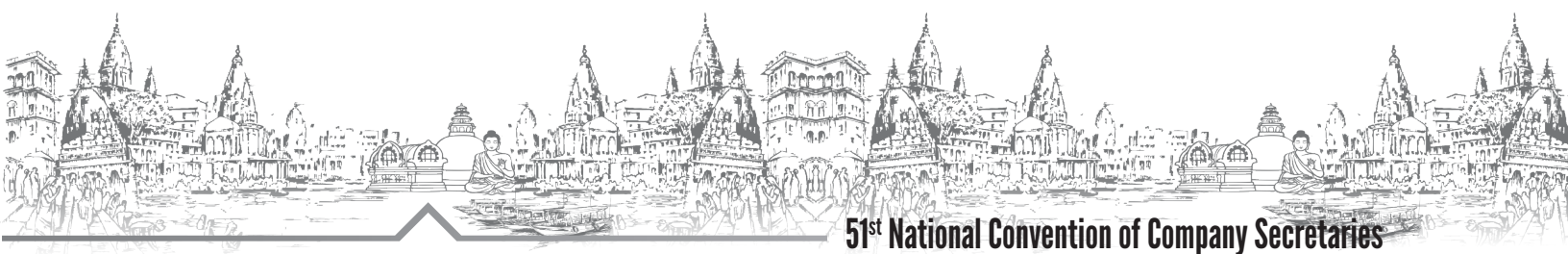
Government initiative towards Digital Inclusion

The Government of India has launched several initiatives to promote digital inclusion in the country, which is the process of ensuring that everyone has access to and can benefit from the opportunities offered by digital technologies. Some of these initiatives are:

1. Digital India

Government has launched the Digital India programme in 2015, with the vision of transforming India into a digitally empowered society and a knowledge-based economy, by ensuring digital access, digital inclusion, digital empowerment and bridging the digital divide. The programme is centred on three key vision areas, namely digital infrastructure as a core utility to every citizen, governance and services on demand and digital empowerment of citizens. The overall goal is to ensure that digital technologies improve the life of every citizen, expand India's digital economy and create investment and employment opportunities and create digital technological capabilities in India.

Digital India has considerably reduced the distance between Government and citizens. It has also helped in delivery of substantial services directly to the beneficiary in a transparent



and corruption free manner. In the process, India has emerged as one of the pre-eminent nations of the world to use technology to transform the lives of its citizens.

Digital India is an umbrella programme that covers multiple projects of various Central Ministries/Departments and States and Union Territories (UTs).

The Government had launched the India BPO Promotion Scheme (IBPS) and the North East BPO Promotion Scheme (NEBPS) under the Digital India programme, with the aim of creating employment opportunities and dispersal of the Information Technology and Information Technology Enabled Services (ITES) industry in small cities and towns by incentivising the setting up of Business Process Outsourcing (BPO) and ITES operations by providing financial support of up to 1 lakh per seat in the form of viability gap funding towards capital and operational expenditures. Under IBPS and NEBPS, 246 BPO/ITES units have started operations covering 27 States/UTs and are providing direct employment to over 51,584 persons.

2. Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA)

Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA), launched in 2017, which aims to make six crore rural households digitally literate by providing them with access to digital devices, internet connectivity and digital literacy training. PMGDISHA targets one person from every eligible rural household, who is between 14 and 60 years of age and preferably a woman or a member of a Scheduled Caste (SC), Scheduled Tribe (ST), minority community, differently-abled, or Below Poverty Line (BPL) household. PMGDISHA provides free training of 20 hours to the beneficiaries, covering topics such as operating a computer or a smartphone, browsing the internet, sending and receiving emails, accessing government services, e-banking, etc.

PMGDISHA also provides free digital devices and internet connectivity to the beneficiaries, either through existing infrastructure or through new devices such as tablets or smartphones. PMGDISHA conducts an online assessment after the training and awards a certificate to the successful candidates. The certificate is recognized by the National Skill Development Corporation (NSDC).

3. Make In India

This is an initiative launched in 2014, which aims to promote local manufacturing of electronic goods, including computers and smartphones in India. This initiative has facilitated the availability of affordable computing devices, which have emerged as the key enabler in driving digital inclusion.

4. India Stack

India Stack refers to the project of creating a unified software platform to bring India's population into the digital age. A set of APIs that enable data and payment flows across various sectors, such as finance, health, education, agriculture and e-governance. India Stack is revolutionizing access to finance by providing a digital ID system, paperless verification, consent-based data sharing and interoperable payment systems.

5. BharatNet

A project to provide broadband connectivity to all the 2.5 lakh Gram Panchayats (GPs) in the country using optical fibre network. The project aims to enable the delivery of

various e-governance, e-health, e-education, e-agriculture and other services to the rural population. So far, over 1.6 lakh GPs have been connected with optical fibre cable and over 60 thousand GPs have been made service ready.

6. National Digital Literacy Mission (NDLM)

National Digital Literacy Mission (NDLM) is a campaign that aims to digitally educate at least one member of every family in rural areas. It is formulated to provide IT training to 52.5 lakh persons, including Anganwadi and ASHA workers and authorised ration dealers in all the States/UTs across the country so that the non-IT literate citizens are trained to become IT literate to enable them to participate in the democratic and developmental process actively and effectively and enhance their livelihood.

7. DigiLocker

DigiLocker, launched in 2016 which enables Indians to digitally store a copy of 568 various documents on a secure cloud platform. It is a platform for issuance and verification of documents and certificates in a digital way, thus, eliminating the use of physical documents. It provides citizens with a shareable private space on a public cloud where they can store their documents such as Aadhaar card, PAN card, driving license, education certificates, etc. It also allows various government departments and agencies to issue e-documents directly into the DigiLocker accounts of citizens. Over 6.7 crore users have registered on DigiLocker and over 4.2 billion documents have been issued so far.

8. Umang

It is a unified mobile application for new-age governance that provides a single platform for accessing various government services such as Aadhaar, DigiLocker, Bharat Bill Pay, EPFO, etc. It also integrates with various other citizen-centric services like CBSE, Passport Seva, Income Tax, GST, etc. It is available as a mobile app as well as a web portal. Over 3.4 crore users have registered on Umang and over 23 thousand services are available on it.

Conclusion

The results of Digital Inclusion lead to Digital Equity. Digital Equity is a condition in which all individuals and communities have the information technology capacity needed for full participation in our society, democracy and economy. Digital Equity is necessary for civic and cultural participation, employment, lifelong learning and access to essential services.

Digital inclusion is a socio-technological process that encompasses individuals, communities and vulnerable groups being able to have access to digital skills to use internet technologies and therefore to be able to participate and benefit from today's growing information society. Digital inclusion influences improved livelihoods.

In the current digital landscape, the revolution and revelation are in online work, online socialization, online learning and all that on the remote. It is more than ever relevant to address the present digital transformation challenges in society in order to understand, repair, regenerate, renew and strive in the (digital)future.



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If governments, businesses, cross-sector organizations work together in innovative partnerships, we can make the internet better and more inclusive.

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10. <http://www.godigit.com/guides/government-schemes/national-digital-literacy-mission-ndlm>
11. Some of examples in the Article have been picked up from Google Search



Eclipse of Industry 4.0 & Dawn of Industry 5.0

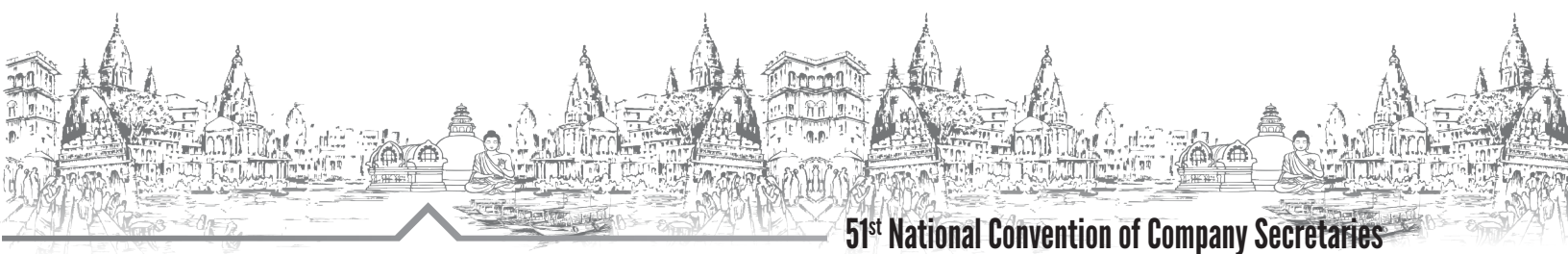
CS Sameer Gahlot*

Digital Inclusion, in the 21st century, is a concept which operates under the guise of Industry 4.0. The Henry Ford notion of customers adjusting their tastes to the product is no longer feasible; products must be flexible and fit in accordance with the needs of the customer in order to provide a breeding ground for subsequent innovation with the holistic view of social progress. To allow innovation, data is considered as an important part and lifeblood of Industry 4.0. Data acts as a facilitator in planning, organising, staffing, directing/leading and controlling, thereby, providing impetus in forecasting future growth while simultaneously allowing to innovate perpetually for social good. Industry 4.0 not only improves processes, productivity, cost optimisation, quality of product being offered but it also eases the living while reducing the burden economically.

The Industrial Revolution 4.0 has shaped our life and transformed the way in which we connect with each other. It won't be wrong if we would characterise this phase with the rampant use of digital servitization. It can also be remembered with certain other buzz words such as DPI (Digital Payment Infrastructure), DPG (Digital Public Goods), BHIM UPI (Unified Payment Interface), QR (Quick Response) Code, M-Banking, Neo-Banks, Cloud Computing, Artificial Intelligence, Blockchain, Technology Neutrality, Innovation, Electrification, Net Zero Emission, Climate Change, Circular Economy, Metaverse, Pandemic, Sustainable Development Goals (SDGs) and Globalisation. To continue operating in this dynamic environment and deliver services to its customers, industries need to re-imagine their operations in order to shape a more sustainable future. There are certain key areas like innovation, regulation, collaboration and education to delve into which can act as a springboard towards realising the vision and mission of participants in different sectors. As innovation thrives upon collaboration and education, new challenges emerge as a result of regulations. As the market embarks on disrupting businesses with the onset of the Frontier Technology or Industry 4.0, creative thinking and problem-solving attitude takes a centre stage, which can be dealt with by leveraging technology effectively. Moreover, it is evident that digital technology burgeoned during the pandemic and became engine of growth for the businesses, altering the traditional silo based to modern and collaborative models. Technological advancement coupled with strategic fit including finding resolution to the problems faced by the ecosystem actors can provide favourable outcomes, thereby, realising the goal(s) enshrined under SDGs. The future lies in futuristic technologies like autonomous solutions where operations can be managed remotely despite any complication except barriers created due to unimpeded challenges like climate change.

Since independence, our economy has grown substantially, reaching the status of the world's fifth largest economy, while set on to become the third largest economy in the world. This

**Research Associate, National Internet Exchange of India, Internet Governance Division, MeitY
The views expressed are personal views of the author and do not necessarily reflect those of the Institute.*



growth trajectory has been enabled and supported by a multitude of factors including greater entrepreneurial spirit, policy reforms, structural economic changes and development of institutional structures¹. To proceed further, it is important to understand the lending landscape in India which is divided into different formats as different players are engaged in providing financial support to customer(s), wherein, major support comes from traditional players which are registered as banks under the Banking Regulation Act, 1949, and acts as a facilitator between the depositors and borrowers. Besides banks, the Non-Banking Financial Companies (NBFCs) registered under the Reserve Bank of India Act, 1934, also play a crucial role in this landscape as they are also allowed to lend but subject to certain condition precedent. Additionally, money lenders, Nidhi companies, Chit Fund companies and Credit Societies also fill the gap created due to non-availability of a formal banking structure, but there still exists a grey area which is exploited by the informal sector by way of providing credit support at an exorbitant rate thereby exploiting common people which implies that there are still individuals who are unable to take benefits of the formal economy or formal banking system which in turn devoid them from financial inclusion also.

The future of digitalisation is bright, with total digital payments poised to jump three-fold to USD 10 trillion by 2026, wherein, 2 out of 3 transactions will be through non-cash modes². The development of financialization and digital inclusion is characterised with the collaborative and coordinated efforts of the ecosystem players such as government, technical community, civil society and private participation. For instance, initiatives like PMJDY (Pradhan Mantri Jan Dhan Yojana) are announced by the Government but the groundwork and its dissemination is possible with the efforts of civil society which is working in tandem with the ecosystem player(s) with the aim to disseminate and make citizen aware about new schemes, their rights and benefits of formal banking sector to ensure each and everyone is benefitted especially the needy and underprivileged section of the society which are still unconnected with the formal banking sector even after 75 years of independence. Considering the fact that India is the most populous nation in the world, as per the United Nations, it is important to upskill its population with ever changing framework to monetize its strength, rather than allowing it to become its liability. Technologies are evolving rapidly and the way we conduct a transaction, let's say in 2010, has undergone sea level changes and presently we can easily initiate the said transaction anytime sitting at the comfort of our houses. However, these technological development has plagued our system with threats such as frauds, cyber risk and data security related issues and still continues to haunt further development which is making it difficult to make it accessible, convenient and easier. We are living in a dynamic environment where technology plays a pivotal role as it evolves and gets better while presenting opportunities and challenges. These opportunities and challenges allow humans to innovate in order to improve their standard of living as well as making their life easier, accessible and convenient. With the sizeable data generated during providing financial inclusion services needs to be maintained to safeguard individual privacy and other fundamental rights as enshrined under the Constitution of India. The recently passed Digital Personal Data Protection Act, 2023, would play a crucial role along with the proposed Digital Act, 2023, for responsible innovation which attends to the interoperability issues while preserving the functioning and stability of the financial system.

In general parlance, financial inclusion means providing basic banking facilities to each and every individual irrespective of their caste, gender and geographic location to make them a part of the

1. https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1384

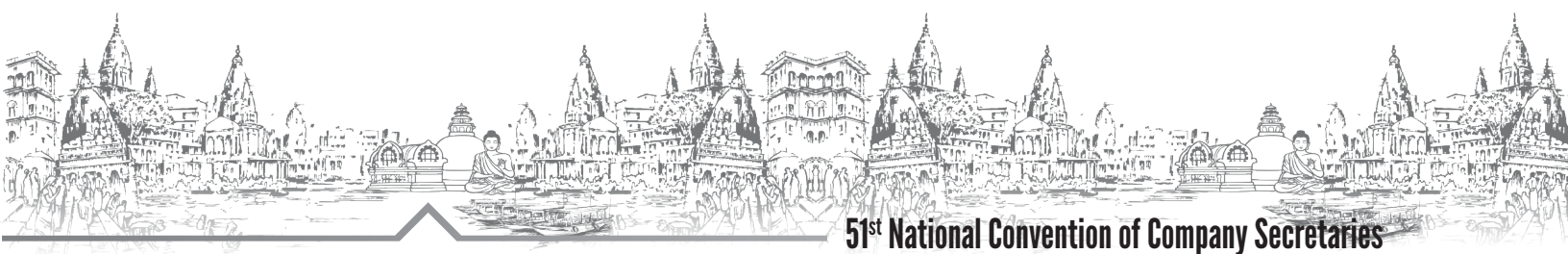
2. <https://www.bis.org/review/r230517f.pdf>

formal economy. It further, directly or indirectly, helps in bridging the gap while allowing individuals to access basic services including but not limited to savings, credit, insurance, investment, digital transaction, financial services, economic & women empowerment with the sole objective to promote growth, stability and last mile connectivity in the economy. Various research has pointed out that increase in the use of digital finance products has empowered people to take their financial and other decision(s) prudently but this comes with the exposure to cyber security related threats and other issues which are ingrained in the digital space. The concept of financial inclusion has evolved from door-step banking and banking correspondences to the use of the Information & Communication Technology (ICT). Besides, with the use of the ICT, the Reserve Bank of India (RBI) and National Payment Corporation of India (NPCI) have made groundbreaking impact in the field of digital payment through innovation, which consists of initiatives such as IMPS (Immediate Payment Service), NACH (National Automated Clearing House), APBS (Aadhar Payments Bridge System), NFS (National Financial Switch), UPI and NETC (National Electronic Toll Collection). Globally, payment through UPI is now accepted in countries such as France, UAE, Saudi Arabia, Bahrain, Singapore, Maldives, Bhutan and Oman. It is pertinent to note that transaction(s) using the UPI network have touched new heights in July 2023, both in terms of volume and value. The value of total UPI transactions stood at ₹15.34 lakh crores, increasing by 4% & 44% on monthly and yearly basis respectively. In terms of transaction, it stood at 996 crores showing an increase by 6.6% & 58% on monthly and yearly basis respectively. It is predicted that the UPI payments would dominate the retail digital payments landscape accounting for around 90% of the total transaction over the next five years.³

Among all the developments which further the cause of digital inclusion, UPI has been a game changer for India's digital payment ecosystem. It has helped to drive financial inclusion by bringing millions of unbanked individuals into the formal financial system. With over 10 billion transactions a month, the UPI has become the backbone of digital payments in India and has helped to catalyse a wave of innovation in the FinTech sector. Today, there are more than 70 mobile apps and more than 50 million merchants, who accept UPI payments. In the entire sphere, ice on the cake was the trio impact of JAM (i.e. Jan Dhan Aadhar Mobile) which contributed hugely towards inclusion, digitalisation of financial services and emergence of the FinTech ecosystem. Owing to which, the World Bank's Global Findex Database 2021 stated, 76% of adults worldwide had access to an account in a bank or a regulated financial institution as compared to 51% in 2011. In comparison, the percentage of adults in India who had access to bank accounts increased from 35% in 2011 to 78% in 2021. Another factor which played a major role in digitalisation of financial services is the spread of mobile connectivity in India which increased from about 70 million in 2014 to about 800 million in 2022. Moreover, during the same period, the number of digital transactions in India grew from about 1.2 billion in 2014 to 91 billion in 2022⁴. The World Bank document noted that India has achieved in just 6 years what would have taken about five decades through JAM trinity, propelling the financial inclusion rate from 25% in 2008 to over 80% of adults in the last 6 years, a journey shortened by up to 47 years. Since its launch, the number of PMJDY accounts opened tripled from 147.2 million in March, 2015 to 462 million by June, 2022. Women own 56 percent of these accounts, more than 260 million. The Jan Dhan Plus programme encourages low-income

3. <https://www.thehindubusinessline.com/money-and-banking/upi-transactions-grow-44-to-15-lakh-crore-in-july/article67149553.ece>

4. https://rbi.org.in/Scripts/BS_SpeechesView.aspx?id=1380



women to save, resulting in over 12 million women customers (as of April, 2023) and a 50% increase in average balances in just five months, as against the entire portfolio in the same time period. It is estimated that by engaging 100 million low-income women in savings activities, public sector banks in India can attract approximately Rs 25,000 crore (\$3.1 billion) in deposits⁵.

Another initiatives launched by the Government, which have helped in financial inclusion, include UMANG (Unified Mobile Application for New-age Governance) Digilocker, Aarogya Setu, etc. UMANG is all-in-one single, unified, secure, multi-channel, multi-platform, multi-lingual, multi-service mobile app, powered by a robust back-end platform providing access to high impact services of various organisation(s) (Central and State)⁶. Currently, UMANG has been developed as a single mobile platform to deliver major Government services with Core Platform integrated with DigiLocker, PayGov, Rapid Assessment System (RAS), etc. UMANG has about 1,643 services (799 Central and 814 State Govt. services) from 300 departments of Central Government and Government departments of 34 States/UTs along with 20,197 services of Bharat Bill Payment Services (BBPS) and many more are continuously being on-boarded. About 4.75 crore users are registered with UMANG and more than 320 crore transactions have taken place on UMANG. 393 services of DBT (Direct Benefit Transfer) have been made live on UMANG during this period. UMANG has partnered with CSC e-Governance Services India to facilitate delivery of UMANG services in an assisted mode. Digilocker is targeted at the idea of paperless governance, providing a platform for issuance and verification of documents & certificates in a digital way, thus eliminating the use of physical documents. To place reliance on emerging technologies, AI applications are being used for providing UMANG services such as AI-based predictive analytics of visitors to public places, adaptive assistive system for the moderate mentally disabled children, development of a machine learning based system to assist Medical Practitioners⁷.

The evolution of new technologies like cloud computing, big data analytics, artificial intelligence and machine learning have led to phenomenal growth of the FinTech industry. The digital-only banking also known as neo, virtual and challenger banks leverage these technologies with the ultimate aim of enhancing the reach of the formal banking sector. Recent trends indicate that regulators are concentrating on consolidating different enactments in the form of codes instead of separate and piecemeal laws to control the regulatory cholesterol and promoting digital technologies, thereby, nurturing competitiveness in the market. The sustainable growth of the FinTech sector is directly linked with the growth rate of financial education and financial literacy of the population in the country. A critical gap still prevails between literate population and financial literate population which need to be bridged down with the help of introducing financial literacy courses in the education curriculum. Alongside financial literacy, a robust mechanism should also be there to redress the grievances in a time-bound manner to instill people's confidence to create an equitable and inclusive environment. The convergence of the FinTech sector with the traditional banking system would be a path-breaker as it caters to the gamut of services which can be offered to the end customer. Recently concluded Global FinTech Fest under the overarching theme "Global Collaboration for a Responsible Financial Ecosystem - Inclusive | Resilient | Sustainable" has showcased novel ideas to expand financial inclusivity and propel

5. <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1955516>

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7. https://www.meity.gov.in/writereaddata/files/AR_2022-23_English_24-04-23.pdf



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India towards its full economic prowess. The products showcased by the NPCI includes UPI ATM - Interoperable UPI QR based cash withdrawal to provide ease with which cash can be withdrawn effortlessly, UPI 123 with which individual who do not possess smart phones can also access UPI facilities seamlessly for making payment and availing other services, OTG ring device which would be India's first contactless payment wearable ring among others⁸. It is pertinent to highlight that the global FinTech sector which currently generates \$245 billion annual revenue - a mere 2% share of global financial services revenue - is estimated to reach \$1.5 trillion annual revenue by 2030. The Indian FinTech industry is projected to generate around \$200 billion in revenue by the year 2030. This projection indicates that by 2030, India's FinTech sector could potentially contribute to approximately 13% of the global FinTech industry's total revenue⁹.

India, through its Indian Stack, has also become the first country to develop all three foundational DPIs: digital identity (Aadhaar), real-time fast payment (UPI) and a platform to safely share personal data without compromising privacy (Account Aggregator built on the Data Empowerment Protection Architecture or DEPA). Each DPI layer fills a clear need and generates considerable value across sectors¹⁰. The G20 New Delhi Leader's Declaration also reaffirmed the role that the Digital Public Infrastructure (DPI) would play in advancing financial inclusion under the cornerstone of inclusive growth and sustainable development¹¹. The impact of DPI goes beyond inclusive finance—it can support health, education and sustainability. Amid the COVID-19 pandemic, DPI enabled emergency support, directly delivered to the digital wallets of those in need as well as helped facilitate swift vaccine distribution. The India Stack exemplifies this approach, combining digital ID, interoperable payments, digital credentials ledger and account aggregation. As mentioned in the report "G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through DPI", the World Bank stated, that India has in just six years achieved a remarkable 80% financial inclusion rate—a feat that would have taken nearly five decades without a DPI approach¹². These initiatives along with further innovation would eventually help us to leap forward in effectively implementing the Industry 5.0 and would definitely give momentum in addressing the issue(s) raised nationally as well as at different international forums including achieving the goals enshrined under the United Nations Sustainable Development Goals. In order to allow digital inclusion as a catalyst for corporate innovation and social progress, it is imperative to ensure that all services are provided to individuals online except for services for which physical presence is mandatorily required. Currently, the Industry 5.0 is in the transition phase and eclipse of the Industry 4.0 associated with further development would fuel its growth. Such fuelling should be coupled with key drivers such as interoperability, scalability, skilling, reskilling, upskilling and other capacity building initiatives to transform E-Governance into Digital Governance.



8. <https://www.npci.org.in/PDF/npci/press-releases/2023/NPCI-Press-Release-NPCI-Reinforces-its-Commitment-to-Revolutionize-India's-Digital-and-Financial-Landscape-at-the-Global-Fintech-Fest-2023.pdf>

9. https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1382

10. <https://www.orfonline.org/research/digital-public-infrastructure-lessons-from-india/>

11. https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20-New-Delhi-Leaders-Declaration.pdf

12. https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_POLICY_RECOMMENDATIONS.pdf

MSME: Recovery Challenges from Government Agencies - A Critical Review

CS (Dr.) Gopal Chandra Mondal*
Dr. Navin Kumar Shrivastava**

Background

The concept of Micro, Small and Medium Enterprises (MSME) came in 2006 based on MSME Act, 2006 of the Parliament of India. In other words, the journey of MSME Act started approx. 23 years ago. An ancillary/small-scale industry is always a backbone and a key sector to any economy. The main challenges for small-scale/an ancillary industrial undertaking is its fund/working capital inadequacy. It was felt that inadequate working capital causes serious and endemic problems affecting the health of such undertaking. Therefore, it was felt that prompt payments of money by buyers should be statutorily ensured and mandatory provisions for payment of interest on outstanding should be made. It was felt to bring a comprehensive Central enactment to provide appropriate legal framework for the sector to facilitate its dynamic and vibrant growth and development. It was also to provide a legal framework for resolving the dispute regarding the recovery of dues between the parties under the Act, also providing an overriding effect to the said law over any other law. MSME Act recognises the idea of an 'enterprise' for both manufacturing and services. The enterprises may include (a) Sole proprietorships (b) Hindu Undivided Families (c) Societies (d) Association of person (e) Partnership Firm (f) Limited Liabilities Partnership (g) Companies, etc. However, the enterprises face the difficulties for recovering their dues from the Government clients/buyers due to the various factors, which would be discussed separately. As per the data available from the Ministry of Micro, Small and Medium Enterprises, around 159,927 applications (amount involved in application of Rs.38,107.84 Cr.) have been filed by MSMEs for delayed payment. (Source: Ministry of MSME)

MSME and Economy

Nearly 63 million MSMEs are playing a crucial role in boosting Indian economy in terms of providing employment opportunity, innovative and cost effective products and services, technologies etc. MSME creates a culture of growth with low investment, flexible working operations and contribute to the value chain by supplying goods and services to larger Industries. The contribution of MSMEs to Indian GDP have shown a declining trend during Covid-19 period (as per Table 1) but the profound impact of MSMEs on Indian economy cannot be denied. The creation of job opportunity to millions of people in India improves the quality of living, increasing more consumer spending, which indirectly helps the economic growth of the country. MSMEs contributed to enhancing the country's export earnings by way of export of goods and services to international market. The recent report by the Reserve Bank of India highlighted that the MSME sector is projected to exceed pre-COVID levels by 25 per cent in 2023-24, showcasing its significant contribution to the nation's economic recovery (Source: Financial Express on April 23, 2023).

*Head-Finance & Company Secretary, Infrastructure Development Corporation (Karnataka) Ltd. Bengaluru

**Associate Professor and HOD OB & HR, BIMTECH, Greater Noida

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As per the Government of India Public Procurement Policy (Source: The Gazette of India, March 23, 2012) every Central Ministry/Department/PSUs shall set an annual target for 25% procurement from MSME Sector, which would help MSMEs in their promotion and development in terms of marketing their goods and services. In the FY 2022-23, 158 CPSEs procured the goods and services of Rs,164,512.84 Cr.

(Source: Press Information Bureau (PIB), GOI).

Table No. 1: Comparison of GDP, Manufacturing Output & Share of Exports in India

Particulars	2019-20	2020-21	2021-22
GDP contribution	30.50%	27.20%	29.20%
Manufacturing Output	36.60%	36.90%	36.20%
Share of export	49.40%	45.00%	43.60%

Source: Press Information Bureau (PIB), GOI

Case Study

(Disclosure- due to confidential reasons, we use the artificial name of the suppliers and buyer as per the following case study)

Buyer: A State Government had established a dedicated instrumentality (**hereinafter called "Authority"**) to promote the private sector participation in the development of public infrastructure projects, to facilitate higher flow of funds into infrastructure sectors, to monitor the progress of the various projects implemented in the State, to select private parties after a competitive bidding process, to enter into contracts with the private parties under a Public Private Partnership (PPP) model and to ensure co-ordination among various Government agencies. This is a unique Authority of its type and is an over-arching body for infrastructure development through building capacity of human resources and encompassing both hard as well as the soft infrastructure sectors compatible with international standards. As part of its functions, this Authority invited competitive bids for obtaining consultancy services for the purpose of policy development.

Suppliers: M/s IDC Limited, a Public Limited Company, and M/s ECO India, a Private Limited Company, won the bid as a consortium and committed to collaborate to supply the services to the Authority. M/s IDC Ltd. is the lead partner and registered as per the MSME Act under the **small** category.

The Authority (hereinafter called "Buyer") through its tender had invited consulting firms for assisting the Government in the preparation of a public policy after carrying out extensive analysis of the movement of goods and cargo in the State (hereinafter called "Assignment"). The Consortium comprising M/s IDC Limited and M/s ECO India Private Ltd were selected by the Authority for undertaking the said Assignment (both together referred to as "Consortium"). A letter of Award (LOA) was issued and subsequently an agreement was entered into between the Consortium and the Authority.

As per the terms of the agreement, M/s IDC Limited (along with M/s ECO India Private Limited) was required to submit four milestone deliverables. M/s IDC Limited completed the services as envisaged under the agreement and submitted all the four deliverables. Invoices for all the deliverables were also raised. While the Authority released the payment for the first three deliverables in full, but against the fourth and final invoice, only 50% part payment was released. Details are given in Table 2.

Table 2: Deliverables and Payment Details

Sr. No.	Deliverables	Invoice Month	Invoice amount (INR including GST)	Status of payment	Pending amount (INR)
1.	Submission of Inception Report (IR)	October 2018	11,00,000	Paid	Nil
2.	1st State Level Workshop (SLW)	December 2018	22,00,000	Paid	Nil
3.	Submission of Draft Final Report (DFR)	February 2019	33,00,000	Paid	Nil
4.	Submission of Final Report (FR)	March 2019	44,00,000	Rs. 22,00,000 (partially paid)	Rs. 22,00,000
Total			110,00,000		22,00,000

While the consortium followed up the release of remaining due payment for the last milestone, without making the outstanding payment, the Authority terminated the agreement during October 2020.

In response to the giving context, an online application for recovery of the pending amount of Rs.22 Lacs under the agreement was filed by M/s IDC Limited before the MSME Facilitation Council (MSMEFC) during June 2021. Subsequently, a notice in this regard was issued to the Authority by the MSMEFC asking them to release the outstanding amount of Rs. 22 Lacs. The Authority through its letter objected to the application of M/s IDC Limited on the ground that the Company was registered as MSME after termination of the contract in question and therefore MSMEFC does not have the locus standi for conducting the proceedings in this case.

Later, MSMEFC issued first (1st) hearing notice to the Authority to conduct a conciliation process. However, the hearing was not held and was postponed to December 2022. Later on, the date of postponement was intimated to the Authority through an email by MSMEFC. During December 2022 hearing, only M/s IDC Limited was present, MSMEFC therefore directed that notice be again served on the Authority and gave them another opportunity to respond by January 2023. In the second (2nd) hearing too, no one appeared on behalf of the Authority. MSMEFC again decided to give one more opportunity to the Authority and notice was issued asking them to attend the next date hearing during February 2023. In the 3rd hearing held on February 2023, again no one appeared on behalf of the Authority. MSMEFC allowed the petition filed by M/s IDC Limited and

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directed the Authority to pay Rs.22 Lacs along with applicable interest within 15 days of receipt of the order. MSMEFC issued an order on March 2023.

Subsequently, the Authority wrote a letter to MSMEFC on May 2023 stating the following points:

- (a) The Authority conveyed in their letter on July 2021 that M/s IDC Limited was not registered under the MSME Act at the time of entering into contract and termination of the contract.
- (b) MSME has no locus standi to undertake conciliation process and issuing of award for the dispute.
- (c) Contract provides for conciliation and arbitration provisions as per the Arbitration Act and it was requested to terminate the conciliation process under MSME Act.
- (d) Concerned officials of the Authority retired in March 2021 and the email id was not accessible and they did not receive any single physical communication from MSMEFC regarding any hearing taking place and so not aware of such hearing.
- (e) The Authority requested MSMEFC to terminate the conciliation process, annul the award issued by the Council and consider it as avoid ab initio.

Based on the above case study, the Table 3 outlines the possible issues and the remedies available keeping in mind the interest of the small MSME suppliers of services:

Table 3: Issues Analysed and Remedies Available

Points	Issues Analysed	Available Remedies
1.	Whether M/s IDC Limited can take benefits under MSME Act even if it was not a registered MSME at the time of Contract execution with the Authority?	<p>The MSME Act was enacted in the year 2006, wherein the intention of the legislature was to extend benefits to the MSME's by providing facilitation for promotion and enhancement of the competitiveness of micro, small and medium enterprises.</p> <p>It is clear from various judgements passed by the Hon'ble Supreme Court and Hon'ble High Courts that MSMEs can claim benefits under the MSME Act, 2006 after obtaining registration, and any registration obtained applies retrospectively to the supply of goods and services and the MSME can avail the benefit if the dispute is raised after MSME registration irrespective of when the agreement was executed. The Judgements are as below:</p> <ul style="list-style-type: none"> • Gujarat State Civil Supplies Corporation Ltd. vs. Mahakali Foods Pvt. Ltd. 2022 SCC OnLine SC 1492 • GE T&D India Limited vs. Reliable Engineering Projects and Marketing 2017 SCC OnLine Del 6978

Points	Issues Analysed	Available Remedies
		<p>In the present case, M/s IDC Limited has obtained registration on April 2019 (i.e. after the date of execution of the agreement and before the termination of the agreement by the Authority) and rightfully availed the remedy under the MSME Act, 2006 by filing the application against the Authority as the dispute arose on October 2020. Therefore, M/s IDC Limited is eligible to avail the remedies envisaged under the MSME Act, 2006 and has rightly availed the remedy under the said Act.</p>
<p>2.</p>	<p>Legality of the order issued by MSMEFC.</p>	<p>M/s IDC Limited, being a Small enterprise, approached the MSMEFC, seeking recovery of amount of Rs. 22 Lacs under Section 18 of the MSME Act, 2006. The said Section is reproduced herein:</p> <p>Section 18. Reference to Micro and Small Enterprises Facilitation Council-</p> <ol style="list-style-type: none"> (1) Notwithstanding anything contained in any other law for the time being in force, any party to a dispute may, regarding any amount due under section 17, make a reference to the Micro and Small Enterprises Facilitation Council. (2) On receipt of a reference under sub-section (1), the Council shall either itself conduct conciliation in the matter or seek the assistance of any institution or centre providing alternate dispute resolution services by making a reference to such an institution or centre, for conducting conciliation and the provisions of sections 65 to 81 of the Arbitration and Conciliation Act, 1996 (26 of 1996) shall apply to such a dispute as if the conciliation was initiated under Part III of that Act. (3) Where the conciliation initiated under sub-section (2) is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer to it any institution or centre providing alternate dispute resolution services for such arbitration and the provisions of the Arbitration and Conciliation

Points	Issues Analysed	Available Remedies
		<p>Act, 1996 (26 of 1996) shall then apply to the dispute as if the arbitration was in pursuance of an arbitration agreement referred to in sub-section (1) of section 7 of that Act.</p> <p>(3) Where the conciliation initiated under sub-section (2) is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer to it any institution or centre providing alternate dispute resolution services for such arbitration and the provisions of the Arbitration and Conciliation Act, 1996 (26 of 1996) shall then apply to the dispute as if the arbitration was in pursuance of an arbitration agreement referred to in sub-section (1) of section 7 of that Act.</p> <p>(4) Notwithstanding anything contained in any other law for the time being in force, the Micro and Small Enterprises Facilitation Council or the centre providing alternate dispute resolution services shall have jurisdiction to act as an Arbitrator or Conciliator under this section in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.</p> <p>On a bare perusal of the Section 18 of the MSME Act, 2006, the reference of disputes to a Facilitation Council under the MSME Act is a statutory tier-wise dispute resolution mechanism. The dispute is firstly attempted to be resolved by the Facilitation Council through conciliation either by itself or by making a reference to an institution/centre for conducting Conciliation under the aegis of the Arbitration & Conciliation Act, 1996 ("the A&C Act"). If the disputes remain unsettled through Conciliation, then the Facilitation Council either takes up the dispute itself or refers it to an institution or centre for resolution of disputes by way of arbitration under the A&C Act, which ought to be completed within the statutory period of ninety days from making such reference.</p>

Points	Issues Analysed	Available Remedies
		<p>In the case of Jharkhand Urja Vikas Nigam Ltd. V/s State of Rajasthan and Ors. 2021 SCC OnLine SC 125 Hon'ble Supreme Court has held that if Conciliation fails then the matter is required to be referred to Arbitration as per Section 18(3) of the MSME Act, 2006.</p> <p>In the present case, the procedure laid down under Section 18 of the MSME Act was not followed by the Facilitation Council, as the matter was required to be referred to Arbitration by the Facilitation Council as per Section 18(3) rather than passing the award by themselves. But the same has not been challenged by the Authority till date and as per the provisions, the same can be challenged within 90 days and the time period can be further extended up-to 30 days, all the timelines for filing the application challenging the award have lapsed.</p>
<p>3.</p>	<p>If the order of MSMEFC is not procedurally correct under MSME Act, where do M/s IDC Limited stand for recovery under the said order if it files an execution petition?</p>	<p>M/s IDC Limited can proceed with filing of an execution petition to enforce the award rendered by MSME Facilitation Council. The execution process for the arbitral award will be governed by Section 36 of the Arbitration and Conciliation Act, 1996. Enforcement of a domestic arbitral award is akin to a court decree.</p> <p>It is important to note that the execution process can be initiated once the limitation period for filing an Objection Petition under Section 34 has expired. Thus, M/s IDC Limited can file an execution petition in accordance with the provisions of Section 36 of the Arbitration and Conciliation Act, 1996 to enforce the order award by MSMEFC.</p>
<p>4.</p>	<p>Where should the execution petition be filled by M/s IDC Limited?</p>	<p>The appropriate jurisdiction for filing the execution petition is determined as per the Code of Civil Procedure, 1908, wherein as per the co-joint reading of Section 38 and 39 of the Code, the execution of a decree or order can be sought by the court that passed the decree or in the court in whose jurisdiction the award is passed, or in a subordinate court as well. The same can also be sought in the court where such person resides and carries on business as well as where its properties are situated.</p>

Points	Issues Analysed	Available Remedies
		Further, the Hon'ble Supreme Court in Sundaram Finance Ltd. vs. Abdul Samad (2018) 3 SCC 622 clarified the position of law on this point by holding that the enforcement of an award through its execution can be filed anywhere in the country where such a decree can be executed and there is no requirement for obtaining a transfer of decree from the court, which would have jurisdiction over the arbitral award.
5.	What are the actions that needs to be taken up by M/s IDC Limited before filing the execution petition and in connection with the MSMEFC order for recovery of the pending dues along with interest?	M/s IDC Limited should identify the properties as well as bank accounts of the Authority as the same will facilitate in the execution if such details are specifically mentioned in the execution application.
6.	Options available to the Authority against the order (whether file an appeal/stay of order etc.), periods and relevant provisions under the applicable laws and the jurisdiction.	<p>The Authority has option of filing an application under Section 34 of the Arbitration and Conciliation Act, 1996 read with Section 19 of the MSME Act within a period of 90 days as well as further 30 days from the date of order/award of the MSMEFC. Alternatively, the Authority may file a writ petition before the Hon'ble High Court. It is important to note that no appeal can be proceeded in a court unless 75% of the awarded amount is deposited by the Authority.</p> <p>Regarding the filing of the writ petition, please note that the High Court cannot exercise its writ jurisdiction against an award passed by the Facilitation Council under Section 18 of the MSME Act, 2006 and the same has also been held in the case of "Jabalpur Treasure Island Pvt. Ltd. & Ors. V/s State of Madhya Pradesh and Ors. 2022 (1) MPLJ 347" by the Hon'ble High Court at Madhya Pradesh.</p>
7.	Immediate actions required to be taken by M/s IDC Limited in the present matter.	As the period of challenging the award by the Authority has lapsed, therefore M/s IDC Limited can now file an execution application after identifying the properties as well as bank accounts of the Authority.

It is to be noted that M/s IDC Limited (supplier) is in a process of filing the execution petition against the Authority. The important point is that from last 4 years, the matter is still pending for recovery. This is not only affecting the working capital of M/s IDC Limited but additionally, they incurred monetary costs for litigations.

Collection issues with Government clients/buyers

The health of the MSMEs would depend upon the efficiency of the collection from the clients/customers. The collection from the Government clients/buyers is always a time consuming and a challenging process. The MSME Act protects the micro and small enterprises against the delayed payment from the buyers in addition to a compound interest 3 times of the rate notified by RBI. Such Act is not an automatic process. The delay to collect from the Government's clients is typically due to following reasons:

- (a) **Change of projects Cost:** Any changes in project cost or any other deviations after the agreement (LOA) with Government's clients may be one of the reasons of delay in collection. In most of the cases, the seller and buyers do not capture the same through an amendment/supplementary contract such that all the claims from the client are well protected.
- (b) **Budget allocation:** The delay in process of allocation of budget in various department or shortage of funds may be another reason of delay payment to the supplier.
- (c) **Administrative approval:** The delay in departmental approval process for the project deliverables or milestones or raising queries may be a reason for delay in payment to the supplier.
- (d) **Invoice scheduling to Clients:** Lack of submitting the advance-invoicing plan to clients may be one of the reasons of delay in payment to the supplier.
- (e) **Relationship with Clients:** The efficiency of collection of payment from the clients would depend upon the client's management or cordial relationship with them.
- (f) **Lack of Government PPP Cell Clearance:** The State establishes the PPP cell as a nodal agency for clearance of PPP projects. The MSME enterprises achieve milestone and raise invoice in time wherein the process of taking PPP cell clearance is still awaited. This may lead to delay in payment.
- (g) **Less payment due to various reasons:** Sometimes, Government clients may hold certain percentage of payment due to various non-compliances by the suppliers of services.
- (h) **Change of Government/Bureaucrats:** The change of Government due to election process or transfer/posting of Bureaucrats may cause the delay in payment to the suppliers.

Conclusion

The MSME Act, 2006 has been enacted for ensuring timely and smooth payment to the suppliers who are the micro and small enterprises. This Act provides for settlement of their delayed payment from the buyers with interest. The process of settlement of the payment is a time and cost consuming process. In most of the cases, enterprises are not moving to avail the option of MSME Act or Arbitration and Conciliation Act, 1996 because of their other ongoing projects with the same clients or for maintaining good relationship with them. However, the facility of filing application for settlement of delayed payment is not available to Medium enterprises. This is the biggest limitation of the MSME Act. Before moving to MSME Facilitation Council, the suppliers shall clear all the operational and collection issues with the Government clients. Micro, Small and



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Medium Enterprises Development (MSME) Act, 2006 does not specifically state whether the law of limitation is applied to the claims filed under this Act. The Hon'ble Supreme Court held that the Limitation Act, 1963 is applicable in the Arbitration under the MSME Act, 2006 as per the recent Judgment of M/s Silpi Industries vs. Kerala State Road Transport Corporation & Anr (CIVIL APPEAL NOS.1570-1578 OF 2021). This also demands for an MSME regulatory framework for smooth business transactions in the age of STARTUPS.



Disclaimer: The views expressed in this article is solely that of the authors and does not necessarily reflect the views of the author's employer/ company.

Startups and MSMEs: Engines for Growth

CS Madhur Purushottam Gandhi*

Introduction

In recent years, the Indian economy has experienced a significant transformation, driven by the dynamic forces of startups and Micro, Small and Medium Enterprises (MSMEs). These entities are at the core of this transformation. These entities have emerged as the vanguards of innovation, employment generation and economic growth, seamlessly aligning with the theme of "India@G20: Empowering Sustainable Future through Governance and Technology." This article endeavours to explore the multifaceted role of startups and MSMEs in shaping India's economic trajectory, while delving into examples, case studies, challenges and recommendations that underscore their pivotal contributions.

1. The Foundation of the New Economy: Startups and MSMEs

Igniting Economic Growth: The Catalyst of Startups and MSMEs

Startups and MSMEs serve as the engine of economic growth, igniting innovation, productivity and employment opportunities. Their agility and ability to swiftly adapt to market demands make them indispensable drivers of economic expansion.

Economic Multipliers:

- Contribution to GDP Growth
- Employment Generation
- Encouragement of Entrepreneurship

Case Study: Flipkart¹ - The journey of Flipkart, India's leading e-commerce platform, exemplifies how a startup's disruptive innovation can create new markets, generate revenue and boost the economy.

Technological Innovation: Pioneering the Future

In an era defined by rapid technological advancement, startups and MSMEs stand at the forefront of innovation. Their propensity to experiment and challenge conventional norms has led to ground-breaking advancements across sectors.

Technological Advancements:

- Disruptive Technologies
- Digital Transformation
- Research and Development

*Proprietor, Madhur Gandhi & Associates, Hyderabad

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Example: Ola Cabs² revolutionized the transportation industry by introducing app-based ride-hailing services, fundamentally altering how people commute and paving the way for similar innovations globally.

Nurturing Entrepreneurship: Fostering a Culture of Innovation

The startup and MSME ecosystem fosters entrepreneurship, nurturing a culture that values risk-taking, creativity and ingenuity. This cultural shift is vital for sustainable economic growth.

Entrepreneurial Culture:

- Encouraging Experimentation
- Promoting Problem-Solving
- Cultivating Resilience

Case Study: Zomato³, a food delivery and restaurant discovery platform, began as a startup in India and embodies the spirit of entrepreneurship by challenging traditional food industry dynamics.

Inclusivity and Job Creation: Empowering the Workforce

Startups and MSMEs play a pivotal role in job creation, offering diverse employment opportunities, particularly for the younger workforce and those in underserved regions.

Job Generation and Inclusivity:

- Youth Employment
- Rural and Semi-Urban Engagement
- Skill Development

Example: Paytm⁴ Paytm's evolution from a mobile recharge platform to a comprehensive digital payment ecosystem has not only transformed financial transactions but also provided jobs for individuals across various sectors.

Resilience and Adaptability: Navigating Uncertain Waters

The agility of startups and MSMEs enables them to swiftly respond to market fluctuations, demonstrating their capacity to weather economic uncertainties and evolve in challenging environments.

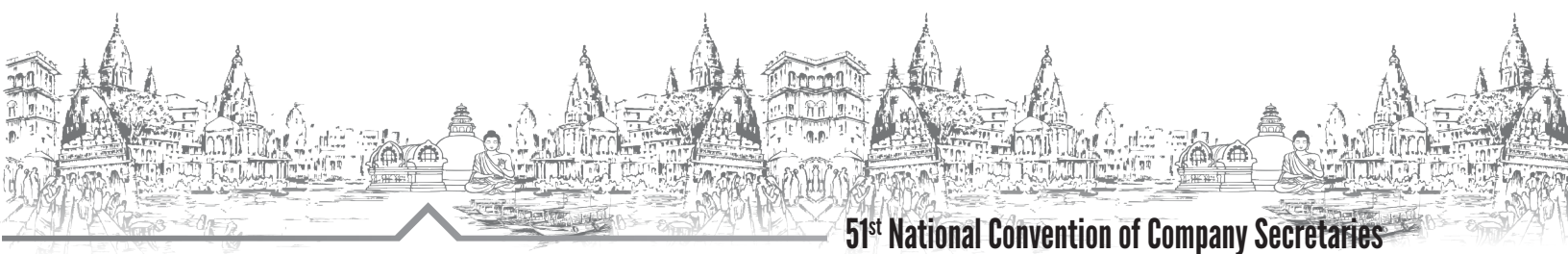
Business Resilience:

- Agility in Adapting to Change
- Rapid Decision-Making
- Flexibility in Business Models

Case Study: Swiggy⁵, a food delivery platform, showcased remarkable resilience during the pandemic by diversifying its offerings and expanding its delivery services beyond restaurants.

Navigating Regulatory Challenges: The Role of Governance

Effective governance is crucial for startups and MSMEs to navigate regulatory hurdles, access funding and establish credibility. Company Secretaries play a pivotal role in ensuring compliance and ethical practices.



Role of Company Secretaries:

- Regulatory Compliance
- Corporate Governance
- Ethical Decision-Making

Example: Legal Raasta, an online platform, assists startups and MSMEs with legal and compliance requirements, streamlining their governance processes.

Bridging the Gap: Access to Finance and Technology

Access to finance and technology is often a bottleneck for startups and MSMEs. Innovative approaches, such as fintech and digital platforms, are bridging these gaps and enabling growth.

Financial Inclusion and Technology:

- Fintech Solutions
- Crowd funding and Peer-to-Peer Lending
- Digital Platforms for Market Access

Case Study: KredX⁶, a digital invoice discounting platform, empowers MSMEs by providing them with access to working capital through innovative financing solutions.

Collaboration and Ecosystem Building: Fuelling Growth

Startups and MSMEs thrive within ecosystems that foster collaboration, knowledge-sharing and access to mentorship. Building robust ecosystems, accelerates their growth trajectory.

Ecosystem Development:

- Incubators and Accelerators
- Networking and Mentorship
- Research and Development Partnerships

Example: T-Hub⁷, India's largest startup incubator, fosters collaboration between startups, industry leaders and academic institutions, driving innovation and growth.

2. Fuelling Economic Growth through Innovation

Innovation serves as the driving force behind the remarkable growth trajectory of startups and Micro, Small and Medium Enterprises (MSMEs). These entities possess a unique capacity for innovation, which enables them to not only disrupt established norms but also contribute significantly to economic expansion, industry transformation and enhanced consumer engagement.

The Innovation Paradigm

- Startups and MSMEs are characterized by their inherent culture of innovation, where creativity and originality are prized assets.
- Innovation encompasses ideation, product development, process optimization and the creation of novel solutions that meet unmet needs of consumers.



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Creating New Markets

- Startups and MSMEs often introduce innovative products or services that redefine existing markets or create entirely new ones.
- These entities identify gaps in the market and devise solutions that resonate with consumers, thereby capturing untapped demand.

Transformation of Traditional Industries

- Through innovative approaches, startups and MSMEs disrupt and transform traditional industries that were previously resistant to change.
- The introduction of technology-driven solutions revolutionizes sectors like healthcare, finance and manufacturing.

Enhancing Consumer Experiences

- Innovation is centred around enhancing the customer experience, driving startups and MSMEs to develop user-centric solutions.
- User-friendly interfaces, personalized services and convenience-driven offerings enrich consumer engagement.

Technology and Digitization

- Technology is a catalyst for innovation, enabling startups and MSMEs to leverage digital platforms for product development and market reach.
- Mobile apps, online platforms and e-commerce solutions have reshaped the way businesses interact with consumers.

Continuous Improvement and Evolution

- Startups and MSMEs embrace a culture of continuous improvement, perpetually seeking ways to enhance their offerings.
- Feedback loops, data analytics and agile methodologies drive iterative refinement.

Case Study: Swiggy

- Swiggy, an innovative food delivery platform, redefined the food industry by leveraging technology to connect consumers with restaurants.
- Their app-based approach, real-time tracking and diverse culinary options transformed the food delivery experience.

Economic Multipliers

- Innovation catalyses economic growth by generating new revenue streams, creating jobs and attracting investment.
- Startups and MSMEs that innovate contribute significantly to GDP and employment figures.

Nurturing Talent and Creativity

- Startups and MSMEs cultivate a workforce that thrives on creativity and critical thinking, fostering an environment conducive to innovation.
- Employees are encouraged to experiment, take calculated risks and challenge conventional thinking.

Collaboration and Open Innovation

- Innovation is often accelerated through collaboration with other startups, established corporations and research institutions.
- Open innovation models enable cross-fertilization of ideas and shared resources.

3. The Role of Governance in Nurturing Startups and MSMEs

Effective governance serves as the bedrock upon which the success and sustainability of startups and Micro, Small and Medium Enterprises (MSMEs) are built. While innovation drives these entities forward, a supportive regulatory framework, simplified compliance procedures and investor-friendly policies are essential to foster an environment where startups and MSMEs can flourish.

Government Initiatives: Atmanirbhar Bharat Abhiyan

- The Atmanirbhar Bharat Abhiyan (Self-Reliant India Campaign) exemplifies India's commitment to nurturing startups and MSMEs.
- This comprehensive initiative encompasses a range of measures aimed at incentivizing local manufacturing and enhancing the ease of doing business.
- It prioritizes access to credit, technology adoption and market expansion, empowering startups and MSMEs to thrive in a fiercely competitive global marketplace.

Conducive Regulatory Framework

- A conducive regulatory framework plays a pivotal role in providing startups and MSMEs with a stable and supportive environment.
- Simplified registration processes, licensing norms and compliance procedures reduce bureaucratic hurdles and encourage entrepreneurship.

Ease of Doing Business

- Streamlining administrative procedures and reducing bureaucratic red tape contribute to the ease of doing business for startups and MSMEs.
- Quick and hassle-free registration, licensing and approvals enable entrepreneurs to focus on innovation and growth.

Investor-Friendly Policies

- Investor-friendly policies attract domestic and foreign investments, infusing startups and MSMEs with essential capital for expansion.
- Tax incentives, venture capital support and relaxed foreign investment regulations enhance the funding landscape.



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Access to Finance

- Access to finance is critical for the growth of startups and MSMEs. Government-backed schemes and initiatives aim to provide easier access to credit.
- Credit guarantee schemes, angel investor networks and venture capital funds enable startups to secure the funding, they need to scale.

Incubators and Accelerators

- Incubators and accelerators supported by the government, provide startups with mentorship, resources and networking opportunities.
- These platforms play a crucial role in nurturing startups from ideation to market entry, ensuring their sustainable growth.

Intellectual Property Protection

- Intellectual property (IP) protection is essential to safeguard the innovative ideas and products of startups and MSMEs.
- Stringent IP laws and streamlined patent registration processes ensure that their intellectual capital is secure.

Digital Infrastructure

- A robust digital infrastructure, including high-speed internet connectivity and online platforms, enables startups and MSMEs to operate efficiently.
- Digital platforms facilitate market access, customer engagement and streamlined supply chains.

Skill Development and Training

- Skill development initiatives bridge the talent gap, ensuring that startups and MSMEs have access to a skilled workforce.
- Training programs and workshops equip entrepreneurs with the skills needed to run successful businesses.

Collaboration with Institutions

- Collaboration between startups and academic institutions fosters research and innovation, driving technological advancement.
- Government-backed partnerships facilitate knowledge transfer and the commercialization of research outcomes.

Environmental Sustainability

- The government's emphasis on environmental sustainability encourages startups and MSMEs to adopt eco-friendly practices.
- Incentives for green technologies and sustainable practices align business goals with environmental consciousness.

Case Study: Startup India Initiative

- The Startup India Initiative is a flagship government program aimed at fostering innovation and entrepreneurship.
- It provides startups with benefits such as tax exemptions, patent fee reductions and funding support to encourage their growth.

4. Technology as the Enabler of Scale and Reach

In the digital age, technology stands as a transformative force that has catapulted startups and Micro, Small and Medium Enterprises (MSMEs) to unprecedented levels of growth. The advent of the internet and the widespread adoption of smartphones have obliterated traditional barriers to market entry, empowering even the smallest enterprises to reach the global audience.

E-commerce Revolution

- The rise of e-commerce platforms like Flipkart and Amazon has heralded a revolutionary shift in India's retail landscape.
- These platforms have provided MSMEs with an accessible avenue to showcase their products to an expansive and diverse consumer base.
- This democratization of markets has revitalized local artisans and craftsmen, granting them exposure that was once inconceivable.

Global Market Access

- Technology bridges geographical gaps, enabling startups and MSMEs to tap into international markets.
- Online marketplaces, social media and digital marketing campaigns allow businesses to reach consumers across borders.

Breaking Physical Barriers

- Brick-and-mortar constraints are transcended as technology allows businesses to operate entirely online.
- Virtual storefronts, digital catalogues and online payment gateways streamline transactions and eliminate the need for a physical presence.

Social Media Amplification

- Social media platforms serve as powerful tools for startups and MSMEs to engage with audiences.
- Innovative campaigns, influencer partnerships and viral content enable businesses to expand their reach and visibility.

E-commerce Ecosystems

- The e-commerce ecosystem encompasses logistics, payment gateways and customer service.



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- Startups and MSMEs leverage these ecosystems to provide seamless shopping experiences to consumers.

Fintech and Digital Payments

- Fintech solutions revolutionize the financial landscape, enabling digital payments, mobile banking and peer-to-peer lending.
- These technologies facilitate secure and convenient transactions, especially for businesses operating in the digital realm.

Data-Driven Insights

- Technology provides access to vast amount of data, enabling startups and MSMEs to make informed decisions.
- Data analytics, market research and consumer behaviour insights inform strategic planning and product development.

Cloud Computing and Scalability

- Cloud computing empowers businesses to scale operations without hefty infrastructure investments.
- Startups can access flexible computing power and storage, adapting to demand fluctuations.

Mobile Applications

- The proliferation of smartphones and mobile apps have transformed consumer behaviour.
- Businesses develop mobile apps for direct customer engagement, enhancing user experiences.

Example: AgriTech Innovations

- AgriTech startups⁸ leverage technology to provide farmers with real-time data, weather forecasts and market information.
- These innovations enable farmers to make informed decisions, improving agricultural productivity.

Case Study: UrbanClap (now Urban Company)

- UrbanClap, a home services platform, utilizes technology to connect consumers with service providers.
- Their platform offers a streamlined booking process, real-time updates and customer reviews.

5. Challenges on the Road Ahead

While the potential of startups and Micro, Small and Medium Enterprises (MSMEs) is undeniable, their journey to success is often paved with challenges. These hurdles, if left unaddressed, can impede their growth trajectory and hinder their contribution to economic development and innovation.

Access to Finance

- **Challenge:** Access to finance remains a persistent obstacle for startups and MSMEs.
- **Impact:** Traditional lending mechanisms often fall short in meeting the unique financial needs of these entities.
- **Solution:** Exploring innovative financing avenues such as angel investing, venture capital and peer-to-peer lending can bridge the funding gap.
- **Example:** Angel investors provide early-stage funding and mentorship, bolstering start-ups' financial health.

Regulatory Burden

- **Challenge:** The burden of compliance can be overwhelming for startups and MSMEs.
- **Impact:** Cumbersome regulatory procedures can deter potential entrepreneurs from entering the ecosystem.
- **Solution:** Simplifying compliance processes and providing accessible regulatory guidance are pivotal steps toward alleviating this challenge.
- **Example:** Regulatory technology (RegTech) solutions automate compliance tasks, reducing administrative burdens.

Talent Acquisition and Retention

- **Challenge:** Attracting and retaining skilled talent is a significant challenge for startups and MSMEs.
- **Impact:** Competition from established corporations and resource constraints can make talent acquisition difficult.
- **Solution:** Offering competitive compensation, a vibrant work culture and opportunities for skill development can help address this challenge.
- **Example:** Remote work and flexible hours can appeal to young professionals seeking work-life balance.

Market Competition

- **Challenge:** Startups and MSMEs often find themselves competing with larger, established players.
- **Impact:** Resource disparities can limit the ability to penetrate markets and acquire customers.
- **Solution:** Leveraging niche markets, identifying unique value propositions and focusing on customer experience can help overcome this challenge.
- **Example:** Specialty coffee shops differentiate themselves from chain brands through artisanal offerings and personalized service.

Technology Adoption

- **Challenge:** Rapid technological changes require startups and MSMEs to continually adapt.



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- **Impact:** Limited resources can hinder the adoption of cutting-edge technologies, affecting competitiveness.
- **Solution:** Collaborating with technology partners, leveraging open-source solutions and investing in training can facilitate technology adoption.
- **Example:** Cloud-based software solutions enhance operational efficiency without high upfront costs.

Scaling Challenges

- **Challenge:** Scaling operations while maintaining quality and consistency is a complex endeavour.
- **Impact:** Rapid expansion can strain resources, leading to operational inefficiencies.
- **Solution:** Implementing scalable processes, strategic partnerships and gradual expansion plans can ease scaling challenges.
- **Example:** Airbnb expanded globally by partnering with local hosts, minimizing the need for large infrastructure investments.

Market Uncertainties

- **Challenge:** External factors such as economic fluctuations and geopolitical events introduce uncertainty.
- **Impact:** Unpredictable market conditions can disrupt growth plans and investor confidence.
- **Solution:** Diversifying revenue streams, conducting thorough market research and maintaining financial reserves can mitigate market uncertainties.
- **Example:** Diversification into complementary product lines can help businesses navigate market volatility.

Intellectual Property Protection

- **Challenge:** Protecting intellectual property is crucial, but legal processes can be intricate and time-consuming.
- **Impact:** Lack of protection can lead to infringement and loss of competitive advantage.
- **Solution:** Consulting legal experts, obtaining patents, trademarks and copyrights and using non-disclosure agreements can safeguard intellectual property.
- **Example:** Patents safeguard innovative products, preventing competitors from replicating them.

Evolving Customer Preferences

- **Challenge:** Understanding and adapting to evolving customer preferences is a continuous challenge.
- **Impact:** Failure to anticipate changing preferences can lead to declining demand.
- **Solution:** Regularly engaging with customers through feedback, data analysis and trend monitoring can help align offerings with preferences.

- **Example:** Streaming services pivot content based on viewer feedback and viewing patterns.

Environmental Sustainability

- **Challenge:** Incorporating sustainable practices can be challenging, especially for resource-constrained startups and MSMEs.
- **Impact:** Ignoring sustainability can lead to reputational damage and hinder market access.
- **Solution:** Gradual adoption of eco-friendly practices, partnerships with green suppliers and communicating sustainability efforts to customers can promote environmental responsibility.
- **Example:** Sustainable packaging choices reduce environmental impact and resonate with environmentally conscious consumers.

The journey of startups and MSMEs is not without challenges, yet their potential for innovation, economic growth and transformative impact is unparalleled. By addressing these hurdles through innovative strategies, collaborative partnerships, proactive policy measures, governments, investors and ecosystem enablers can pave the way for startups and MSMEs to flourish and contribute significantly to sustainable development and economic prosperity.

6. Case Study: Udaan⁹ - Transforming B2B Commerce

Udaan, a homegrown B2B e-commerce platform, stands as a testament to the transformative potential of technology. By interlinking manufacturers, wholesalers and retailers on a single platform, Udaan has streamlined supply chains, reduced intermediaries and injected efficiency into a traditionally complex ecosystem. This case exemplifies how technology can be harnessed to reshape business models and unlock unprecedented value.

7. Future Outlook and Recommendations

The intersection of startups, MSMEs, governance and technology augurs a promising future for India's economic landscape. To harness this potential effectively, a few recommendations warrant consideration:

- **Skill Development:** Equipping the workforce with digital skills and emerging technologies will be instrumental in ensuring their readiness for the future.
- **Incubation Ecosystem:** Strengthening and expanding incubation centers and accelerators can provide nascent startups with mentorship, resources and a nurturing environment.
- **SME Clusters:** Developing regional clusters of interconnected SMEs can foster collaboration, knowledge-sharing and resource optimization.

Conclusion

As India strides forward with a commitment to sustainable governance and technological advancement, startups and MSMEs will continue to serve as the engines that drive inclusive growth. Their role in catalysing innovation, generating employment and advancing the nation's



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developmental goals is unparalleled. By fostering an enabling ecosystem and implementing supportive policies, India can harness the full potential of startups and MSMEs, propelling the nation toward a more prosperous and sustainable future. The confluence of innovation, governance and technology will undoubtedly be the cornerstone of India's journey into the G20's envisioned sustainable future.

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Catalysts of Growth: How Startups and MSMEs Drive India's Economic Transformation

CS Nagesh Kumar*

Introduction

In the dynamic landscape of the Indian economy, two forces have emerged as pivotal drivers of growth and innovation; Startups and Micro, Small and Medium Enterprises (MSMEs). These entities, though diverse in their nature and scale, share a common thread; their remarkable ability to fuel economic progress and usher in transformative changes. As India strides forward on its path of development, Startups and MSMEs stand as the dynamic engines that power this journey.

A. Definition and Significance of Startups and MSMEs

Before delving into their role, it is essential to define the protagonists of this narrative. Start-ups are enterprises that are founded to offer innovative products, services or solutions, often leveraging cutting-edge technologies or disruptive business models. They thrive on agility, risk-taking and pushing boundaries to create new markets or redefine existing ones. On the other hand, MSMEs encompass a wide range of businesses categorized based on their size and investment. These entities are the backbone of the Indian economy, constituting a significant portion of its industrial fabric.

- As of 2023, there are over 90,000 startups in India.
- MSMEs account for over 50% of India's GDP and employ over 80 million people.
- The Indian government has launched a number of initiatives to support startups and MSMEs, such as the Startup India initiative and the Pradhan Mantri Mudra Yojana.
- The future of India's economy is bright, and startups and MSMEs will play a key role in its success.

B. Overview of their Role as Engines for Growth in the Indian Economy

At the heart of the Indian economic landscape, Startups and MSMEs play multifaceted roles that collectively contribute to the nation's advancement. Their capacity to swiftly adapt to changing trends, harness new technologies and embrace innovative ideas make them engines for growth that are particularly attuned to the fast-evolving global marketplace.

The Rise of Startups in India

India's startup ecosystem has grown rapidly in recent years, with the number of startups increasing from around 500 in 2014 to over 90,000 in 2023. This growth has been driven by number of factors, including:

** Proprietor, Nagesh Kumar & Associates, Jalandhar*

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- *A young and tech-savvy population:* India has a population of over 1.4 billion people, with a median age of 28 years. This large and young population is increasingly using technology, which has created a large market for startups that offer innovative products and services.
- *A favourable government policy environment:* The Indian government has introduced number of policies to support startups, such as the Startup India initiative and the *Atmanirbhar Bharat Abhiyan*. These policies have made it easier for startups to set up and operate in India, and have provided them with access to funding and other resources.
- *A growing investment ecosystem:* There is a growing pool of investors in India who are interested in backing startups. This includes venture capitalists, angel investors and even corporate entities. The availability of capital has helped startups to raise the funding they need to grow and scale their businesses.

The growth of startups in India has had number of positive impacts, including:

- *Job creation:* Startups have created millions of jobs in India, especially in high-skilled sectors such as technology and IT.
- *Economic growth:* Startups have contributed to India's economic growth by generating revenue, paying taxes and creating jobs.
- *Innovation:* Startups have brought new ideas and innovations to the market, which has helped to drive economic growth and improve the lives of Indians.

A. Factors Contributing to the Growth of Startups in India

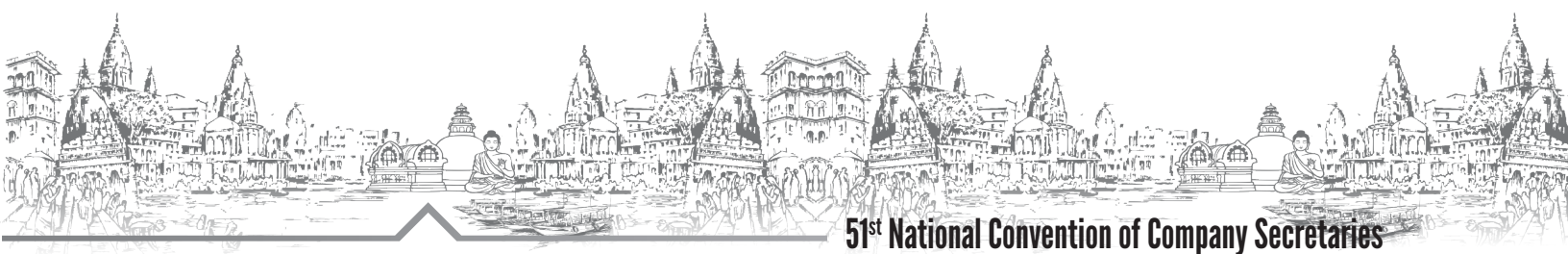
Several factors have converged to catalyse the growth of startups in India. A youthful demographic dividend has not only increased the workforce but also provided a pool of dynamic and innovative minds eager to embark on entrepreneurial journeys. The proliferation of digital connectivity, facilitated by smartphones and the internet, has democratized access to information and markets, allowing startups to reach audiences far beyond geographical boundaries. This digital revolution has significantly lowered the barriers to entry, enabling startups to transform concepts into reality with remarkable speed.

Investor interest has also played a pivotal role. Venture capitalists, angel investors and even corporate entities have recognized the potential of Indian startups, infusing funds that nurture ideas into impactful businesses. This influx of capital has provided startups with the runway they need to develop, iterate and scale their innovations.

B. Indian Startup Ecosystem and Its Scale and Impact

The Indian startup ecosystem is not just a cluster of entrepreneurial ventures; it is a dynamic ecosystem that fosters collaboration, mentorship and knowledge sharing. Incubators, accelerators and co-working spaces provide the necessary infrastructure and support for startups to flourish. This nurturing environment is a critical component of the ecosystem's success.

The impact of this ecosystem extends far beyond the boardrooms of these startups. It has contributed significantly to job creation, especially in high-skill sectors, attracting and retaining talent that was once lured by traditional industries. Additionally, startups have disrupted and



redefined industries, from fintech to e-commerce and health-tech to aggrotech, challenging established norms and pushing the boundaries of innovation.

C. Data on Startup Funding and Investments in India

The financial infusion into India's startups is a testament to their potential and viability. Data from recent years reveals a consistent uptrend in investments, with record-breaking funding rounds making headlines. Global investors recognize India as a promising market and are keen to be part of its growth story. The increase in early-stage funding showcases the growing confidence in the ecosystem's ability to yield substantial returns.

D. Government Initiatives and Support for Startups

The Indian government's recognition of the importance of startups has manifested in various initiatives. The '*Startup India*' campaign, launched in 2016, aimed to provide startups with a conducive environment to grow and thrive. It introduced policies that facilitate ease of doing business, relaxed regulations and tax benefits for startups. These initiatives have created an enabling environment, encouraging more individuals to embark on entrepreneurial journeys and enhancing the overall startup ecosystem.

In the backdrop of these initiatives and a burgeoning startup landscape, the trajectory of startups in India has been nothing short of inspiring. The next sections of this article will delve into another key player in India's economic story - the Micro, Small and Medium Enterprises (MSMEs), unravelling their significant role in job creation, GDP contribution and exports.

The Vital Role of MSMEs in the Indian Economy

Micro, Small and Medium Enterprises (MSMEs) form the bedrock of the Indian economic landscape, acting as engines of growth, employment generation and socio-economic transformation. This section delves into the multifaceted contribution of MSMEs, shedding light on their classification, employment generation, GDP contribution, and their role as catalysts for inclusive development.

A. Introduction to MSMEs and their Classification

MSMEs encompass a diverse range of enterprises, varying in size, scale and sectors. These businesses are classified based on their investment in plant and machinery, along with their annual turnover. Micro enterprises have the smallest investment and turnover, followed by small and medium enterprises. This classification captures the essence of the varied entrepreneurial endeavours that thrive across the nation.

B. Employment Generation and its Significance for India

One of the most significant contributions of MSMEs lies in their role as employment generators. These enterprises are the backbone of job creation in India, especially in semi-urban and rural areas where large industries might not have a substantial presence. MSMEs offer employment opportunities to a diverse workforce, contributing to poverty reduction, women's empowerment and rural development. Their ability to provide livelihoods and income avenues to a large section of the population enhances social stability and inclusivity.

C. Contribution of MSMEs to GDP and Exports

The MSME sector's contribution to India's Gross Domestic Product (GDP) is a testament to its economic significance. These enterprises collectively contribute a substantial portion to the nation's GDP, showcasing their resilience and adaptability. Additionally, MSMEs play a crucial role in driving exports, often being the driving force behind "Made in India" products that find their way into international markets.

D. Data on the number of MSMEs and Employment Figures

Data underscores the magnitude of MSMEs' impact on the Indian economy. With millions of registered and unregistered MSMEs across sectors ranging from textiles to food processing and handicrafts to technology, their cumulative power is immense. These enterprises collectively provide employment to a significant chunk of the workforce, contributing to the livelihoods of millions of families.

- The number of MSMEs in India is expected to reach 100 million by 2025.
- MSMEs are expected to contribute over \$3 trillion to India's GDP by 2025.
- MSMEs are expected to create over 20 million new jobs by 2025.
- The government of India has launched number of initiatives to support MSMEs, such as the Pradhan Mantri Mudra Yojana and the Stand-Up India scheme.
- MSMEs are increasingly adopting digital technologies to improve their operations and reach new markets.
- MSMEs are playing a major role in India's export growth.

Complementary Roles of Startups and MSMEs

In the intricate tapestry of India's economic landscape, startups and Micro, Small and Medium Enterprises (MSMEs) are not isolated entities but rather interconnected threads that weave together a story of innovation, collaboration and mutual growth. This section delves into the remarkable synergies that exist between these two dynamic forces, highlighting their shared attributes and the success stories that exemplify their collaborative prowess.

A. Exploring the Common Ground and Synergy between Startups and MSMEs

While startups and MSMEs might appear distinct, they share several common attributes that fuel their synergy. Agility, adaptability, and the ability to respond swiftly to market dynamics are characteristics ingrained in both. Startups thrive on innovation and novel ideas, while MSMEs have the advantage of experience, industry insights and established networks.

This synergy becomes particularly pronounced when startups, with their fresh perspectives and disruptive solutions, collaborate with MSMEs that possess domain expertise, established supply chains and market credibility. Startups benefit from the mentorship and guidance offered by experienced MSMEs, while MSMEs gain access to cutting-edge technologies and innovative business models.

B. Examples of Successful Collaborations and Partnerships

Numerous examples showcase the mutually beneficial relationships between startups and MSMEs. A startup specializing in renewable energy might collaborate with an MSME in the manufacturing sector to develop sustainable energy solutions for industrial processes. Similarly, a tech startup might partner with an MSME in the logistics sector to streamline supply chain management using data analytics.

These collaborations not only accelerate innovation but also result in the expansion of market reach. Startups can leverage the existing customer base and distribution networks of MSMEs, while MSMEs gain access to new markets and customer segments through the technological innovations introduced by startups.

The Impact of Startups and MSMEs on Innovation

Innovation is the lifeblood of economic progress, and it finds its champions in the symbiotic partnership between startups and Micro, Small and Medium Enterprises (MSMEs). This section delves into the pivotal role startups play as drivers of innovation and how MSMEs, as adopters of novel solutions, contribute to fostering a culture of competitiveness and growth in the Indian market.

A. The Role of Startups as Drivers of Innovation

Startups are at the forefront of disruption, pushing boundaries and challenging established norms. Fuelled by an unrelenting spirit of innovation, they bring fresh perspectives to age-old problems and introduce revolutionary solutions. The startup ethos encourages risk-taking, experimentation and a relentless pursuit of finding better ways to address complex challenges.

The innovation-driven approach of startups extends beyond their immediate products or services. They often pioneer new business models, introducing concepts that redefine industries. Moreover, startups act as catalysts that inspire larger enterprises, including MSMEs, to adapt and evolve in response to changing market dynamics.

B. MSMEs as Adopters and Implementers of Innovative Solutions

While startups may lead the charge in innovation, MSMEs play a crucial role in the adoption and implementation of these innovations. Their ability to swiftly integrate new technologies, processes and solutions into their existing operations showcases their adaptability and forward-thinking nature.

MSMEs are often better positioned to bridge the gap between new innovations and traditional industries. They understand the nuances of their sectors and have the infrastructure in place to effectively implement innovative solutions. Their collaboration with startups creates a win-win situation, where startups gain access to real-world implementation platforms and MSMEs benefit from cutting-edge advancements.

C. How Innovation drives Competitiveness and Growth in the Indian Market?

The marriage of startup innovation and MSME implementation fosters competitiveness in the Indian market. By adopting innovative practices and technologies, MSMEs enhance their efficiency,



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product quality and customer satisfaction. This, in turn, position them as formidable competitors in both domestic and international markets.

As a collective force, startups and MSMEs infuse the Indian market with vibrancy and dynamism. Their innovation-driven growth contributes to a diversified economy that is less susceptible to external shocks. Additionally, their collaborative efforts create a multiplier effect, inspiring other businesses to embrace innovation and thereby raising the overall competitiveness of the market.

Challenges faced by Startups and MSMEs

While startups and Micro, Small and Medium Enterprises (MSMEs) contribute significantly to India's economic growth, their journey is not without obstacles. This section dives into the challenges that startups and MSMEs encounter on their path to success, spanning from financial constraints to regulatory hurdles, talent acquisition to skill retention.

A. Access to Finance and Funding Constraints

One of the most formidable challenges startups face is access to adequate funding. While the landscape of venture capital and angel investments has evolved; securing funding, especially in the early stages, remains a hurdle. Limited financial resources can hinder the development of innovative ideas and scalability.

MSMEs, too, often struggle with obtaining funding, particularly when compared to their larger counterparts. Limited access to formal credit and high-interest rates can impede their growth potential. Exploring innovative financing mechanisms and easing the credit process can alleviate this challenge.

B. Regulatory Hurdles and Ease of Doing Business

Startups and MSMEs grapple with navigating complex regulatory landscape. Lengthy and convoluted procedures for licenses, permits, and approvals can stall growth and consume valuable resources. Streamlining regulatory processes, reducing red tape and improving the ease of doing business can foster an environment conducive to growth.

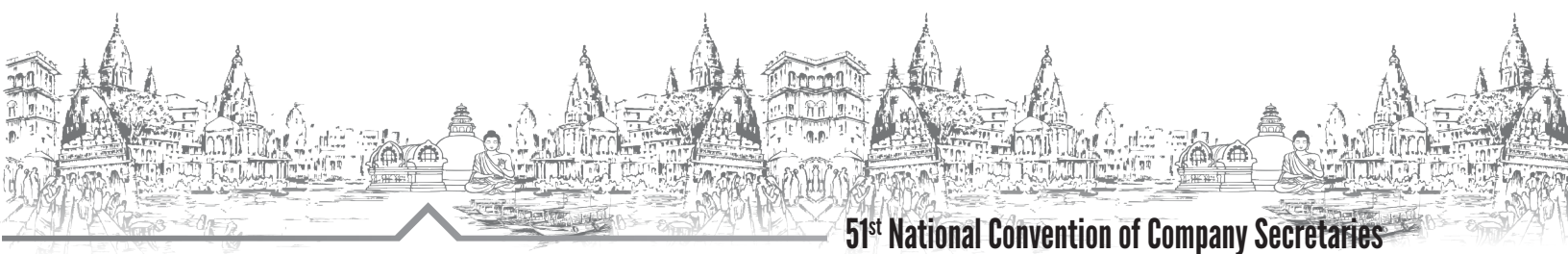
C. Skill Acquisition and Talent Retention Challenges

The shortage of skilled talent poses a significant obstacle to startups and MSMEs alike. Attracting individuals with the necessary expertise and competencies can be challenging, particularly in specialized fields. Additionally, retaining talent can be difficult when larger corporations offer more attractive compensation packages.

The brain drain to larger corporations and even overseas opportunities impacts MSMEs disproportionately. Creating initiatives that offer skill development, mentorship, and career growth within smaller enterprises can mitigate this challenge.

D. Data on Common Challenges Faced by Startups and MSMEs in India

Surveys and data indicate the prevalence of these challenges in the Indian context. Startups often cite funding as a primary challenge, with regulatory complexities and talent acquisition



closely following. Similarly, MSMEs express concerns about access to credit, regulatory bottlenecks and the need for skilled labour.

While these challenges might appear daunting, they also present opportunities for innovation, collaboration and policy intervention. The Indian government's initiatives aimed at supporting startups and MSMEs play a crucial role in mitigating these obstacles, fostering an environment that nurtures their growth potential.

Government Initiatives and Policies to Support Startups and MSMEs

Recognizing the pivotal role played by startups and Micro, Small and Medium Enterprises (MSMEs) in driving economic growth, the Indian government has rolled out a series of initiatives and policies aimed at creating an enabling environment for these entities. This section delves into the cornerstone initiatives such as 'Startup India' and explores other key policies that provide crucial support to startups and MSMEs.

A. Overview of Startup India and Atmanirbhar Bharat Campaigns

The 'Startup India' campaign, launched in 2016, marked a significant turning point for India's entrepreneurial landscape. This initiative aimed to streamline regulatory processes, reduce compliance burden and offer financial incentives to startups. It introduced measures such as tax exemptions and faster patent approvals, promoting innovation and ease of doing business.

The 'Atmanirbhar Bharat' (Self-Reliant India) campaign further bolstered the ecosystem by emphasizing indigenous production and innovation. This campaign's focus on local manufacturing and entrepreneurship aligns with the goals of startups and MSMEs, encouraging self-sufficiency and reducing dependency on imports.

B. Other Key Government Schemes and Policies Promoting Startups and MSMEs

Apart from the flagship initiatives, various schemes and policies provide critical support to startups and MSMEs. The 'Make in India' campaign aims to boost manufacturing, encouraging MSMEs to be integral to the nation's growth story. The 'Digital India' initiative enhances connectivity and digitization, offering startups a platform to innovate and scale.

The 'Pradhan Mantri Mudra Yojana' facilitates access to credit for MSMEs through collateral-free loans. Additionally, the 'Stand-Up India' scheme encourages entrepreneurship among women and marginalized communities, fostering diversity and inclusion within the startup and MSME sectors.

C. Data on the Impact of these Initiatives on the Growth of Startups and MSMEs

Data reflects the positive impact of these initiatives. Since the launch of 'Startup India,' thousands of startups have been recognized and availed benefits such as tax exemptions, faster patent processing and access to funding networks. Similarly, MSMEs have benefited from initiatives like 'Make in India' through increased production and export capabilities.

These policies have not only provided financial incentives but also changed the perception of entrepreneurship, making it an attractive career choice for India's youth. By fostering an ecosystem that encourages innovation, reduces barriers and enhances market access, these initiatives have contributed to the remarkable growth of startups and MSMEs.

Recommendations for Nurturing and Empowering Startups and MSMEs

The journey of startups and Micro, Small and Medium Enterprises (MSMEs) is paved with opportunities as well as challenges. To unleash their full potential and bolster their pivotal role in India's economic growth, a combination of strategic measures and targeted support is essential. This section outlines recommendations that address key challenges and foster an environment conducive to nurturing and empowering startups and MSMEs.

A. Addressing the Challenges Faced by Startups and MSMEs

Access to Finance: Encourage the development of alternative financing mechanisms such as crowdfunding, venture debt and angel networks. Establish dedicated funds to provide early-stage funding to startups and MSMEs.

Regulatory Simplification: Continuously review and streamline regulatory processes, reducing bureaucratic hurdles that impede growth. Establish a centralized platform for licenses and permits to simplify compliance.

Skill Development: Collaborate with educational institutions and industry bodies to develop skill enhancement programs tailored to the needs of startups and MSMEs. Encourage internships and apprenticeships to bridge the skills gap.

Infrastructure Support: Develop and promote co-working spaces, incubators and accelerators in tier-2 and tier-3 cities to ensure widespread access to resources and mentorship.

B. Encouraging Innovation and R&D through Policy Measures

R&D Tax Incentives: Introduce tax benefits and incentives for startups and MSMEs engaged in research and development, encouraging investments in innovation.

Collaborative Initiatives: Facilitate partnerships between startups, MSMEs, and large corporations to promote knowledge sharing, technology transfer and collaborative research projects.

Intellectual Property Protection: Strengthen the enforcement of intellectual property rights and expedite patent approvals to safeguard innovative ideas and technologies.

C. Strengthening the Support System for Entrepreneurship and Skill Development

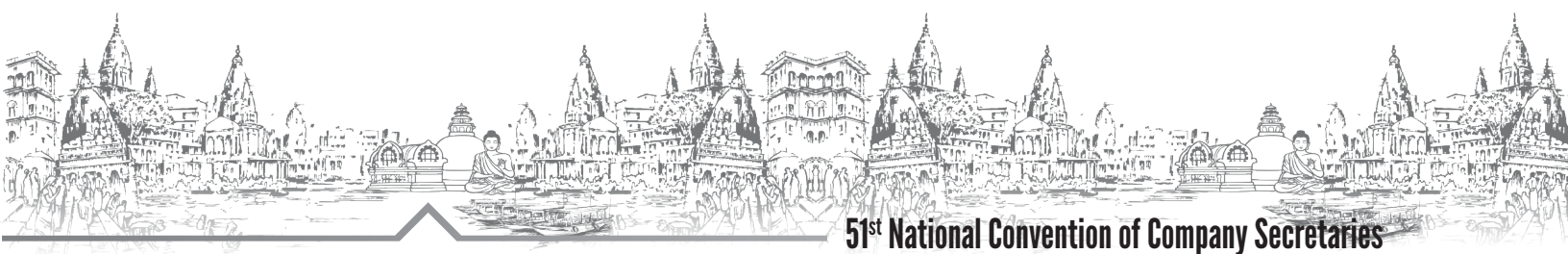
Incubation Centers: Establish more incubation centers across the country that provide startups and MSMEs with mentorship, funding and networking opportunities.

Startup and MSME Hubs: Create dedicated hubs in different regions that offer a comprehensive ecosystem, including access to funding, mentorship and markets.

Mentorship Programs: Develop structured mentorship programs that connect experienced industry professionals with startups and MSMEs, guiding them through challenges and growth phases.

D. Data on the Potential Economic Impact of Implementing these Recommendations

The potential economic impact of these recommendations is promising. Enhanced access to finance, streamlined regulations, and a strong support system can significantly boost the survival rate and growth trajectory of startups and MSMEs. A more innovative and competitive landscape would contribute to increased GDP, job creation and exports.



As we conclude this exploration, it is evident that the synergy between startups and MSMEs holds the key to driving sustainable and inclusive economic growth. By nurturing and empowering these entities through well-crafted policies and strategic measures, India can harness their potential to the fullest, ushering in an era of innovation, competitiveness and prosperity for all.

Conclusion

In the intricate mosaic of the Indian economy, startups and Micro, Small and Medium Enterprises (MSMEs) stand as beacons of innovation, dynamism and economic resilience. Their journey, marked by challenges and triumphs, has illuminated a path towards sustainable growth and inclusive development. As we conclude this exploration, it's crucial to recapitulate the pivotal role played by startups and MSMEs as engines for growth in the Indian economy.

A. Recapitulation of the Role of Startups and MSMEs as Engines for Growth

The journey of startups, from inception to innovation, reflects the embodiment of disruptive change. Their audacious pursuit of fresh ideas and willingness to challenge the *status quo* has propelled India onto the global innovation map. These enterprises have pioneered new solutions, redefined business models, and inspired traditional industries to adapt, all while injecting vitality into the nation's entrepreneurial spirit.

MSMEs, in their unwavering commitment to employment generation and contribution to GDP, form the backbone of the Indian economy. These enterprises have played a substantial role in fostering socio-economic development, reaching far into the corners of the nation to create livelihoods and opportunities. Their resilience and adaptability have ensured that they remain integral to the growth narrative, bridging gaps and filling niches that larger industries might overlook.

B. Emphasizing the Importance of Nurturing and Empowering for Sustainable and Inclusive Growth

The symbiotic relationship between startups and MSMEs is not just a narrative of collaboration; it is a strategy for prosperity. Startups, with their innovation-driven ethos, align seamlessly with the experience-rich landscape of MSMEs. The union of fresh ideas and established networks catalyzes not only individual growth but also collective progress.

The journey of startups and MSMEs is not without challenges. From funding constraints to regulatory bottlenecks, each obstacle presents an opportunity for innovation and reform. The government's initiatives and policies have played a crucial role in nurturing these entities, but continuous support is essential to harness their full potential.

C. Final Thoughts on the Future Prospects of Startups and MSMEs in India

As India marches forward, startups and MSMEs will continue to shape its economic landscape. Their fusion will define a resilient ecosystem that thrives on innovation, collaboration and adaptability. By fostering an environment that encourages risk-taking, reduces hurdles and facilitates access to resources, India can secure its position as a global economic powerhouse.

The journey of startups and MSMEs is a testament to the nation's capacity for innovation and growth. As we turn the page on this exploration, we recognize the importance of collective efforts - government support, industry collaboration and individual determination; in fostering an



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environment where startups and MSMEs can flourish, enriching the lives of millions while driving the nation's progress towards unprecedented horizons.

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Startups and MSMEs – Engines for Growth

CS Ritu Goyal*

Introduction

The G20 India Inception Meeting officially began and set the stage for further discussions on critical global issues, such as harmonization of startup related definitions and terminologies, setting up institutional mechanisms for the startup ecosystems across G20 nations to form desired alliances, promoting investment of patient capital in startups working in the area of global interest, creating a policy framework to harmonize investment mechanism across the G20 member nations, increasing support for women-led startups and organizations, promoting startups working on making communities more inclusive and working on achieving Sustainable Development Goals in areas of global interest.



Micro, Small and Medium Enterprises

The Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country.

A number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME.

*Senior Partner, Naks & Associates, (Advocates & Solicitors), New Delhi

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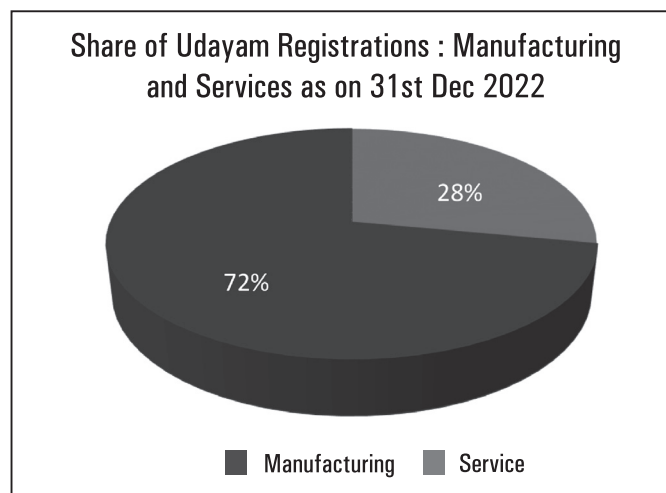
These include the Khadi and Village Industries Commission (KVIC), the Coir Board, National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialisation (MGIRI).

On May 9, 2007, the erstwhile Ministry of Small-Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). The Ministry designs policies, promotes/ facilitates programmes/ projects/ schemes and monitors their implementation, with a view to assisting MSMEs and helping them to scale up.

NEW DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES

Class	Cap Investment in Plant and Machinery or Equipment	Cap in Turnover w.e.f 1/7/2020
Micro Enterprise	1 Crore	5 Crores
Small Enterprise	10 Crores	50 Crores
Medium Enterprise	50 Crores	250 Crores

Criteria: Investment in Plant & Machinery/equipment and Annual Turnover



Source: MSME Annual Report 2022-23

Startup

Startup India is about creating prosperity in India. Many enterprising people who dream of starting their own business, lack the resources to do so. As a result, their ideas, talent and capabilities remain untapped – and the country loses out on wealth creation, economic growth and employment. Startup India will help in boosting entrepreneurship and economic development – by ensuring that people who have the potential to innovate and start their own business are encouraged – with proactive support and incentives at multiple levels. Indian government is serious in promoting entrepreneurship at the startup level and has taken a number of initiatives to ensure appropriate support.

The government has increased the Foreign Direct Investment (FDI) limits for most of the sectors and strengthened Intellectual Property Rights (IPRs) protection to instil confidence in the startups. In order to make the country as number one destination for startups, Government of India (GoI) has introduced a new campaign called 'Standup India' in 2015 aimed at promoting entrepreneurship among women and to help startups with bank funding.

ROLES AND RESPONSIBILITIES OF COMPANY SECRETARY IN MSMEs AND STARTUPS

In MSMEs and Startups, the role of a Company Secretary may vary depending on the size and nature of the business. However, some common roles and responsibilities of a Company Secretary include:

- **Secretarial Documentation and Legal:** Secretarial Documentation under Companies Act, 2013, i.e., Disclosures of Directors Interest, Filing of Annual Return, holding Board Meetings and General Meetings, Appointment of Auditor etc., drafting, reviewing and maintaining legal documents, contracts, agreements and other relevant records.
- **Assistance:** Udyog Aadhaar memorandum (Udyam) Registration of MSME and Startup Recognition on Department for Promotion of Industry and Internal Trade (DPIIT) Portal.
- **Financial Assistance:** Assistance in negotiations for financial assistance with banks and financial institutions including preparation of Loan documents and devising efficient financial planning.
- **Compliance under various Laws and Regulations:** Ensuring the Company's compliance with various laws, regulations, and statutory requirements applicable to the business, such as Micro, Small and Medium Enterprises Development Act, 2006, Tax Laws, Labour Laws, and Industry-specific Regulations.
- **Disclosure and Corporate Communication:** Managing communication with stakeholders, including shareholders, regulatory authorities, and other relevant parties to ensure timely and accurate disclosure of information as required by law.
- **Compliance Reporting:** As per Section 405 of the Companies Act, 2013, read with order S.O. 368(E) dated January 22, 2019, all companies who get supplies of goods or services from micro and small enterprises and whose payments to micro and small enterprise suppliers exceed forty-five days from the date of acceptance should file Form MSME-1, along with the reason for its delay. Preparing and filing various statutory returns, reports, and forms with regulatory authorities, such as annual financial statements, annual returns and other compliance related documents.
- **Liaison with Various Professionals:** Collaborating with external professionals, such as Auditors, Lawyers and Regulatory Bodies, to ensure timely completion of audits, compliance reviews and other regulatory requirements.

GROWTH FOR MSME AND STARTUPS

The Government's Action Plan will help in accelerating the growth of startups throughout India, across all important sectors – in Tier 1, 2 and 3 cities, including semi-urban and rural areas and includes promoting entrepreneurship among SCs/STs and women communities.

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The Startup India Action Plan was unveiled by Prime Minister Narendra Modi on January 16, 2016, to highlight several initiatives and schemes proposed by the Government of India to build a strong eco-system to nurture innovation and empower Startups across India.

INDIA RISES IN GLOBAL INNOVATION INDEX 2022

In the past 8 years, India's rank in the Global Innovation Index has improved from the 81st rank in 2015 to the present 40th rank in 2022.



Source: DPIIT Annual Report 2022-23

The MSME sector is like the backbone of India's economy, providing strength during global economic challenges. With about 63.4 million units across the country, MSMEs contribute significantly to both manufacturing and service GDP, making up around 36.2% of India's manufacturing output. The goal is to boost their contribution to over 50% of India's GDP.

As on April 1, 2023 under Udyam Registration a total number of 65,23,067 enterprises were classified, consisting of 36,75,597 enterprises registered under Manufacturing category and 94,18,101 enterprises registered under Service sector.

Source: MSME Annual Report 2022-23

REGISTRATION STEPS FOR STARTUPS

- A. **Incorporation of Business Entity:** Before getting registered as Start-up, one must need to incorporate his business either as a Private Limited Company or a Partnership firm or a Limited Liability Partnership. Incorporation of Private Limited Company or a Limited Liability Partnership (LLP) can be made by filing the incorporation application with the Registrar of Companies (ROC) for the state where the registered office of the new entity is proposed to be established. In order to get a partnership firm registered, the application has to be filed for registration with the Registrar of Firms of the area in which the firm is proposed to be registered.
- B. **Register with Start-up India:** Once the entity is incorporated, the business can be registered as startup. The registration process is completely online and simple for the users. One

needs to visit the <https://www.startupindia.gov.in> ('Startup India website') and click on the 'Register' button. After that one needs to enter his/her name, email id, mobile number, password and after that click on "Register" button. OTP will be sent to the email and other details like, the type of user, name and stage of the startup, etc. should be mentioned. After entering these details, the Startup India profile will be created. Once the profile is created on the website, startups can apply for various acceleration, incubator/ mentorship programmes.

- C. **Get recognition from DPIIT:** The next step after creating the profile on the Startup India Website is to avail the Recognition from the Department for Promotion of Industry and Internal Trade (DPIIT). For getting Recognition from DPIIT, log on to the registered profile (account) credentials on the Startup India website and click on the 'DPIIT Recognition for Startups' button under the 'Schemes and Policies' tab. Click on the 'Get Recognized' button on the next page. A new page will open. Scroll down this page and click on the 'Click here for submitting your application for recognition as a Startup' button.
- D. **Application for Recognition:** On the 'Startup Recognition Form', the details have to be filled such as the entity details, full address (office), authorized representative details, directors/partner details, information required, startup activities and self-certification. Click on the plus sign on the right-hand side of the form and enter each section of the form. After entering all the sections of the 'Startup Recognition Form', accept the terms and conditions and click on the 'Submit' button.
- E. **Documentation required for Registration:** Following documents should be kept ready for getting the registration completed on the Startup India Portal:
- Incorporation/Registration Certificate of your startup.
 - PAN Number/Proof of funding, if any
 - Authorization letter of the authorized representative of the company, LLP or partnership firm.
 - Proof of concept like pitch deck/website link/video/Patent and trademark details, if any
 - List of awards or certificates of recognition, if any.
- F. **Getting the Recognition Number:** Once the application is made, a recognition number will be generated for the startup. The certificate of recognition will be issued after the examination of all the documents which is usually done within 2 days after submitting the details online.

RECOGNITION AS STARTUPS

The process of recognition of an eligible entity as startup shall be as under:

- A. A Startup shall make an online application over the mobile app or portal set up by the DPIIT.
- B. The application shall be accompanied by –
- a. a copy of Certificate of Incorporation or Registration, as the case may be, and



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- b. a write-up about the nature of business highlighting how it is working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.
- C. The DPIIT may, after calling for such documents or information and making such enquires, as it may deem fit–
 - a. Recognise the eligible entity as Startup; or
 - b. Reject the application by providing reasons.

BENEFITS TO START-UPS

1. **Easy access to Funds** – A 10,000 crore rupees fund is set-up by government to provide funds to the startups as venture capital. The government is also giving guarantee to the lenders to encourage banks and other financial institutions for providing venture capital.
2. **Tax holiday for 3 Years** - Startups will be exempted from income tax for 3 years provided they get a certification from Inter Ministerial Board (IMB).
3. **Apply for tenders** - Startups can apply for government tenders. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.
4. **Tax saving for investors** - People investing their capital gains in the venture funds setup by government will get exemption from capital gains. This will help startups to attract more investors.
5. **No time-consuming compliances** - Various compliances have been simplified for startups to save time and money. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and 3 environment laws.

BENEFITS TO START-UPS UNDER THE COMPANIES ACT, 2013

Section 2 (40): The financial statement may not include the cash flow statement.

Section 54- Issue of sweat equity shares: A start- up company may issue sweat equity shares not exceeding 50% of its paid-up capital upto ten years from the date of its incorporation or registration.

Section 92- Annual Return: The annual return shall be signed by the Company Secretary, or where there is no Company Secretary, by the director of the company.

Sections 173 – Meetings of Board: The Startup shall be deemed to have complied with the provisions of section 173, if at least one meeting of the Board of Directors has been conducted in each half of a calendar year and the gap between the two meeting is not less than ninety days.

CASE ANALYSIS

Triveni Healthcare Private Limited v. Government of NCT of Delhi and Another

Case Note: The Delhi High Court has held that startup company cannot, as a matter of right, claim relaxations under the Startup policy rolled out by the Central Government.

The court's ruling emphasized that although the Delhi Government promotes startups through its NCT of Delhi 2019 Policy, certain fields, especially healthcare, cannot compromise on past experience and qualifications. This case revolved around the procurement of medical supplies for the Cardiology Department of Rajiv Gandhi Super Specialty Hospitals, which had sadly witnessed an unusually high number of patient deaths in a short period.

Within a year, 218 patients had lost their lives. Due to the critical nature of human life, the court deemed it necessary not to relax criteria for startups and MSMEs, emphasizing the importance of sourcing quality products from experienced professionals.

The court clarified that the Startup Policy didn't apply to the petitioner since they were essentially a supplier/trader. The policy aimed to recognize startups involved in innovative product development, process improvement, scalable business models, or those with high potential for employment and wealth creation. In contrast, the petitioner's business lacked any innovative aspects; they were merely involved in the supply of goods.

The court held that the Petitioner in the present case is merely a trader who has to supply goods and no innovation of any kind is involved.

REGISTRATION STEPS FOR MSME

- A.** The form for registration shall be as provided in the Udyam Registration portal.
- B.** There will be no fee for filing Udyam Registration.
- C.** Aadhaar number shall be required for Udyam Registration.
- D.** The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a Karta in the case of a Hindu Undivided Family (HUF).
- E.** In case of a Company or a Limited Liability Partnership or a Co-operative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.
- F.** In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.
- G.** No enterprise shall file more than one Udyam Registration provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.
- H.** Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable to such penalty as specified under section 27 of the MSMED Act, 2006.

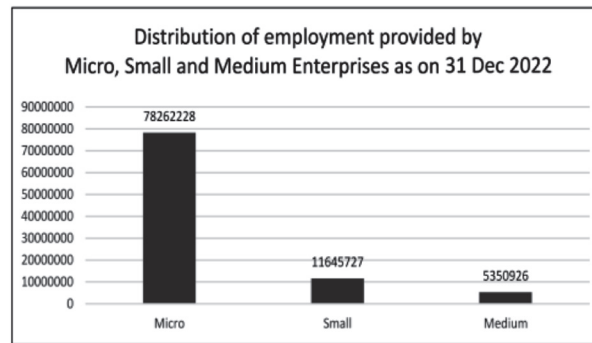
MEASURES FOR PROMOTION AND DEVELOPMENT OF MSME

The Central Government may, from time to time, for the purposes of facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, particularly of the micro and small enterprises, by way of development of skill in the employees, management and entrepreneurs, provisioning for technological upgradation, marketing

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assistance or infrastructure facilities and cluster development of such enterprises with a view to strengthen backward and forward linkages, specify, by notification, such programmes, guidelines or instructions, as it may deem fit.

EMPLOYMENT PROVIDED BY MICRO, SMALL AND MEDIUM ENTERPRISES



Source: MSME Annual Report 2022-23

MSME SCHEMES

MSMEs are amongst the strongest drivers of economic development, innovation and employment. Constant efforts are being made towards upliftment of MSMEs under “Self-Reliant India” through various schemes of MSMEs. Following are the major MSME schemes implemented by the Government of India:

A. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)

The main objective of this scheme is to encourage the first-generation entrepreneurs to venture into self-employment opportunities by facilitating credit guarantee support for collateral free / third-party guarantee free loans to the Micro and Small Enterprises (MSEs), especially in the absence of collateral. The scheme is applicable to all the existing entrepreneurs and aspiring entrepreneurs.

B. 2nd Loan for Up-Gradation of The Existing PMEGP/Mudra Units

The scheme caters to the need of the entrepreneurs for bringing new technology/ automation so as to modernize the existing unit. With an objective to assist existing units for expansion and upgradation, the scheme provides financial assistance to successful/ well performing units. The scheme is applicable to all the existing well performing PMEGP/ MUDRA units.

C. MSME Sambandh

MSME Sambandh Portal is launched as the Public Procurement Portal, whose main objective is to monitor the implementation of the Public Procurement from MSEs by Central Public Sector Enterprises. The Public Procurement Policy for Micro and Small Enterprises (MSME) Order 2012 has mandated every Central Ministry/ Department/PSU to set an annual goal for procurement from the MSE sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 25% of the total annual purchases

from the products or services produced or rendered by MSEs. Out of 25% target of annual procurement, 4% is exclusively reserved for MSEs owned by SC/ST and 3% for MSEs owned by Women entrepreneurs.

OPPORTUNITY AREAS FOR MSMEs IN INDIA

By enhancing the investment limits and including of turnover in the new definition of micro, small and medium enterprises, foray of more business organisations in the following areas may be observed in near future:

MSME PRODUCTION AND SALES IN VILLAGE INDUSTRIES

Village Industries : Production & Sales

YEAR	Rs. in Crore)	
	PRODUCTION	SALES
2017 - 18	46454.75	56672.22
2018 - 19	56167.04	71076.96
2019 - 20	65343.07	84664.28
2020 - 21	70330.66	92213.65
2021 - 22	81731.62	110363.51
2022 - 23 (up to 31.12.2022)	67746.19	92987.67
2022 - 23 (Projected up to 31.03.2023)	94162.13	125901.65

Source: MSME Annual Report 2022-23

Telecommunications:

- Manufacture of base transceiver station equipment;
- Mobile customer data analytics – services oriented toward analytical solutions; and
- Development of value-added services.

Electronics:

- Nano-electronics and microelectronics;
- Strategic electronics, as the government is keen on encouraging the domestic manufacturing of products needed by the security forces.

MICRO AND SMALL ENTERPRISES FACILITATION COUNCIL

Composition of MSME Council

The MSME Council shall consist of not less than 3 but not more than 5 members to be appointed.

- Director of Industries, by whatever name called, or any other officer not below the rank of such Director, in the Department of the State Government having administrative control of the small-scale industries or, as the case may be, micro, small and medium enterprises; and
- one or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and



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- one or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and
- one or more persons having special knowledge in the field of industry, finance, law, trade or commerce

Under Section 18 of the MSME Act, any party to a dispute may, with regard to any amount due to him make a reference to the Micro and Small Enterprises Facilitation Council. The primary objective of the MSME Facilitation Council is to facilitate the resolution of disputes between MSMEs and other entities, including other MSMEs, large enterprises and government agencies. The Council aims to provide a speedy and cost-effective mechanism for dispute resolution.

The MSME Facilitation Council has jurisdiction over disputes related to delayed payments, quality of goods or services and any other matter arising out of or in connection with the conduct of business.

The MSME Facilitation Council has been established at the district level, state level, and national level. The district-level Council is headed by the District Magistrate, while the state-level Council is headed by the Commissioner of Industries. The national-level Council is headed by the Secretary of the Ministry of MSME.

The territorial jurisdiction of the Micro and Small Enterprises Facilitation Council (MSEFC) is limited to the state or union territory where the supplier (MSME) is located.

Every reference made to the MSME Council shall be decided within a period of 90 days from the date of making such reference.

SEBI EYE'S ON STARTUP AND MSME GROWTH

SEBI, India's market regulator, has simplified the path for startups to go public, preventing them from flocking to foreign markets. Small and Medium Enterprises (SMEs) are vital to India's economy, contributing significantly to employment and rural industrialization. Comprising 36 million units with 80 million employees, SMEs make up 8% of GDP, 45% of manufacturing output and 40% of exports. The 2006 MSMED Act aimed to boost SME competitiveness, recognizing their role in nation-building. In 2010, the Prime Minister's Task Force proposed dedicated stock exchanges for SMEs, leading to BSE SME Platform and NSE EMERGE.

Eligibility criteria for SME Listing - SEBI (ICDR) Regulations, 2018

S. No.	Description	Limit
1.	If post issue paid-up capital (List only on SME Board)	<= Rs. 10 Crores
2.	If post issue Paid-up capital (Option to list either on SME Board or on Main Board)	> Rs. 10 Crores but up to Rs. 25 crores
3.	SEBI does not issue any observation	-
4.	The Lead Manager shall submit a due-diligence certificate to SEBI	-

5.	IPO Underwritten	100% underwritten
6.	The lead managers(s) shall underwrite	Underwrite least 15%
7.	Compulsory Market Making	For Min 3 Year from date of listing
8.	Min application size in IPO & Trading lot	Rs. 1 Lakh

Source: ICDR Regulation, 2018

DIFFERENCE IN NORMAL EXCHANGE AND SME EXCHANGE

In the case of normal stock exchange, there are thousands of companies listed. However, the number of listings on the SME exchange is limited, as awareness is just increasing. Furthermore, the SME stock exchanges have entry restrictions such as positive net worth and cash flows for two years before the process of listing.

In addition, companies, which had once applied for winding up or restructuring, are not permissible to list on the exchange. These restrictions help in protecting investors from additional risk and ensure that listed SMEs are legitimate.

CONCEPT OF BSE STARTUP

BSE Ltd. established the BSE Startups Platform following SEBI's rules. This platform provides a friendly space for entrepreneurs and investors to list startups from India's unorganized sector, bringing them into a regulated environment. Listed startups can access financial opportunities, raising equity capital for growth. Eventually, they can transition to the BSE Main Board. To list, a startup needs MSME/DIPP registration with a minimum ₹1 crore paid-up capital, 2 years of operation, positive net worth, and a maximum ₹25 crore post-issue paid-up capital.

CONCLUSION

MSMEs and startups are pivotal sectors in India, offering significant growth potential and employment opportunities. However, they often face challenges in securing financing from government departments, banks, financial institutions, and encounter obstacles like limited financial planning, a shortage of skilled labour, ineffective marketing strategies, rigid credit policies, reluctance to adopt new technology and insufficient modernization.

Recognizing the vital role of MSMEs and startups in our nation's economic development, it is imperative for banks and other financial sources to provide cost-effective financing tailored to the diverse needs of SME clusters.

The Startup scheme, initiated by our Hon'ble Prime Minister, has been a game-changer for aspiring entrepreneurs with innovative ideas. This scheme offers tax exemptions for three years and capital gains tax concessions, providing a platform for young entrepreneurs to kickstart their businesses.

MSMEs and startups contribute significantly to India's total production output, particularly in selected industries such as handicrafts. Most Indian MSMEs and startups are small-scale operations with fewer than a hundred workers, giving them a unique edge in terms of skill and product quality.



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This distinguishes India as a leader in these sectors, and we can unequivocally affirm that MSMEs and startups are the driving force behind India's growth.

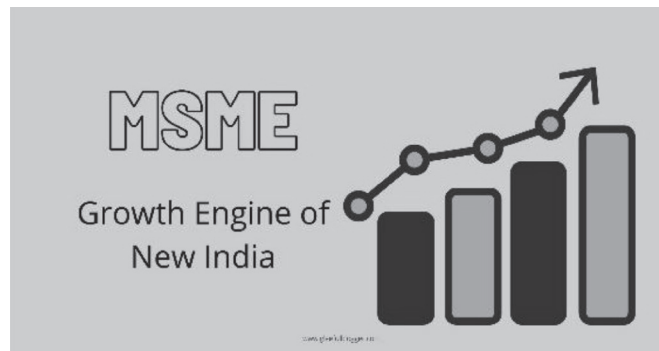
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Startups and MSMEs – Engines for Growth

CS C Sakunthala*



India has a large 7.9 million registered Micro, Small and Medium Enterprises (MSMEs) base. The MSME Industry segment contributes 33% of the Country's GDP and generates over 120 million jobs across industries and regions in the country contributing towards wealth creation at the grassroots level. The segment enables the inclusion of generally neglected entrepreneurs e.g. women, marginal entrepreneurs and empowerment and wealth creation at the Grass root. In FY22 alone, 8.59 lakh women-led MSMEs got registered on Udyam portal which is 17% of the total MSME registration. As many as 63.4 million units contribute 6.11% of the manufacturing GDP and 24.63% of services GDP.

Government's focused support to MSMEs

The Government of India (GoI) has been very proactive in encouraging the MSME segment and ensuring that large number of MSMEs benefit from various incentive schemes launched.

Government benefits are available to MSMEs in the form of subsidies, financial support, and access to skill and technological development. The Government has also revised the definition of micro, small and medium enterprises and added close to 2.5 Crore enterprises last year to increase the coverage.

Solving the longstanding working capital woes

One of the key challenges faced by MSMEs in India is access to affordable & formal credit. The GoI along with the RBI has taken several steps to help MSMEs tackle this problem. The most significant ones are:

TReDS: The RBI, in 2015, issued guidelines to set up Trade Receivables Discounting System (TReDS) platforms to enable MSMEs to encash their receivables on these platforms. The Volume on TReDS platforms has grown to Rs. 34,362 Crores in FY22.

*Practising Company Secretary, Sakunthala & Associates, Coimbatore

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.



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Penal Interest: Buyers are required to pay a penal interest of three times the Bank Rate notified by the RBI compounded at monthly rate for delayed payment to supplier units.

Complaints and Cases: The SAMADHAAN portal empower MSMEs to file delayed payment complaints to settle delayed payments mutually between the seller and the buyer. MSMEs have filed 65,142 applications related to delayed payments amounting to Rs. 18,466.49 crores since its inception.

Looking at the growing popularity of the TReDS transactions, the RBI has suggested onboarding more public sector enterprises on the TReDS platforms and proposed to hike the National Automated Clearing House (NACH) mandate limit for MSMEs from Rs. 1 crore to Rs. 3 crores for TReDS-related settlements enabling larger transactions.

Going forward

There is no doubt that MSMEs play a critical role in Nation Building and growth of the economy. It is necessary that the support to this segment is accelerated, and government targets its ease of doing business initiative towards MSMEs.

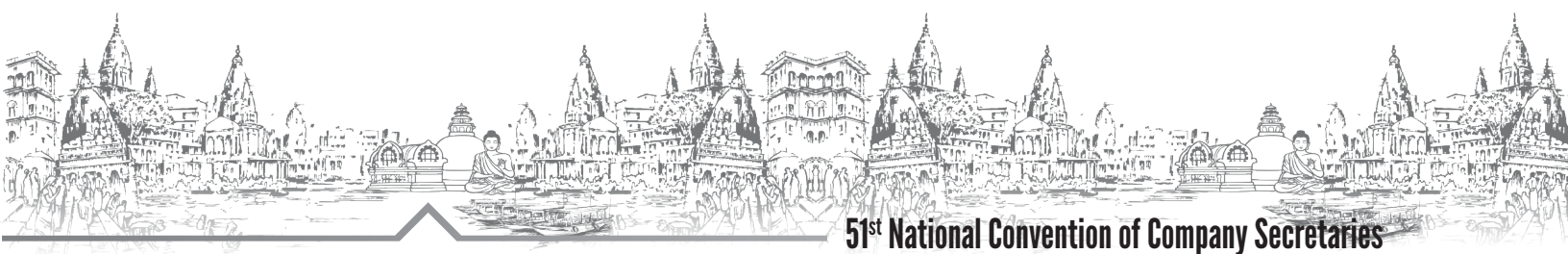
The targeted government policies can be a major catalyst in guiding MSMEs to the desired sectors of the economy to fuel growth of the economy. This could be done by framing conducive policies, offering incentives and most importantly, removing the on-ground hurdles, easy access to credit being a prime example. Schemes such as CGTMSE & ECLGS have helped many MSMEs access formal credit with ease.

It is important to bring the MSME sector under the umbrella of financial inclusion in India. Sustainable growth of this sector will be ensured only if they are able to easily access finance in a timely manner. This can be achieved only if there is a strong financial ecosystem. Apart from banks and NBFCs, enabling fintech companies to provide innovative digital financial solutions to MSMEs is necessary.

Digital lenders have an innovative approach to lending. They are pushing the Credit underwriting frontiers in mapping creditworthiness of borrowers by scanning their economic behaviour, payment history, etc through various data sources available with consent. Allowing more data and technology-driven fintechs to finance MSMEs will, therefore, strengthen both – the MSMEs and the financial sector.

Helping MSMEs go digital will enable MSMEs to increase their overall operational efficiency, to provide better customer service using digital platforms and to enhance the overall customer experience. This in turn will help MSMEs to face competition from other players, to expand their customer reach and to reach out to new geographies. It is essential to give focused skill development training to micro-entrepreneurs in both urban and rural settings to acquire knowledge needed to deliver the best quality products, identify market opportunities, foresee future uncertainties and adopt tech-enabled strategies.

No doubt there is a long road to traverse but it is also beyond doubt that with entrepreneurship, innovation and agility at its core, the MSME sector can not only play a vital role in making India a US\$5 trillion economy in the next five years but can also become a growth engine for making India a developed country by 2047.



Starting or transforming a business into an eco-friendly enterprise is one of the newest trends nowadays with lot of new opportunities coming every day with new innovations, models and methods. Making MSMEs eco-conscious and eco-friendly not only helps in saving the environment but also assists businesses to grab consumers' interests in the market, as more and more people are now moving toward green and organic products.

In recent times, we have seen growing numbers of people moving toward the awareness of their purchases, which affect the planet and its beings, as well as consumers, are increasingly voting for green and eco-friendly products and services. Sustainable upgradations give a boom to the businesses as well as tends to have a lot of growth potential because people are becoming aware of the need for sustainable development and nature-friendly goods.

The Champions portal works on Hub and Spoke model comprising 66 State-level Control Rooms at offices of MSME-DI, BR MSME-DI offices, KVIC offices, NSIC offices, and Coir Board offices, which are impeccably connected with the Central Control Room at the Ministry of MSME, Delhi. The portal aims to help MSMEs in a difficult situation like the COVID-19 lockdown as well as support them in terms of finance, raw materials, labour, regulatory permissions, etc. The system encourages MSMEs to capture new opportunities, as well as identifies potential MSMEs, who can become National and International Champions. The motto of the Champions portal is to solve problems of the MSME sector in the short run and create them as National and International Champions in the long run.

From easing access to credit to leveraging the PLI scheme, MSMEs can tap into a range of policy initiatives

In November 2021, the government announced the Special Credit Linked Capital Subsidy Scheme for the MSMEs (Micro Small and Medium Enterprises) in the services sector. The scheme has a provision of 25 per cent capital subsidy for procurement of service equipment through institutional credit to the SMEs for advancement of their technology.

In July 2020, by redefining the MSMEs, the Finance Minister addressed the 'fear' of MSMEs losing their benefits under various schemes if they expanded. Accordingly, a firm is classified under MSME – Medium category, if its investment in plant and machinery or equipment does not exceed ₹50 crore and its turnover does not exceed ₹250 crore. This policy change certainly gave a 'comfort zone' for the MSMEs.

It is well established in literature that Indian MSMEs were discouraged from scaling up their operations mainly due to regulatory limits on their assets. Also, MSMEs face legacy issues such as information asymmetry, non-registration of firms, inadequate and untimely credit, delayed receivables, technological obsolescence, negligible market linkages, absence of exit policy, etc.

As the MSMEs contribute around 30 per cent to India's GDP, employ about 11 crore people, constitute nearly 40 per cent of total exports, and more than half of them are located in rural India, the Government is keen to rev up this sector to achieve inclusive growth thereby attaining self-reliance (Atmanirbhar Bharat).

An analysis of CMIE Prowess database reveals that the Indian MSMEs mainly rely on unsecured loans and take few long-term loans for capex. This is further corroborated by the research finding from a recent study (NIRDPR, 2021) that 9 out of 10 MSMEs depend on informal sources (mostly unsecured loans) for their working capital and term loans. Lack of sufficient asset cover (collateral)

discourages them from taking secured loans at lower interest rate and hence they have to rely on unsecured loans at higher interest rates. This dents profitability and economic viability of their businesses.

After a gap of 14 years, the Government revised the definition of MSMEs by factoring in inflation and depreciation of the Rupee vis-à-vis other currencies between 2006 and 2020. In January 2006, the USD/INR was quoted at ₹45 and it depreciated to nearly ₹71 in January 2020 (58 per cent). This made the MSMEs operate at a low scale by creating subsidiaries/sister concerns/Export Oriented Units with a view to receiving incentives from the Government. According to the new definition, export revenue is deducted from total sales while estimating the turnover of MSMEs, which is a positive sign not only for the sector but also for exports. Since the old MSME definition had a regressive effect on the firms' exports, expansion plans and employment generation, the new policy is expected to act as a catalyst for development of 'New India'.

In order to reap intended benefits of the new policy, the Government can focus on the following issues:

- (i) **Ease of doing business:** MSMEs should have better access to efficient factors of production through industry-friendly labour reforms, proper land acquisition policy, free access to capital, vibrant entrepreneurship culture, modern technology, enabling infrastructure, and simplified tax policy.
- (ii) **Export of services:** The world is moving towards a clean, green, and lean corporate regime to achieve the triple bottom line — Planet, People and Profits. Since India has a comparative advantage in services sector, entrepreneurs of MSMEs may be re-oriented in this direction to enhance export of services by capitalising on the revised definition. However, balanced growth of agriculture, manufacturing and services may be maintained by leveraging demographic dividend.
- (iii) **Leveraging PLI scheme:** Recently, the Government introduced Productivity Linked Incentive Scheme with a total outlay of ₹1.97 lakh crore to boost 13 industry sectors with a view to harnessing Make in India, thereby enhancing our manufacturing prowess and export potential. As part of this, the Government announced three schemes for automotive industry wherein manufacturing of electric vehicles will be incentivised to reduce carbon footprint, import of fuel, and enhance competitiveness and growth.
- (iv) **Promoting start-ups:** India has over 100 unicorns till date and is still counting. With a market capitalisation of \$18 billion, Byju's has become the largest and most valuable Edu-tech company in the world. Similarly other decacorns namely Paytm and Flipkart have market capitalisation of over \$10 billion mainly due to burgeoning domestic market, massive funding opportunities and evolving technology. As such, MSMEs with innovative ideas should be nurtured with right incentives and be freed from the bureaucratic maze.
- (v) **Market linkages:** The Covid-19 crisis should be converted into an opportunity by going digital. There should be a virtual platform exhibiting crafts, handlooms and frugal innovations of MSMEs, to reach out to the broader national and international markets thereby enhancing their revenue. As most of the MSMEs do not have adequate market linkages and branding for their products/services, the Government may promote (RURBAN) clusters thereby building synergy and sustainable value chains in the ecosystem.

- (vi) **Emulating best practices:** Turkey has introduced 'TURQUALITY', a state sponsored scale up programme meant for SMEs to transform themselves into global players. Another such initiative is 'Growth Driver Programme' of Business Development Bank of Canada to provide multi-disciplinary support system in terms of enterprise growth and job creation in SMEs.
- (vii) **Financial literacy and education:** MSMEs should be imparted with financial/digital education to make use of digital channels including TReDS platform for speedy realisation of their receivables. Also, MSMEs should be trained to utilise the services of SME stock exchange in order to mobilise risk capital for growth plans.

Policy support in the above areas will make MSMEs as engines of growth for 'New India'. After all, a resilient and healthy MSME sector is essential for achieving the goal of self-reliant India.



G20 Summit: Consensus reached on supporting agritech Start-ups & MSMEs as they are 'natural engines for growth'

Adopting the New Delhi Declaration has also brought start-ups and the Micro, Small, and Medium Enterprises or MSMEs to the forefront. The Declaration called them "natural engines of growth." It also highlighted how they are the key drivers of innovation and job creation, leading to socio-economic transformation. "We welcome the establishment of the Start-up 20 Engagement Group during India's G20 Presidency and its continuation," the Declaration read. While Brazil taking forward the Start-up20 Engagement Group (originally established under India's Presidency) in its Presidency next year is being touted as one of the country's big wins among others, the Declaration also says that the G20 nations will commit to promoting digital technology by farmers and put special emphasis on agritech start-ups and MSMEs.

India established a start-up task force consisting of stakeholders from the Indian start-up ecosystem to come up with recommendations to be presented at the G20 Summit. The members of the task force came up with several recommendations which were discussed across the country between January and July 2023.

Startup20 is the brainchild of the Department for Promotion of Industry and Internal Trade and Atal Innovation Mission. It set out to address some key concerns, like the fact that a majority of the value created by these ecosystems is concentrated in the top 10 cities globally and the great regional imbalance in access to services as well as capital. To ensure deep discussions on these issues, it was composed of three task forces – alliances and foundations; finance; and inclusion and sustainability.

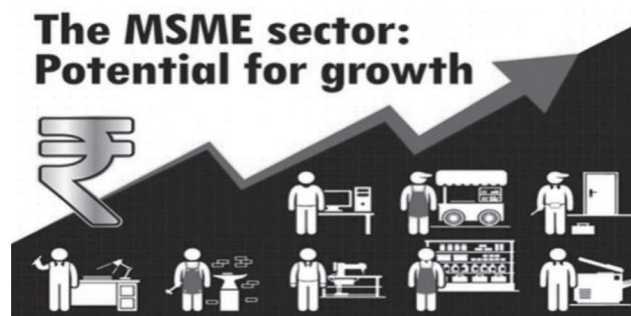
First, the forum called for a global definitional framework for start-ups and a policy framework to strengthen ecosystems within and across G20 nations.

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Second, it suggested forming global alliances to improve market access and measures to nudge organisations, both government and private, to work with these firms.

Third, it asked G20 nations to commit \$1 trillion in annual investment for start-ups by 2030 and ease the cross-border flow of capital.

Fourth, it urged countries to improve inclusion by providing special attention to start-ups led by entrepreneurs from underrepresented groups. These recommendations were published at Startup20's final meeting in Gurugram held in July, 2023.



India's role model for recovery was widely recognized, as the country is entrusted with the Group of 20 (G20) presidency for the first time since G20 was founded in 1999. With India assuming the G20 presidency from December 2022, it presents an ideal forum for states to work together to develop policies relating to MSMEs and supply chains that take into consideration both multilateral cooperation as well as private sector participation. There is a need for collaboration between countries, especially to continually increase the capacity and opportunities of the private sector, encourage digital transformation, as well as expand access to business players in the supply chain, including micro, small, and medium enterprises.

The enormous impact of the COVID-19 pandemic worldwide has been clear for more than two years. With good macroeconomic and fiscal policies in place that allowed for the flexibility to adapt without undermining years of discipline, India presents an example for other countries as the world enters the recovery phase. One of the ways to boost their recovery is the collaboration of the public and private sectors, as well as civil society. By the same token, the emergency response was proven effective and efficient, which resulted in a quick rebound in economic activities.

The World Bank has revised its 2022-23 GDP forecast upward to 6.9 percent from 6.5 percent (in October 2022), considering a strong outturn in India in the second quarter (July-September) of the 2022-23 financial year. An increased financial inclusion of the MSMEs will not just boost the productivity of the MSMEs but will also bolster the country's economic growth. Keeping this in view, to boost Make in India initiative and to support MSMEs, the Government is carrying out various measures to enhance the availability of timely, adequate and low cost credit for the micro, small and medium enterprises.

Measures to support the MSMEs such as redefining MSME criteria based on lower turnover threshold benefitting local manufacturers, launch of an ICT enabled portal like CHAMPIONS (Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength), and promoting new schemes like Pradhan Mantri MUDRA Yojana, Udyog Aadhaar, MSME Samadhaan, ZED Scheme, Make in India, and Standup India are helping these enterprises find



their financial footing. Sometime back, the Government of India started its e-market place (GeM) to increase the share of MSMEs in government procurement. This will help reduce the cost, improve efficiency and sales.

However, MSMEs need to make the most of technology in promoting and grow their businesses to stay competitive in this digital-first era. The development strategy in addressing such challenges should necessarily have an inclusive, responsive system of governance – which rules justly, invests in its people, and promotes growth to small and medium-sized businesses. Indian MSMEs must benefit from this G20 presidency.

The G20 slogan “Recover together, recover stronger” needs to apply not only to big businesses but to smaller-scale concerns such as MSMEs. The presidency should and must benefit India from the potential to achieve US\$10 trillion economy by 2030.

As gender equality is taking center stage in B20 – the official G20 dialogue forum with the global business community – it is very important to highlight women’s role in MSMEs. According to Government of India’s MSME Ministry’s 2021-22 annual report, at least 20.37% of MSMEs are run by women. Moreover the dominance of women-owned enterprises was 77.76% in rural areas than urban and overall 51%.

In addition to sustainable development-aid and programs for MSMEs, an inclusive economic policy must be able to empower and stimulate trade, as the centrepiece of economic recovery and lifting billions out of poverty. Also, along with the government, businesses should look at partnering with MSMEs and provide capacity building to equip them with knowledge, skills, technology and networks to increase their competitiveness domestically and internationally. Policies can foster such support and mentorship.

It is equally important to ensure that policies and support for MSMEs are clear, effective, efficient and not misused by large global corporations through subsidiary entities. With G20 members’ support, it will become one of the most important legacies from India’s G20 presidency to the world economy and its SDG goals. India could leave a sizeable footprint in the acceleration of the growth of MSMEs, intensifying their resilience and increasing their capacity to meet global standards and market demand within the global value chain.

MSMEs are the economic backbone of society and the G20 must take them seriously in order to build a sustainable economic development. The strong foundation of policies to identify, authenticate, empower, and advocate these segments are critical to regulate the participations of all stakeholders which in turn will stimulate a healthy and inclusive economic development. Let’s do our part and make it happen for the rest of the world for an inclusive recovery for everyone.



Startups and MSMEs - Engines for growth of India

CS Pankhuri Agrawal*

Abstract

Startups and MSMEs play a significant role in the development of rural areas by providing employment and promoting industrialisation at the grassroots level. Together they contribute more than 1 trillion dollars to Indian Economy.

India's working-age group population is increasing year by year. The working age population are those aged between 15 to 64. By the Year 2047, India is expected to have 1.1 billion in the working age group, which is around 1.6 times the population of Europe. Since 2018, India's working-age population has grown larger than the dependant population. These people will need job opportunities for their successful future.

The biggest engine of growth is private consumption expenditure which is accelerated by Startups and MSMEs. Startups and MSMEs are the hope of Indian Economy. They provide opportunities to people who don't have money to pay for quality education and have struggled their complete life for food, clothing and shelter. But this struggle has given them a new confidence by which they are able to generate seed capital and sow seeds of growth for the future.

Start-up as growth engine

The term Startup refers to a company in the first stage of operation. Startups are founded by one or more entrepreneurs who have innovative ideas and who want to develop product(s) or/and service(s) for which there is demand. According to India's DPIIT, India happens to be the 3rd largest start-up ecosystem in the world. Start-up India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Start-ups in the country that will drive sustainable economic growth and generate large scale employment opportunities.

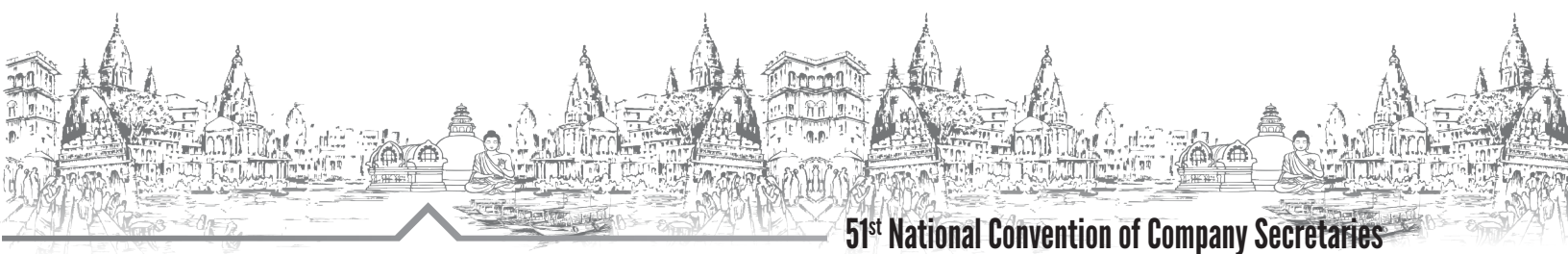
Startup doesn't need a fancy business education, it just needs courage, skills, right attitude, self-confidence and hunger for success. The Indian startup ecosystem has increased significantly from 452 in 2016 to 84,012 in 2022, as per Economic Survey Report 2022-23.

Startups are innovative, technology-driven ventures with high growth potential. They are mostly founded by entrepreneur(s) seeking to develop disruptive solutions or introduce new products or services. Startups in India are known for their agility, experimentation and potential to scale rapidly.

Startups place a strong emphasis on rapid growth and scalability. They aim to disrupt existing markets or create new ones by introducing innovative products or services. Startups in India often leverage technology to solve complex problems and cater to the evolving needs of Indian

**Assistant Company Secretary, Maharishi Ayurveda*

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.



consumers. They seek to capture larger market shares, attract significant investments and expand their operations domestically and globally.

There are many Unicorns and Decacorns in India. The term unicorn was coined by venture capitalist and seed investor Aileen Lee. In fact, India has become the 3rd largest ecosystem to host unicorn companies. As of 2022, India has around 100 unicorns. Unicorn is a term given only to Startups who have a valuation of over a billion. 1 billion is equal to Rs. 100 crores.

Department for Promotion of Industry and Internal Trade (DPIIT) also helps startup by promoting industrial development in the Country by facilitating investment in new and upcoming technology. DPIIT helps in easier compliance, easier exit process for failed startups, legal support, fast-tracking of patent applications and a website to reduce information asymmetry. Eligible startups are exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation. DPIIT also helps in creation of numerous incubators and innovation labs, events, competitions and grants.

Startups have a high appetite for risk-taking. Founders and investors learn from failures and make breakthrough innovations. Startups often rely on external funding resources such as angel investors, venture capital firms or government-backed schemes like the Startup India initiative. These investments support research and development, market expansion and talent acquisition. An angel investor provides initial seed money for startup businesses, usually in exchange for ownership equity in the company. They are known for their ability to innovate and are often founded with a unique idea or solution to a problem, bringing fresh perspectives and approaches to the industry. Startups are free to experiment and take risks, which leads to ground breaking advancements making India the growth engine of the world.

Startups are typically small and agile, allowing them to quickly adapt to changing market conditions and customer demands. This agility enables startups to seize opportunities and pivot their business strategies when necessary. They have significant growth potential. With the right product or service, effective marketing and efficient execution, startups can experience rapid growth in a relatively short period. This growth potential attracts investors looking for high returns on their investments. They are founded on low budgets.

The government of India has an initiative called Startup India, sole purpose of which is to bring about startup culture and build an ecosystem for entrepreneurship and innovation. As a result, the startup ecosystem in India has emerged as a major growth engine for the country in the past few years and aims to become a global tech powerhouse. Many Indian startups are booming and favouring the younger generation to work and gain experience in their fields of interest. Some of the most well-known startups in India include BoAt, Meesho, Udaan, Slice, Flipkart, Ola and Zomato, among many others.

Micro, Small and Medium Enterprise (MSME) as growth engine

MSMEs are the growth engine of India, as they are vast heterogeneous in terms of the size, variety of product & services and level of technology. MSME term was introduced by the Government of India in accordance with Micro, Small and Medium Enterprises Development Act, 2006. The MSME Industry segment contributes 33% of the Country's Gross Domestic Product (GDP) and generates over 120 million jobs across industries and regions in India contributing towards wealth creation at the grassroots level.



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MSMEs encompass a wide range of businesses across various sectors. They are classified based on their annual turnover, investment in plant and machinery or employment size. MSMEs in India can be traditional enterprises engaged in manufacturing, trading or providing services. They play a vital role in India's economy, contributing to employment generation, regional development and inclusive growth.

"Real India Lives in Villages"- this was said by Mahatama Gandhi and Real India is being developed by MSMEs. Small businesses, as a part of the MSME sector, have made an immense contribution to the Indian economy as they are widening their operations through the establishment of different products and expansion of the entrepreneurship activities powered by innovation. The Government of India specifies the definition of Micro enterprises as those where the investment in the plants and machinery is limited to Rs. 1 crore and the annual turnover is restricted to Rs. 5 crore. Small enterprises are those where the investment in the plants and machinery is limited to Rs. 10 crore and the annual turnover is restricted to Rs. 50 crore. If Investment in Plant and Machinery or Equipment is less than Rs. 50 crores and Annual Turnover less than Rs. 250 crores, than it is called Medium enterprise.

MSMEs produce and manufacture a wide variety of products for domestic as well as international markets. MSMEs help in the promotion of growth and development of Khadi, Village, Coir Industries and various other type of industries. MSMEs focus on establishing a sustainable business model, achieving steady profitability and contributing to local economies. MSMEs in India often target niche markets or cater to specific customer segments. They prioritize stability, customer loyalty and long-term sustainability over rapid expansion. They strive to enhance operational efficiency, optimize processes and leverage cost-effective solutions to meet customer demands. MSMEs in India are more likely to adopt existing technologies and best practices rather than develop groundbreaking innovations. The ability of MSMEs to adapt to changing market conditions and customer requirements is crucial for long-term sustainability.

The government has implemented measures to support MSMEs, such as simplified tax schemes, credit guarantee schemes and incentives for export promotion. The compliance requirements for MSMEs in India are typically less stringent than those of large corporations which provides an opportunity to the budding entrepreneurs to build creative products, boost business competition, fuel growth and sow seeds for the future.

The MSME Ministry aims to increase the sector's GDP contribution to 50% by 2025, aligning with India's projected economic growth of \$5 trillion. MSMEs contribute to a country's GDP by producing goods and services, generating revenue and contributing to tax revenues. The collective impact of MSMEs can boost economic growth, create a multiplier effect and stimulate other sectors of the economy. They are centers of innovation and entrepreneurship. They can foster creativity and experimentation with fewer bureaucratic layers and a more flexible structure. MSMEs are known for introducing new products, services, business models, driving competition and breaking the glass ceiling in various industries. They are generally more flexible and adaptable than larger organizations. They can respond quickly to market conditions, customer preferences and technological advancements. This flexibility allows MSMEs to pivot their strategies, make agile decisions and seize emerging opportunities. They often operate with lower overhead costs and are closer to local suppliers and customers. This proximity can reduce transportation costs, shorter supply chains and increase collaboration with local suppliers. This brings economies of scale i.e. optimum utilisation of resources.

Nurturing MSMEs and Startups has a positive impact on an economy and society in several ways. Startup and MSME create new businesses. They invent goods and services, resulting in employment and often create a ripple effect, resulting in more and more development.

The government has exclusively marked some products for manufacturing by the MSME industry:

1. **Food and Allied Industries**

- Pickles
- Bread
- Groundnut Oil (except solvent extracted)
- Chutneys
- Mustard Oil (except solvent extracted)

2. **Chemical and Chemical Products**

- Laundry Soap
- Wax Candles
- Fire Works
- Safety Matches
- Agarbattis

3. **Glass and Ceramics**

- Glass Bangles

4. **Mechanical Products, excluding Transport Equipment**

- Steel almirah
- Rolling shutters
- Steel chairs-All types
- Steel tables-All other types
- Steel furniture-All other types
- Padlocks
- Stainless steel utensils
- Domestic utensils-Aluminium

5. **Wood and Wooden Furniture**

- Wooden Furniture and Fixtures

The number of registered MSMEs in Financial Year 2020 has increased by 18.49 per cent to 25.13 lakh units from 21.21 lakh units in Financial Year 2019, according to government data. Overall the number of registered MSMEs in India in the past five years stood at 90.19 lakh. MSMEs are the backbone of Indian Economy. They provide employment to rural sector of India. They increase innovation, creativity and Entrepreneurship in India. The MSME sector is the second largest



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employment generating sector (after agriculture) and accounts for 45% of output in India. This sector plays a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries. They also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

Artificial Intelligence in MSME and Startup

With the increasing use of technology by people across the world, the success factor for every business is to become digital. Large organisations are blessed with the latest technological support, but MSMEs and Startups lag behind in technology, especially in emerging markets.

India is a diverse nation with more than 1.4 billion population. With 720 million internet users and 50% penetration, it also has the largest internet population.

Artificial Intelligence technology has become more accessible and affordable, enabling Startups and MSMEs to automate tasks, gain insights from data, personalise campaigns and enhance customer experience. These technologies help Startups and MSMEs to streamline operations, reduce costs and make data-driven decisions.

Artificial Intelligence (AI) is a blend of two words Artificial and Intelligence. Artificial means made by human work or art, not by nature i.e. not natural. Intelligence is often dependent on context. Some people define intelligence as level of reasoning power and this seems one of the reasons why a popular determiner of AI has often been games – man and machine try to ‘outthink’ the other, or in the case of the machine, at least match the human such that it becomes difficult to tell where man begins and machine ends. Artificial Intelligence is the ability of Computers to do the work of human being. They receive the inputs from the environment, interpret them and try to achieve a particular goal based on this data.

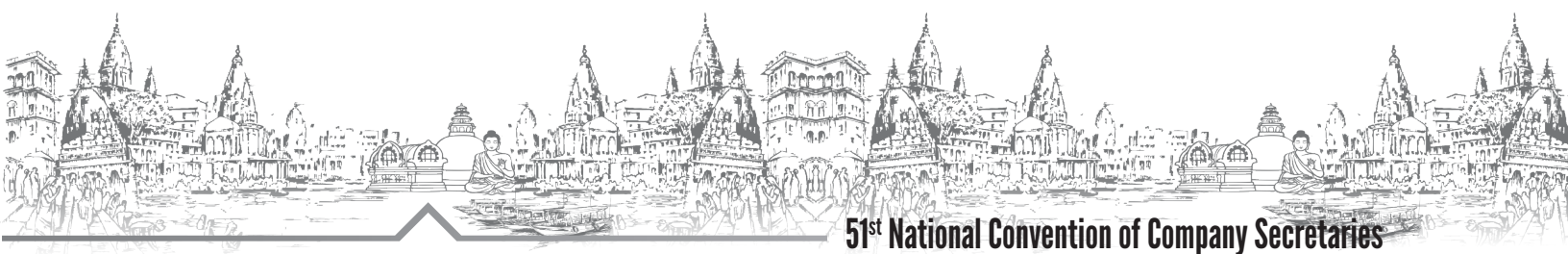
Artificial Intelligence is designed to draw conclusions on data, understand concepts, become self-learning and even interact with humans. Data analytics examine raw data and draw conclusion from it. Data analytics is a bigger term than Data analysis. The techniques of Data analytic help us to take raw data and uncover patterns to extract valuable insights from it.

With the help of AI, Startups and MSMEs can grow tremendously. For Example: A small store owner started taking orders through the mobile medium and home-delivered the orders; we also witnessed our favourite motel owner providing a digital menu just by scanning their QR code. Government bodies, financial institutions, big-tech companies and even various universities had organised digital webinars to highlight the importance of AI.

As more and more MSMEs and Startups adapt to the digitisation of operations, they could reduce the operational costs and by leveraging these digitisation techniques they are expected to gain more access to the behavioural patterns of consumers, enhance their competitiveness and expand their portfolio of offerings.

Conclusion

Indian Start-ups and MSMEs have made their mark on the global stage. They have increased the literacy level of India. The ecosystems rapid growth and maturity has unleashed a tremendous



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appetite for scalability, alternative funding options, global market expansion and the ability to enable millions of jobs. This meteoric rise of start-ups has made India the world's third largest start-up ecosystem and it has had a significant impact on the Indian economy, demonstrating the ability to contribute approximately 4-5 percent of India's Gross Domestic Product.

Start-ups are incubators for cutting-edge inventions, they create jobs, which means more career opportunities; more employment leads to a stronger economy and a stronger economy has a direct impact on the growth of cities where start-ups are located. The monthly allowance provided to Startup with Woman founder for a year by the Government has provided wheels to Women Entrepreneurship in India. They provide solutions which are simple but highly effective for people & businesses; this improves Ease of Doing Business and ease of living in India.

The lack of funds has always been a pain for small businesses, which operate mostly in the semi-urban or rural areas, as there is lack of access to collateral-backed securities, which impacts quick access to quality raw materials and sufficient storage spaces along with the lack of marketing activities required for branding the businesses. The sluggish and ineffective legal system in India at times hampers entrepreneurial growth and adversely affects the MSME sector. Despite the challenges of funding, layoffs and governance issues, Startups and MSMEs in India play a pivotal role in the economy.

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SEBI, ESG and Six Path Breaking Reforms

CS Pradeep Ramakrishnan*

Abstract

This article aims to take a look at recent impactful SEBI reforms pertaining to environmental, social and governance parameters, such as business responsibility reporting, ESG ratings, sustainable finance, etc.

Introduction

Over the past one year or so, there has been considerable amount of legislation in India brought by SEBI on ESG related matters. Internationally, too, there has been a lot of focus on ESG and ESG related regulation, with countries making promises to *transit to net zero*. These reforms by SEBI encompass areas such as reporting on business responsibility, ratings, green finance, etc.

Importance of reporting of non-financial information

Over the years, the importance of non-financial reporting has grown by leaps and bounds. In particular, reporting on ESG has gained a lot of traction in India and abroad, with moves by regulators to increase transparency and accountability in the area of sustainability reporting, which primarily focuses on materially important environmental and social issues and how they are managed. Reporting of company's performance on sustainability related factors has become as vital as reporting on financial and operational performance.

Reform 1 - BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING (BRSR)

The filing of the Business Responsibility Report (BRR) containing ESG (Environmental, Social and Governance) disclosures was first introduced by SEBI for the top 100 listed entities (*by market capitalization*) in 2012¹ through the then listing agreement as per the disclosure requirement emanating from the '*National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business*' (NVGs) which were issued by the Ministry of Corporate Affairs (MCA) in 2011.

In December 2018, the National Guidelines on Responsible Business Conduct, 2018 (NGRBC)², which were an improvement over the NVGs were issued as a means of nudging businesses to contribute towards wider development goals while seeking to maximize their profits. The NGRBCs were issued to keep pace with the global developments, such as the adoption of the Paris Agreement on Climate Change³, the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the commitment of nations to achieve the UN Sustainable Development Goals (SDGs).

*General Manager, Department of Debt & Hybrid Securities, SEBI

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.

1. https://www.sebi.gov.in/legal/circulars/aug-2012/business-responsibility-reports_23245.html

2. https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf

3. <https://climateactiontracker.org/countries/india/pledges-and-targets/>

The NGRBC (reporting under each principle is divided into essential and leadership indicators) are:

Principle No.	Principle
1.	<i>Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable.</i>
2.	<i>Businesses should provide goods and services in a manner that is sustainable and safe.</i>
3.	<i>Businesses should respect and promote the well-being of all employees, including those in their value chains.</i>
4.	<i>Businesses should respect the interests of and be responsive to all its stakeholders.</i>
5.	<i>Businesses should respect and promote human rights.</i>
6.	<i>Businesses should respect and make efforts to protect and restore the environment.</i>
7.	<i>Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.</i>
8.	<i>Businesses should promote inclusive growth and equitable development.</i>
9.	<i>Businesses should engage with and provide value to their consumers in a responsible manner.</i>

The Committee on Business Responsibility was constituted in 2019 comprising of SEBI, MCA, NITI Aayog, IICA and other professional institutes. The Committee examined the NGRBC-BRR framework within the broader context of UNGPs, SDGs and other widely accepted non-financial/sustainability reporting frameworks and came out with a report in August 2020⁴.

SEBI vide Circular dated May 10, 2021,⁵ introduced the new sustainability related reporting requirements. The new report is called the Business Responsibility and Sustainability Report (BRSR) and it replaced the existing Business Responsibility Reporting (BRR). While the BRR format largely sought qualitative information, the BRSR lays considerable emphasis on measurable, quantifiable and standardized disclosures on ESG parameters to enable comparability across companies, sectors and time. This circular of SEBI came about after exhaustive consultation.⁶

A few of the disclosures that are required under the BRSR are:

1. Environmental parameters

- i. Air emissions: Scope 1, Scope 2 Green-House Gases (GHG) and air pollutant emissions;
- ii. Resource usage: Energy consumption, water withdrawal and consumption;

4. <https://ies.gov.in/pdfs/Report-Committee-BRR.pdf>

5. https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html

6. https://www.sebi.gov.in/reports-and-statistics/reports/aug-2020/consultation-paper-on-the-format-for-business-responsibility-and-sustainability-reporting_47345.html



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- iii. Waste management: Quantum of hazardous and non-hazardous waste generated, re-used and recycled along-with waste management practices;
- iv. Compliance with Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards.

2. Social parameters

a. On Employees / Workers

- i. Employee welfare information is a key component of 'social' disclosures. The BRSR seeks information on social parameters, the employee related ones being:
 - *Number of employees*
 - *Training on safety & skill upgradation*
 - *Employee and worker turnover rates, by gender*
 - *Median wages paid to each category – Board, KMPs, other employees and workers*
 - *Welfare measures for permanent and other than permanent (i.e. contractual / casual / temporary) employees and workers, such as health insurance, accident insurance, maternity / paternity benefits, day care facilities, etc.*
 - *complaints relating to child labour, forced labour, involuntary labour and sexual harassment*
 - *Accessibility of workplaces in terms of the Rights of Persons with Disabilities Act, 2016*
 - *Occupational health and safety management systems adopted by the entity*
 - *Safety related incidents at the work-place*
- ii. The BRSR has also strengthened the disclosures on the value chain of listed entities. For instance, information has been sought on the assessment of value chain partners for: health & safety practices, working conditions, child labour, forced labour, discrimination at workplace, environmental impact, etc. and corrective actions taken from any risk / concern arising from such assessment.

b. On Community

To enable companies to demonstrate the action taken for the welfare of the society, the BRSR seeks granular disclosures on:

- i. Social Impact Assessments (SIA) of projects
- ii. Information on projects where Rehabilitation and Resettlement is being undertaken including districts, no. of project affected families and amount paid to them

c. On Consumers

The basic aim of a business entity is to provide goods and services to its consumers that are safe to use and in a manner that recognizes the freedom of choice of customers. As

regards consumers and product related information, the BRSR requires disclosures to be made on certain parameters like:

- *products carrying information on safe and responsible usage*
- *number of consumer complaints on unfair trade practices, advertising, etc.*
- *product recalls due to safety issues*
- *cyber security and risks related to data privacy, among others*

3. Information on engagement with stakeholders

On stakeholders, the BRSR requires information on:

- *internal and external stakeholders identified by entities and the process for identification of such stakeholders;*
- *how the feedback from stakeholder consultation is provided to the Board; and*
- *how such feedback is used to support the identification and management of environmental and social factors.*

The impact of stakeholder engagement can be gauged as a result of this exercise and disclosure.

Applicability - BRSR

For top 1000 companies by market capitalization from FY 2022-23 onwards

BRSR CORE

Businesses, while adapting to climate change, also have to keep in mind issues such as inclusive growth and being sustainable. There is renewed focus on these issues from businesses.

The BRSR Core consists of a set of Key Performance Indicators (KPIs) / metrics under Nine ESG attributes. It specifies data and approach for reporting and assurance by listed entities. It is a subset of the BRSR.

Key Performance Indicators under BRSR Core

The nine ESG Attributes under which the Key Performance Indicators (KPIs) under BRSR Core are prescribed are -

- *Green-House Gas (GHG) footprints*
- *Water footprint*
- *Energy Footprint*
- *Embracing circularity-details related to waste management by Entity*
- *Enhancing Employee wellbeing and safety*
- *Enabling Gender diversity in Business*
- *Enabling Inclusive Development*



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- *Fairness in Engaging with customers and suppliers*
- *Openness of Business*

Applicability – BRSR Core

The BRSR Core specifies the data and approach for reporting and assurance and is applicable as follows:

- For FY 2023 – 2024, top 150 listed entities (by market capitalization);
- For 2024-25, top 250 listed entities;
- For 2025-26, top 500 listed entities;
- For 2026-27, top 1000 listed entities

Reform 2 - ESG INVESTING – PRINCIPLES

SEBI has, vide circular dated July 20, 2023 advised mutual funds to introduce five new categories under ESG schemes, as follows:

- *exclusions,*
- *integration,*
- *best-in-class and positive screening,*
- *impact investing; and*
- *sustainable objectives.*

SEBI believes that these measures will:

- *facilitate green financing,*
- *have a thrust on enhanced disclosures; and*
- *mitigate greenwashing.*

SEBI has also introduced the following measures, for mutual funds, in order to address the risk of mis-selling and greenwashing, to enhance stewardship reporting requirements and to promote ESG investing:

- a. Mandating ESG schemes to invest at least 65% of the Assets Under Management (AUM) in listed entities, where assurance on BRSR Core is undertaken.
- b. Mandating third party assurance and certification by Board of AMCs on compliance with objective of the ESG scheme.
- c. Mandating enhanced disclosures on voting decisions with specific focus on environmental, social and governance factors.
- d. Mandating disclosure of fund manager commentary and case studies which *inter-alia* highlight how the ESG strategy is applied on the fund / investments.

- e. Introducing a new scheme category, enabling the launch of multiple schemes on ESG related factors.
- f. Stipulating that schemes clearly disclose the name of the ESG strategy in the name of the concerned ESG fund.

Minimum investment limit

SEBI has stipulated that ESG schemes to invest at least 65% of Assets Under Management (AUM) in listed entities, where assurance on the BRSR is undertaken. The balance AUM of the scheme can be invested in companies having BRSR disclosures. This requirement will be applicable from October 1, 2024.

Voting and ESG

In order to enhance transparency on votes cast by ESG schemes, SEBI has stated that AMCs will have to categorically disclose whether the resolution has or has not been supported due to any environmental, social or governance reasons. These enhanced voting disclosures will be applicable from April 1, 2024.

Applicability - ESG investing principles

Disclosure of scheme strategy, scores on securities – immediate

Certification by the Board of AMCs – for FY 2022-23, by December 31, 2023, thereafter yearly in Annual Reports

Enhanced Voting disclosures – from April 1, 2024

Independent reasonable assurance regarding compliance of ESG scheme's portfolio with the strategy and objective of the scheme – 'comply or explain' basis for all ESG schemes for FY 2022-23 - by December 31, 2023, thereafter yearly in Annual Reports

Annual Fund Manager commentary on ESG strategy - from FY 2023-24

Reform 3 - GREEN BONDS

The clamour for sustainable finance is growing by the day. Sustainable finance accounts for environmental aspects and social concerns while being a source of funds whereas sustainable investing is keeping those principles in mind while investing in securities / other investment avenues. Institutional investors have been at the forefront of pushing sustainable finance as they not only look for financial returns of their investment but also the impact of their investment.

In 2015, landmark international agreements were concluded with the adoption of the UN 2030 Agenda and Sustainable Development Goals and the Paris Climate Agreement. In the 2021 United Nations Climate Change Conference, more commonly referred to as CoP 26, held in Glasgow, Scotland, 197 Countries, including India, made enhanced commitments towards mitigating climate change and promising more climate finance for developing countries to adapt to climate impacts. The CoP 27 at Egypt only reiterated this and went further ahead in promising a fund to aid sustainability and remove pollution.



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Global issuance of green, sustainable bonds is expected to touch \$1tn this year⁷. Green bonds assume significance as one of the modes of sustainable finance.

A green bond is an instrument of debt issued by an entity for raising funds from investors. It is different from a conventional bond (or a 'brown bond'), inasmuch that the proceeds of a Green Bond offering are specifically allocated for use towards 'green' projects only.

The issuer, in its offer document discloses that it is raising capital to fund 'green' or sustainable projects, assets or business activities with an environmental or sustainability objective, like

- *Renewable energy,*
- *Waste management,*
- *Climate change adaptation,*
- *Sustainable water management,*
- *Clean transportation, etc.*

Sustainable investing is gaining the attention of the institutional investors such as mutual funds, pension funds, sovereign wealth funds, insurance companies, etc.

Green Bond Framework in India

In March 2015, The International Capital Market Association (ICMA) published a document called Green Bond Principles (GBP)⁸. The GBPs were a set of best practices for the process of issuing a green bond, on the following categories:

i. Project evaluation and selection:

The process will be used to apply 'green' criteria to select specific projects or activities. Details of the criteria for evaluating the projects eligible for using the Green Bond proceeds and the details of the process used/will be used to apply 'green' criteria to selected specific projects or activities. Issuer shall also disclose the environmental sustainability objectives of the proposed assets/projects.

ii. Proceeds:

Issuers to define and disclose their criteria for what is considered 'green' i.e. which projects, assets or activities will be considered 'eligible' and how much funds will be spent on. Details of processes and controls are in place to ensure funds are used only for the specified 'green' projects.

iii. Disclosures:

The mode of evaluation of projects and report of progress, against both environmental and financing criteria.

7. <https://www.climatebonds.net/2022/01/500bn-green-issuance-2021-social-and-sustainable-acceleration-annual-green-1tn-sight-market>

8. http://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GBP_2015_27-March.pdf

SEBI's Initial Green Bond Framework - 2015

SEBI thought fit to fill the vacuum caused by lack of regulation which resulted in many Indian players tapping the overseas market for green / sustainable finance. SEBI initiated a consultation process for disclosure requirements for Public Issue and Listing of Green Bonds and listing of privately placed Green Bonds. A concept paper based upon the Green Bond Principles, 2015 of the ICMA was placed on the SEBI website on December 3, 2015, for seeking public comments.

First green bond framework of SEBI

After taking public comments from stakeholders into account, SEBI brought a green bond framework in May 2017⁹. Broadly, the requirements of the framework were:

Definition of green debt security

The framework provided that a security would be considered 'green' if proceeds from its issue were to be utilised for project(s) and/or asset(s) falling under any of the following broad categories:

- a. *Renewable and sustainable energy including wind, solar bioenergy, other sources of energy which use clean technology, etc.*
- b. *Clean transportation including mass/public transportation, etc.*
- c. *Sustainable water management including clean and/or drinking water, water recycling, etc.*
- d. *Climate change adaptation*
- e. *Energy efficiency including efficient and green buildings, etc.*
- f. *Sustainable waste management including recycling, waste to energy, efficient disposal of wastage, etc.*
- g. *Sustainable land use including sustainable forestry and agriculture, afforestation etc.*
- h. *Biodiversity conservation*

Plus, certain disclosures had to be made in the offer document as well as continually to the stock exchange by the issuer.

Evolution of the SEBI Green Bond Framework

India has set ambitious renewable energy goals to improve energy access and energy security while taking action on climate change. India has set a net zero target by 2070¹⁰. Net zero, or becoming 'carbon neutral', implies not adding greenhouse gases to the atmosphere.

In order to avert the worst impacts of climate change and preserve a liveable planet, global temperature increase needs to be limited to 1.5°C above pre-industrial levels¹¹. It means that cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance¹².

9. https://www.sebi.gov.in/legal/circulars/may-2017/disclosure-requirements-for-issuance-and-listing-of-green-debt-securities_34988.html

10. <https://www.weforum.org/agenda/2022/09/net-zero-challenges-india-target/>

11. Refer Inter-governmental panel of climate change - <https://www.ipcc.ch/sr15/>

12. <https://www.un.org/en/climatechange/net-zero-coalition>



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But India is the world's third largest emitter of greenhouse gases¹³. A greenhouse gas is a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect. The primary greenhouse gases in Earth's atmosphere are carbon dioxide, methane, nitrous oxide, hydrochlorofluorocarbons (HCFCs), hydrofluorocarbons (HFCs) and ozone¹⁴. The World Economic Forum says that India faces many challenges including a heavy dependence on coal and a lack of funding.

At the COP-26 summit in Glasgow, India had made the following commitments towards its climate change goals¹⁵:

- a. *Raising non-fossil fuel based energy capacity to 500 GW.*
- b. *Lowering total projected carbon emission by one billion tons.*
- c. *Meeting 50% of the country's energy needs through renewable sources.*
- d. *Reduce the carbon intensity of the economy to sub 45% level.*
- e. *Commitment to achieve net-zero emissions by 2070.*

The Indian Government has initiated the following schemes/ policies in pursuit of the goals towards COP-26 targets:

- a. *Commission on Air Quality Management (CAQM) - phasing out of coal use in National Capital Region from January 2023, but exempting thermal power plants using low-sulphur coal.*
- b. *National Biomass Co-firing policy to use biomass like paddy stubble and cow-dung in coal power plants¹⁶.*
- c. *Mandate the use of Flue Gas Desulphurization (FGD) techniques in both existing and upcoming thermal power plants.*
- d. *Government has targeted to achieve 100 million tonnes of Coal Gasification by 2030¹⁷.*
- e. *National Mission on Transformative Mobility and Battery Storage¹⁸.*
- f. *Productivity Linked Incentives (PLI) Scheme on Advanced Cell Chemistry and Battery Storage¹⁹.*
- g. *India Cooling Action Plan²⁰.*

13. <https://www.carbonbrief.org/the-carbon-brief-profile-india/>

14. Refer World Meteorological Organisation - <https://public.wmo.int/en/our-mandate/focus-areas/environment/greenhouse-gases>

15. https://www.mea.gov.in/Speeches-Statements.htm?dtl/34466/National_Statement_by_Prime_Minister_Shri_Narendra_Modi_at_COP26_Summit_in_Glasgow

16. https://powermin.gov.in/sites/default/files/Revised_Biomass_Policy_dtd_08102021.pdf

17. <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1650096>

18. <https://www.niti.gov.in/e-mobility-national-mission-transformative-mobility-and-battery-storage>

19. <https://www.niti.gov.in/sites/default/files/2022-02/Need-for-ACC-Energy-Storage-in-India.pdf>

20. <https://www.iea.org/policies/7455-india-cooling-action-plan-icap>

The new Green Bond Framework of SEBI

SEBI's push to revise the Green Bond Framework

Transition to renewable energy and an effective policy framework, will help India accelerate its drive to net zero. To scale the necessary finance to achieve these national targets, new innovative financial instruments such as green bonds need to scale up.

SEBI held a series of discussions with multiple stakeholders and also its a series of discussions held with multiple stakeholders before releasing the paper for public comments. Accordingly, the consultation paper sought public comments on the following as part of a revised green bond framework:

- *to amplify the definition of green debt securities,*
- *to introduce the concept of blue bonds,*
- *to reduce the compliance cost for issuers of green debt securities while not creating any perverse incentives that may lead to 'greenwashing'.*

Based on the review and after taking into account the public comments on its Consultation paper, SEBI has updated its regulatory framework to provide for the following:

- Enhance the scope of definition of green debt security by including new modes of sustainable finance in relation to pollution prevention and control, eco-efficient products, etc.
- Introduce the concepts of:
 - blue bonds (related to water management and marine sector),
 - yellow bonds (related to solar energy) and
 - transition bonds as a sub category of green debt securities

Accordingly, 'green debt securities' refers to a security, the funds raised through which are used for the all or any of the following purposes:

- i. *renewable and sustainable energy including wind, bioenergy, other sources of energy which use clean technology,*
- ii. *clean transportation including mass/public transportation,*
- iii. *climate change adaptation including efforts to make infrastructure more resilient to impacts of climate change and information support systems such as climate observation and early warning systems,*
- iv. *energy efficiency including efficient and green buildings,*
- v. *sustainable waste management including recycling, waste to energy, efficient disposal of wastage,*
- vi. *sustainable land use including sustainable forestry and agriculture, afforestation,*
- vii. *biodiversity conservation,*

- viii. *pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy efficient or emission efficient waste to energy) and sectors mentioned under the India Cooling Action Plan launched by the Ministry of Environment, Forest and Climate Change,*
- ix. *circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services) and/or eco efficient products,*
- x. *blue bonds which comprise of funds raised for sustainable water management including clean water and water recycling and sustainable maritime sector including sustainable shipping, sustainable fishing, fully traceable sustainable seafood, ocean energy and ocean mapping,*
- xi. *yellow bonds which comprise of funds raised for solar energy generation and the upstream industries and downstream industries associated with it,*
- xii. *transition bonds which comprise of funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions and*
- xiii. *any other category, as may be specified by the Board from time to time.*

SEBI has aligned its extant Green Bond Framework with Green Bond Principles of the International Capital Market Association (ICMA)

Major changes in the new requirements

SEBI has also made major changes to the extant requirements for entities desirous of borrowing funds through SEBI's green bond framework, including disclosure requirements:

1. Third Party Auditor/Certifier

An issuer shall appoint an independent third party reviewer/ certifier, for reviewing/ certifying the processes including project evaluation and selection criteria, project categories eligible for financing by green debt securities, etc. The third party reviewer shall certify the following:

- 1.1 Post-issue management of the use of proceeds from the green debt security,
- 1.2 verification of the internal tracking and impact reporting.

This requirement of appointing a third party reviewer/ certifier is applicable on a 'comply or explain' basis for a period of two years. While this requirement was voluntary under the earlier green bond framework, SEBI thought it fit to make it on a 'comply or explain' basis before making it mandatory because it is one of the important aspects of certification that yields itself to independence and consequent trust for the discerning investor. One of the reasons cited for investors shying away from investing in India's green bonds was the absence of independent certification. SEBI has plugged the gap by introducing this requirement.

'Comply or explain' for this purpose, would mean that the issuer shall endeavour to comply with the provisions and achieve full compliance by two years from the date of issuance of

the circular. In case the entity is not able to achieve full compliance with the provisions till such time, the issuer shall in its annual report, explain the reasons for such non-compliance/partial compliance and the steps initiated to achieve full compliance.

2. Impact Reporting

An impact report is but a means of communicating that intends to convey the change caused due to an activity – the 'before' and 'after' a reform / law / project. Essentially, this is but a measurement of an organisation's activities – in this case, the funds and the projects in which they were gainfully employed in and the effect of the same.

SEBI has stipulated that information, on a project-by-project basis, pertaining to reporting of the environmental impact of the projects financed by the green debt securities shall be reported. Reporting standards or taxonomies followed by the issuer with regard to reporting of environmental impact, if any, shall also be disclosed.

3. Disclosure of major elements of Business Responsibility and Sustainability Reporting (BRSR)

Chapter 6 of the BRSR – on Environment - shall be disclosed by issuers who have issued green debt securities.

Disclosure requirements:

Let us look at the disclosure requirements for issuers desirous of issuing green debt securities in detail. Disclosures are initial and final.

Disclosure requirements for issue and listing of green debt securities - Initial

An issuer desirous of issuing green debt securities shall make the following additional disclosures in the offer document for public issues / private placements:

- 1.1 *A statement on environmental sustainability objectives of the issue of green debt securities;*
- 1.2 *Brief details of decision-making process followed/proposed for determining the eligibility of project(s) and/or asset(s), for which the proceeds are being raised through issuance of green debt securities (as applicable), such as:*
 - a) *process followed/ to be followed for determining how the project(s) and/or asset(s) fit within the eligible green projects categories,*
 - b) *the criteria making the project(s) and/ or asset(s) eligible for using the green debt securities proceeds;*
 - c) *details of taxonomies, green standards or certifications both Indian and global, if any referenced and the alignment of projects with said taxonomies, related eligibility criteria and exclusion criteria, if applicable; and*
 - d) *In case of the proceeds raised through transition bonds – details of the alignment of the objective of the issue with the India's Nationally Determined Contributions (NDCs).*
- 1.3 *Details of the system/procedures to be employed for tracking the deployment of the proceeds of the issue;*

- 1.4 *Details of the project(s) and/or asset(s) or areas where the issuer proposes to utilise the proceeds of the issue of green debt securities, including towards refinancing of existing green project(s) and/or asset(s);*
- 1.5 *Details of an indicative estimate of distribution of proceeds raised through issuance of green debt security between financing and refinancing of project(s) and/or asset(s);*
- 1.6 *Details of temporary placement of the unallocated and unutilised net proceeds from the issue of green debt securities;*
- 1.7 *Details related to the perceived social and environmental risks and proposed mitigation plan associated with the project(s) proposed to be financed/ refinanced through the proceeds from the issue of green debt securities*

Disclosure requirements for listed green debt securities – Continuous

2. An issuer who has listed green debt securities, shall provide following additional disclosures along with its annual report and financial results:
 - 2.1 Utilisation of the proceeds of the issue, as per the tracking done by the issuer using the internal process as disclosed in offer document. Utilisation of the proceeds shall be verified by the report of an external auditor, to verify the internal tracking method and the allocation of funds towards the project(s) and/or asset(s), from the proceeds of green debt securities.
 - 2.2 Details of unutilized proceeds including the temporary placement/utilization of unallocated and unutilized proceeds from each ISIN of green debt security issued by the issuer.
 - 2.3 The following additional disclosures shall be made in the Annual Report:
 - a) *List of project(s) and/or asset(s) to which proceeds of the Green Debt Securities have been allocated/invested including a brief description of such project(s) and/or asset(s) and the amounts disbursed.*
 - b) *Qualitative performance indicators and, where feasible, quantitative performance measures of the environmental impact of the project(s) and/or asset(s). If the quantitative benefits/impact cannot be ascertained, then the said fact may be appropriately disclosed along with the reasons for non-ascertainment of the benefits/impact on the environment.*
 - c) *Methods and the key underlying assumptions used in preparation of the performance indicators and metrics.*
 - d) *Details of the deployment of the mitigation plan (as disclosed in the offer documents) for the perceived social and environmental risks.*

Issuer Responsibilities

3. An issuer of green debt securities shall:
 - 3.1 *maintain a decision-making process which it uses to determine the continuing*

eligibility of the project(s) and/or asset(s). This includes, without limitation statement on the environmental objectives of the green debt securities and a process to determine whether the project(s) and/or asset(s) meet the eligibility requirements;

- 3.2 ensure that all project(s) and/or asset(s) funded by the proceeds of green debt securities, meet the documented objectives of green debt securities;
- 3.3 utilise the proceeds only for the stated purpose, as disclosed in the offer document; and
- 3.4 ensure compliance with the SEBI circular dated February 3, 2023 on “Dos and Don'ts relating to green debt securities to avoid occurrences of greenwashing”

Applicability – New Green Bond Framework

For all issues of green bonds made after April 1, 2023

Reform 4 - TRANSITION BONDS

What is transition?

Ever since global warming and climate change became household terms, there has been a change in the expectation of investors. They want companies to adopt a ESG linked approach to business. Various legislations – the Companies Act, the SEBI Listing Regulations, etc. have recognised the need for businesses to be socially responsible.

There is an imperative need that companies move from a ‘carbon-intensive’ nature of operations to ‘carbon-neutral’ nature of operations. This is what one refers to as *transition*. This transition eventually helps the industry and the nation in moving to net zero. It is in this space that transition bonds find use and finance needed for this transition is known as ‘*transition finance*’.

The present size of the transition finance market is around USD 3.5 billion²¹.

SEBI definition of Transition Bonds

The definition of ‘green debt security’ was revised and notified in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021²² on February 2, 2023. On February 6, 2023, SEBI issued the revised disclosure requirements for such issuances. ‘Transition bonds’ is one of the sub categories of the revised definition of ‘green debt security’. SEBI has defined Transition bonds as green debt securities “which comprise of funds raised for transitioning to a more sustainable form of operations, in line with India’s Nationally Determined Contributions (NDCs).

SEBI, in its consultation paper for the new green bond framework, acknowledged that different jurisdictions have different NDCs (Nationally Determined Contributions) and they have adopted varied transition paths and have diverse operational realities, sustainability related risks, opportunities and the impact may vary across geographies.

21. https://www.climatebonds.net/files/reports/cbi_sotm_2022_03c.pdf

22. See Regulation 2(1)(q) of the SEBI NCS Regulations, 2021



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What are NDCs²³?

Nationally Determined Contributions (INDCs) refer to the climate targets determined by India under the Paris Agreement at the Conference of Parties 21 in 2015 and at the Conference of Parties 26 in 2021, as revised from time to time. India's updated Nationally Determined Contributions (NDCs) are communicated to the United Nations Framework Convention on Climate Change (UNFCCC)²⁴. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement²⁵ requires each Party to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs) that it intends to achieve.

In its NDCs, India has pledged to:

- *improve the emissions intensity of its GDP by 33 to 35 percent by 2030 below 2005 levels.*
- *increase the share of non-fossil fuels-based electricity to 40 percent by 2030.*
- *agreed to enhance its forest cover which will absorb 2.5 to 3 billion tonnes of carbon dioxide (CO₂, the main gas responsible for global warming) by 2030.*

India's Panchamrit concept

In this regard, India has also presented, at the CoP 26, a concept of 'Panchamrit' ('five nectar elements')

- *Achieving the target of net zero emissions by 2070.*
- *By 2030,*
 - *Reach 500 GW non-fossil energy capacity;*
 - *Ensure that 50 per cent of its energy requirements are met from renewable energy;*
 - *Reduce total projected carbon emissions by one billion tonnes and*
 - *Reduce the carbon intensity of the economy by 45 per cent.*

India's 'LIFE' concept

India has also proposed 'LIFE' – 'Lifestyle for Environment' as a key to combating climate change. The vision of LIFE is to live a lifestyle that is in tune with our planet and does not harm it.

Transparency requirements for issuers of transition bonds²⁶

Since transition bonds are *green debt securities* as per the NCS Regulations, SEBI felt a need to ensure that the funds raised for transition finance through transition bonds are indeed used for the purpose. Accordingly, certain stipulations additionally have been brought in by SEBI for issuers of transition bonds in order to facilitate transparency and informed decision making amongst the

23. <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1847812>

24. <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs>

25. See Article 4, paragraph 2

26. https://www.sebi.gov.in/legal/circulars/may-2023/additional-requirements-for-the-issuers-of-transition-bonds_70937.html

investors in the transition bonds and to ensure that the funds raised through transition bonds are not being misallocated.

As per the SEBI circular dated May 5, 2023, an issuer desirous of issuing transition bonds shall make the following additional disclosures:

Disclosure in the offer document for public issues /private placements of such transition bonds:

a. Denotation

In order to differentiate transition bonds from other categories of green debt security, Issuer of transition bonds shall use a denotation '**GB-T**' - in the offer documents on the cover page and in *type of instrument* field in the term sheet.

b. Transition Plan

The transition plan shall contain the following:

- (i) *Details of interim targets* / milestones along with an indicative timeline for achieving the targets.*
- (ii) *Brief of the project implementation strategy.*
- (iii) *Details regarding the usage of technology for the project implementation.*
- (iv) *Mechanism to oversee the utilization of the funds raised through transition bonds and the implementation of the transition plan. Issuers may form a committee to oversee the implementation and ensure timely completion of the defined targets.*

**SEBI has stipulated that interim targets should also reflect the indicative figure regarding how much emissions the issuer is envisaging to reduce.*

Disclosures to be made by issuer:

The following are the disclosures to be made by an issuer of Transition bonds:

a. **Disclosures in Centralised Database for corporate bonds:**

An issuer of transition bonds shall disclose the denotation in the Centralized Bond Database by filling the denotation '**GB-T**' as prefix in "*instrument details*" field in Centralized Database.

b. **Disclosure to Stock Exchanges:**

An Issuer of transition bonds, shall disclose the revised transition plan along with an explanation for any such revision to the already disclosed plan during the year; if applicable.

c. **Disclosure in the Annual Report:**

The Issuer, shall disclose the transition plan along with a brief on the progress of the implementation of the transition plan.

Applicability – Transition Bond Framework

For all issues of transition bonds made after April 1, 2023



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Reform 5 - GREENWASHING

SEBI defines 'greenwashing'²⁷ as:

"Greenwashing" is making false, misleading, unsubstantiated, or otherwise incomplete claims about the sustainability of a product, service, or business operation."

Greenwashing - Issuer obligations:

An issuer of green debt securities shall ensure the following to avoid its occurrence, according to SEBI:

(i) *Monitoring:*

While raising funds for transition towards a greener pathway, it shall continuously monitor to check whether the path undertaken towards more sustainable form of operations is resulting in reduction of the adverse environmental impact and contributing towards sustainable economy, as envisaged in the offer document.

(ii) *Avoidance of mis-utilisation:*

It shall not utilize funds raised through green bonds for purposes that would not fall under the definition of 'green debt security' under the NCS Regulations.

(iii) *Disclosure and early redemption:*

In case any such instances of mis-utilisation come to light regarding the green debt securities already issued, it shall disclose the same to the investors and, if required, by majority of debenture holders, undertake early redemption of such debt securities.

(iv) *No misleading practices:*

It shall not use misleading labels, hide trade-offs or cherry pick data from research to highlight green practices while obscuring others that are unfavourable in this behalf.

(v) *Highest Standards:*

It shall maintain highest standards associated with issue of green debt security while adhering to the rating assigned to it.

(vi) *Quantification:*

It shall quantify the negative externalities associated with utilization of the funds raised through green debt security.

(vii) *Claims:*

It shall not make untrue claims giving false impression of certification by a third-party entity.

Applicability - Greenwashing DOs and Don'ts

February 3, 2023 onwards

27. https://www.sebi.gov.in/legal/circulars/feb-2023/dos-and-don-ts-relating-to-green-debt-securities-to-avoid-occurrences-of-greenwashing_67828.html

Reform 6 - ESG RATINGS

ESG ratings rate companies on the basis of their ESG policies is a set of aspects considered when investing in companies, that recommends taking environmental issues, social issues and corporate governance issues into account. Consultation papers were issued by SEBI on ESG ratings in January 2022²⁸ and February 2023²⁹, seeking public comments on the proposed regulatory framework.

ESG ratings - Concerns

The following are the issues with ESG ratings, which the SEBI framework aims to tackle:

- No two rating providers use similar methodology – the metrics of measurement and terms used and defined are different and thus even ratings of the same company by two different rating agencies are not comparable.
- In certain cases, the practices used are opaque and part of a system that is proprietary and thus not transparent.
- No independent assessment, relies upon a company's own reporting and in many cases, own reporting does not follow a format as either the format is not prescribed or not standardised.
- Matters like labour relations, safety, supply chain, due diligence, etc. are not part of ranking methodologies, thus rendering the S part of ESG infirm.
- The definition of 'green' is fluid and varies from agency to agency.

There are many cases that bring out the dichotomy in ESG ratings internationally.

SEBI reforms on ESG Ratings

SEBI is the first regulator in the world to bring a regulatory mandate on issues relating to rating providers and ESG ratings. SEBI, in its consultation paper, stated that:

- *in the area of ESG Investing, there is a need to ensure robustness of disclosures and undertake measures to mitigate the potential risk of green-washing and mis-selling.*

The SEBI Board, in its meeting in March 2023, approved reform with regards to ESG ratings in India³⁰. In the press release, SEBI stated that:

“To facilitate a balanced approach to ESG and considering that Emerging Markets have a different set of environmental and social challenges:

- *ESG Rating Providers (ERPs) shall be required to consider India / Emerging Market parameters while issuing ESG Ratings.*
- *However, there would be no constraints on their issuing other / additional ratings as required by their clients.*

28. https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/consultation-paper-on-environmental-social-and-governance-esg-rating-providers-for-securities-markets_55516.html

29. https://www.sebi.gov.in/reports-and-statistics/reports/feb-2023/consultation-paper-on-esg-disclosures-ratings-and-investing_68193.html

30. https://www.sebi.gov.in/media/press-releases/mar-2023/sebi-board-meeting_69552.html



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- *In order to facilitate the credibility of ESG Ratings, ERPs shall offer a separate category of ESG Rating called as 'Core ESG Rating', which will be based on the assured parameters under BRSR Core."*

SEBI has recently, in July 2023, brought about reforms on ESG ratings. The following are the salient features of the reforms:

ESG Ratings – Definition

ESG ratings defined as products providing an opinion on the ESG profile or characteristics of an issuer or security, including exposure to ESG risks, in line with IOSCO recommendations.

Activities of ESG Rating Providers (ERPs)

The activities of ERPs are limited to rating listed issuers and securities, as well as additional activities as may be specified by SEBI or other regulators. In order to prevent conflict of interest, consultancy in ESG-related areas by ERPs is not permitted.

ESG rating reforms – Applicability

SEBI regulations on ESG Ratings shall apply to both domestic and foreign ERPs, if their ratings are utilised by users in India. However, cases of foreign ERPs, offering ratings exclusively on global asset classes for Indian investors, do not come under their purview.

Categories of ERPs

There are two categories of ERPs:

- Category I (big) and
- Category II (small) (Category II ERPs cannot certify green debt securities or engage in specified activities)

Each category has different requirements for

- net worth,
- promoter qualifications,
- manpower, etc.

Business plans

During registration, ERPs have to submit business plans and targets for revenue, clients, break-even and projected losses.

ERPs will risk cancellation of registration in case of non-compliance with the stipulations of SEBI.

Disclosures

ERPs must disclose:

- rating methodologies,
- changes in ratings,

- compensation arrangements,
- type of ESG rating – impact / risk / others,
- individual scores on each of the parameters of Environment, Social and Governance,
- In case of a change in rating methodology, the extent to which it resulted in rating changes and
- Whether the ESG ratings assigned were solicited/unsolicited.

Measures on Governance

ERPs shall ensure governance measures with focus on:

- managing conflicts of interest,
- ensuring independence,
- avoidance of roles related to ESG advisory.

ERPs should maintain the quality and accuracy of rating by ensuring that there are:

- proper internal resources,
- systematic review processes,
- timely information, etc.

SEBI Oversight

ERPs shall undertake continuous monitoring of ratings. SEBI shall inspect ERPs, periodically.

Risk Management by ERPs

ERPs shall ensure that they follow procedures to prevent insider trading, fraudulent practices and protect non-public ESG rating information.

Applicability – ESG Rating Provider Framework

From July 12, 2023

Conclusion

Sustainability is a term that is part of everyday life and every day business. SEBI has been at the forefront of ensuring transparency as well as create avenues for sustainable finance in India. During the past few years, Environmental Social and Governance (ESG) analysis, sustainability data, disclosures regarding risks and opportunities are being increasingly reported by companies. SEBI's reforms have bridged the need for a more comprehensive framework of reporting which can reduce the gap and enhance the efficiency of capital markets.

SEBI's BRSR is a significant improvement over the existing BRR and a noteworthy step towards bringing sustainability reporting at par with financial reporting. As companies adapt to the new reporting requirements, some issues for consideration will be the need for having sector-specific disclosures and considering assurance requirements for ensuring the quality of sustainability reporting; this is



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the future. Similarly, SEBI's reforms on green finance will assist India Inc in borrowing sustainable finance for business. ESG ratings are a commendable attempt by SEBI, especially when there is no such regulatory reference point anywhere in the world. The two important laws applicable to a listed company, the Companies Act as well as the SEBI Listing Regulations recognize the need for sustainable business and the responsibilities run more than business, as follows:

Section 166 (2) of the Companies Act, 2013

“A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.”

Regulation 4(2)(f)(iii)(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 states:

“Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care and in the best interest of the listed entity and the shareholders.”

In this context, SEBI's job is note-worthy in not looking at ESG aspects on a standalone basis but as a complete picture. In the backdrop of increasing interest in sustainable finance in India as well as around the globe and with a view to align the extant framework for green debt securities with the updated Green Bond Principles (GBP), SEBI has undertaken a review of the regulatory framework for green debt securities. As regards ESG ratings, a first of its kind initiative to regulate, ESG Rating Providers by SEBI has earned it plaudits around the world and is also serving as legislation to draw learnings from regulators around the world.

The strengthened disclosure requirements by the issuers provides granular information to the investors which will enable them to make an informed investment decision and also create an avenue of sustainable finance for issuers. SEBI's requirements on the enhanced disclosures and guidelines on greenwashing will enable the issuers to avoid the instances of greenwashing.

It is hoped that these reforms assist *India Inc's* transition to *Net Zero*.



ESG in Action: Driving Value Creation & Sustainability

CS Shujath Bin Ali*

Shri K.S. Aravind**

Introduction

In the past decade, there has been a significant rise in the environmental and social concerns along with the increased concern for adopting Environmental, Social and Governance (ESG). As compared to previous decades, where industry evolution boomed without concern for the environment or social welfare, the present society is far more aware, pushing for cleaner, safer and sustainable services. Accountability has arisen significantly and government, investors and consumers are pushing for the same. With the Paris Agreement of 2016, ESG clauses have become a part of trade and investment agreements and government use it to promote sustainability goals.¹

ESG principles extend beyond traditional business models and require companies to perform not just financially but also in their environment, social and governance practices. Countries around the world are implementing strict regulatory measures, violations of which attract hefty fines. India has also made it mandatory for top companies to follow ESG-related disclosures.

As of now various guidelines and reporting standards are present which can be used by businesses to formulate their ESG strategy and Reporting, these include OECD Due Diligence Guidance for Responsible Business Conduct, Sustainability Standard by Global Reporting Initiative, Task Force on Climate-related Financial Disclosures, SASB Standards, etc. Stakeholders use these reports to understand and compare the ESG initiatives of organizations.

While these factors necessitate businesses to have a robust ESG strategy and reporting, implementing the same can add value to the company and enhance sustainability.

ESG Concepts and Regulations

A. Concepts

ESG is an investing approach that focuses on three key elements as priorities during the investment decision-making processes. ESG parameters provides a way to assess the viability and social effect of a company's operations. It reflects a governance concept that is comprehensive, realistic and balanced, focusing on encouraging long-term value creation.² The three elements of ESG are:

- a. **Environment:** The environmental factor focuses on concerns like greenhouse gases and the release of pollutants into the environment (air, land, water). Some of the methods

*Global General Counsel & Chief Compliance Officer, Re Sustainability Limited

**Assistant Manager, Legal & Compliance Department, Re Sustainability Limited

The views expressed are personal views of the authors and do not necessarily reflect those of the Institute.

1. ALP NG & Co, "The Importance of ESG and its effect on International Arbitration", ALP Review.

2. Li, T.-T.; Wang, K.; Sueyoshi, T.; Wang, D.D." ESG: Research Progress and Future Prospects". Sustainability 2021, 13, 11663.

used to assess this parameter are by data on waste management like recycling/reuse of material renewable energy used and pollutants released by an organisation.

- b. **Social:** This parameter covers the management of employees, which include labour practices, training and social welfare. Reporting includes safety standards at work, DEI (Diversity, Equality and Inclusion), Corporate Social Responsibility (CSR), etc.
- c. **Governance:** It includes systems and practices that control decision-making and accountability. Board independence, open executive compensation, ethical behaviour, safeguarding shareholder rights, risk management, stakeholder engagement and regulatory compliance are few of the important aspects of governance.³

ESG Reporting is the process through which businesses and organizations disclose information about their ESG performance. It entails the methodical and open dissemination of information regarding an entity's sustainability initiatives and the effects they have on diverse stakeholders.

B. Regulations and Disclosures

Around the world, various regulatory compliances have been established to make companies more ESG-focused, this includes listing down reporting parameters, the format of reporting and methods to rate ESG standards of organization.

In the European Union, the Non-Financial Reporting Directive (NFRD) mandates that specific large EU public-interest companies include non-financial and diversity information in their annual reports covering various aspects of ESG responsibilities. The Sustainable Finance Disclosure Regulation (SFDR) has a distinct objective of enhancing transparency within the sustainable investment market. This is to combat the malpractice of 'greenwashing'. Additionally, the SFDR aims to increase investments in sustainable products to increase the shift toward a low-carbon economy.⁴ A company is said to be greenwashing when it falsely markets itself or its products to be following ESG principles that mislead the stakeholders. This can be avoided by using reputed ESG frameworks like Global Reporting Initiative and Sustainability Accounting Standards Board (SASB).

In India, a variety of existing laws address different aspects of ESG that apply to corporate operations. Laws like the Environment Protection Act, 1986 (EPA Act) and the Water (Prevention and Control of Pollution) Act, 1974 address environmental concerns. Laws such as the Factories Act, 1948 and Shops and Establishment Act, govern employee-related matters. Corporate governance is regulated by acts like the Prevention of Money Laundering Act, 2002, the Prevention of Corruption Act, 1988, Companies Act, 2013, various SEBI Regulations, etc.

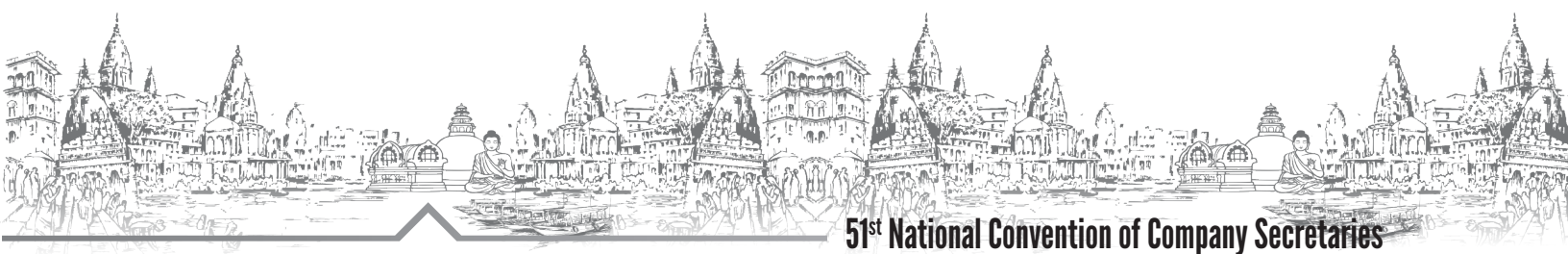
The level of compliance responsibilities differs depending on the size and characteristics of the corporate entity. For example, larger companies are subject to more rigorous governance regulations under the Companies Act, 2013. Under the Act, Companies that meet certain financial criteria have to dedicate two percent of their average net profit of the preceding three financial years towards Corporate Social Responsibility.⁵ In the EPA Act, industries are categorized into pollution levels, ranging from Red (high pollution) to Green (low pollution).⁶

3. Deloitte, *ESG Explained: What is ESG?, Perspective*.

4. Squire Patton Boggs, *ESG Laws Across the World, July 2023*.

5. Section 135, *Companies Act, 2013*.

6. J Sagar Associates, *ESG Comparative Guide, Mondaq, June 2023*.



In May 2021, SEBI introduced the Business Responsibility and Sustainability Report (BRSR) replacing the Business Responsibility Report. Under BRSR, listed companies are required to disclose performance under the National Guidelines on Responsible Conduct Principles. According to it for the year 2022-23, the top 1000 companies by market capitalisation had to make mandatory ESG disclosures. The BRSR includes disclosures related to management and processes, as well as disclosures based on principles and performance. Furthermore, the BRSR allows for compatibility in reporting, meaning, that organizations that produce sustainability reports following globally recognized reporting frameworks could refer to the disclosures required by the BRSR within their reports.

Presently, to encourage a balanced approach to ESG, SEBI has authorised the regulatory framework for Environmental, Social and Governance (ESG) disclosures, ratings and mutual fund investment. This was after publishing a consultation paper on 'ESG Disclosures, Rating and Investing' for public comments on February 2023.⁷ With this, BRSR core was introduced which includes specific Key Performance Indicators falling under ESG categories for which listed companies have to obtain reasonable assurance. Initially, the consultation paper proposed the application of reasonable assurance of BRSR core on top 250 listed companies, who, as of the fiscal year commencing in April 2024, will be required to adhere to the disclosure requirement but the same was changed to 150 listed companies⁸ for FY 2023-24.

ESG disclosure of value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024 -25 and FY 2025 -26, respectively. ESG Rating Providers (ERPs) shall do ESG rating by considering India-specific parameters as India is still in the preliminary stage of ESG implementation. ERPs must provide a distinct ESG Rating category called "Core ESG Rating" that is based on the assured parameters under BRSR Core in order to increase the credibility of ESG Ratings. It also lists down measures to mitigate against greenwashing and misspelling, by mandating ESG schemes to invest at least 65% of AUM in listed entities; by increasing voting disclosures with an emphasis on ESG theme; case studies and fund manager comments that show how the ESG strategy is used in the fund or investment disclosed.⁹

ESG: Value Creation

ESG implementation creates value throughout the organization. In a study conducted by McKinsey,¹⁰ it was found that ESG creates values in five ways - decreasing cost, mitigating regulatory risks, optimizing capital & investment, driving top-line growth and improving workforce productivity. These can be broadly divided into two headings:

A. Business and ESG

With the increase in stakeholder awareness of creating long-term value in their investments, ESG investing is evolving rapidly. Non-adoption of ESG factors make an organisation vulnerable to risks such as regulatory fines and reputation damage by controversies, which, in turn can affect their

7. SEBI, *Consultation Paper on ESG Disclosures, Ratings and Investing*, February 2023.

8. SEBI, *Balanced Framework for ESG Disclosures, Ratings and Investing*, SEBI Board Meeting, March 29 2023.

9. *Ibid*

10. Witold Heinz, Tim Koller, Robin Nutall, *Five Ways ESG Creates Value*, McKinsey Quarterly, November 2019

returns and investors' interest in the organisation. Hence, ESG brings dual benefits in increasing financial performance by increasing reputation among the stakeholders and reducing costs by mitigation.¹¹

i. Stakeholder Trust and Increase in Capital

Consumers and investors are progressively channelling their funds towards companies that have robust ESG policies, a demonstrated history of sustainability and an ongoing dedication to enhance environmental and social impacts in their operational areas. According to research by Gartner, it was found that ESG was considered as a decision making factor by 85% of investors.¹² As investors are inquiring about how a company manages social and environmental risks, it becomes vital for organizations to diligently evaluate and openly communicate their ESG initiatives and performance.¹³

Every company needs a good corporate reputation and ESG principles are critical for assisting companies in establishing and sustaining a favorable reputation. A company's commitment to social responsibility, sustainable development and corporate ethics is effectively communicated through ESG practices. They gain trust and credibility from all of their stakeholders consequently, including customers, employees and investors. ESG practices also function as a risk-reduction approach, shielding companies from adverse consequences. By making plans and being ready beforehand, businesses may manage risks, solve challenges and seize opportunities more effectively. This raises their likelihood of long-term growth and success, a quality that investors look for.

In a survey carried out by Weber Shandwick,¹⁴ it was revealed that global corporate leaders attribute 63% of their company's market value to the overall perception of their reputation. Furthermore, this study showed that corporate boards are becoming more aware of the value of reputation; according to 91% of the executives surveyed, their board of directors places a high priority on the company's reputation. Similar to this, a PwC poll revealed that 79% of investors regard ESG risks as a critical aspect of their investment decisions. Additionally, 75% of these investors said that businesses need to strongly address ESG concerns, even if doing so would have an adverse effect on their near-term profitability.¹⁵

Establishing a meaningful connection with customers that aligns with their rational and emotional desires can strengthen brand loyalty. Additionally, such companies gain an advantage in recruiting and retaining talent. Fostering enthusiastic and purpose-driven employees can lead to increased employee satisfaction and overall enhanced performance, all of which are essential for a company's sustained success.¹⁶

11. *Supra 2.*

12. *Gartner, The ESG Imperative: 7 Factors for Finance Leaders to Consider, June 10 2021*

13. *Rafiq Merchant, How Tracking ESG Metrics Can Help Reduce Costs and Build Supply-Chain Resilience, Harvard Business Review, April 2023*

14. *Weber Shandwick, The State Of Corporate Reputation In 2020: Everything Matters Now, 2020.*

15. *James Chalmers, Emma Cox and Nadja Picard, ESG Investor Survey: The economic realities of ESG, PWC Global, 2021*

16. *Marc H. Iyeki, The Business Case for ESG: How Evolving Stakeholder Perspectives are Driving Corporate Success, CAIA Association, May 2023.*

ii. Cost saving by Risk Management

Risk management is a major area of focus in ESG frameworks as it is a helpful tool for boosting resilience. The process of identifying, evaluating and managing risks play a crucial part in reducing vulnerabilities. In order to maintain compliance, organisations must carefully track and evaluate their ESG performance, which requires them to evaluate possible risks across the business as well as supply chains. Research has shown a positive link with earnings when risk was taken into account as a mediating element than when it was not. Additionally, studies have shown the value of addressing ESG-related risks, particularly those connected to climate change, where good management is associated with enhanced financial results.¹⁷

Additionally, businesses with an ESG emphasis tend to have effective controls and procedures for governance and legal compliances. As discussed above, compliance requirements are increasing across the world. Recent estimates from the Bank of America Global Research team indicate that “ESG disputes” have resulted in more than \$600 billion in market losses for S&P 500 companies.¹⁸ If ESG issues are not handled swiftly and efficiently, they can affect a company’s profitability and capacity to exist. Organisations must thus recognise and limit the many risks that jeopardize their business.

B. ESG and Sustainability

With global issues like climate change and pollution, implementing sustainable business practices has become essential. With the Paris Agreement on climate change and the agreements made in COP 26, nations around the world have given their commitment to de-carbonisation efforts. This is reflected in increased regulation of businesses pushing them to make various initiatives to achieve net-zero greenhouse gas emissions. Additionally, there has been an emerging trend in investors focusing their funding on Companies with low-emissions and this will have a significant effect on a variety of industries, driving them to lower their emissions.¹⁹

As stakeholders increasingly demand greater transparency and information regarding ESG factors, organizations are responding with more comprehensive sustainability reports. These reports often encompass various aspects of sustainability, including emissions (such as scope 1, 2, and lately, scope 3 emissions), water management, DEI efforts, community engagement, health and safety measures and governance practices. Additionally, these sustainability reports showcase a company’s compliance with various voluntary initiatives such as the Task Force on Climate-related Financial Disclosures, SASB Standards and the Global Reporting Initiative.²⁰

As mentioned above, countries are implementing various environmental compliances that companies have to adhere. The national and state pollution control authorities of India are given the authority to implement emission and effluent regulations for businesses that discharge

17. Tensie Whelan, Ulrich Atz, Tracy Van Holt and Casey Clark, CFA, *ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020*, NYU Stern, 2021

18. Global Risk Management Institute, *What is ESG and Why it is important for risk management*, 2022

19. KPMG, *Why ESG performance will affect companies’ access to capital*, March 2023

20. Deloitte, *A green world through ESG compliance*, 2022

contaminants into the environment.²¹ Heavy fines are imposed for violation of the same as well. Hence, environmental compliance has become a core part of a business's ESG strategy.

One such example is Circular Economy model, a model in which the products introduced are reused, recycled and repaired, hence, reducing waste and extending the lifecycle of the product. This reduces the use and throw culture that is prevalent in society. This reduces the use of natural resources like land for landfill, energy usage, usage of raw materials, etc.²²

i. ESG and Innovation

Implementing measures that are both quantitative and demonstrable is necessary for a good ESG strategy. This requirement acts as a reason for innovation and progress that could promote the de-carbonization movement and encourage the development of fresh goods and services.²³ ESG considerations are acting as powerful drivers of innovation within the renewable energy sector. Along with solar energy and wind energy, one innovation is Waste to Energy technology in which chemicals from waste are used to produce energy like electricity, heat, etc.

One notable trend is the increase in community-based renewable energy projects. In these endeavors, local communities take ownership and operational control of renewable energy infrastructure. This not only cultivates a sense of ownership and responsibility but also encourages active community engagement in the collective effort to reduce carbon emissions.²⁴

ii. Social Equity and Inclusivity through ESG Practices

According to the PwC Survey, 48% of consumers think that businesses should do more to address social challenges, particularly in the area of human resource management. This covers elements like diversity, equity and inclusion as well as fair recruiting procedures and pay parity. Business executives are under great pressure to provide disclosures that are more open so that stakeholders may determine if the organisation is addressing such business issues.²⁵

There are various benefits of having a more varied and inclusive staff, including higher financial performance, more creativity and better decision-making. Organisations that prioritise DEI activities are also better able to recruit and retain top personnel, which may lead to sustainable long-term growth. These businesses frequently promote inclusive cultures that encourage flexible work schedules, equitable opportunity, moral sourcing, just salaries, and involvement in the community. This attention to employees' requirements leads to better decision-making, a reduced staff turnover rate and more employee happiness. Additionally, it fosters a co-operative and inventive company culture where staff members are at ease discussing their ideas.²⁶

21. *Air Act, 1981 and Water Act, 1974*

22. *European Parliament, Circular economy: definition, importance and benefits, 24-05-2023.*

23. *Ibid 20.*

24. *Bryan Gartenberg, ESG and Innovation: The Future of Project Finance, 6 June 2023*

25. *PwC, Beyond compliance: Consumers and employees want business to do more on ESG, 2021*

26. *Global Diversity Practice, Diversity and Inclusion Are More Than the 'S' in ESG, 16 December 2021*

The promotion and integration of ESG principles into a company's operational structure are inextricably linked to ethical behaviour. At certain times, this requires taking into account issues pertaining to people's rights, obligations, welfare of society, justice, and certain other qualities. This applies to all types of people, including individuals, groups and organisations. Following ESG guidelines demonstrates to customers and stakeholders that a company is aware of the impact it has on society and is equally aware of how society affects its operations. Such passion demonstrates a commitment to becoming an uplifting and beneficial influence in its community.²⁷

Implementation and Challenges

A. Implementation

- a) **Strategic Alignment which is hard to imitate:** An ESG strategy should be effectively connected to achieving the broader picture and should be made in a way that the competitors will be unable to copy or imitate the same. This ensures that the Company will stand apart from its competitors.
- b) **Board Leadership and Oversight:** Advancing the ESG strategy essentially entails embedding sustainability components into the company's core strategy. Therefore, the responsibility for this strategy's ownership and supervision, including its implementation, should rest with the Board and senior management.
- c) **Spreading the commitment:** Numerous strategic initiatives fall short because individuals at lower levels of the organizational hierarchy either doubt the genuine dedication to ESG objectives or lack precise guidance on how to attain them. This often results in such efforts being marginalized or inconsistently executed across various departments. To address this issue, organizations need to pinpoint a corporate purpose and foster a culture centered on it.²⁸
- d) **Data Collection:** Companies need to identify internal and external data sources that provide the necessary information. The data should be accurate and reliable, and companies should ensure the data quality.
- e) **Metrics and Goals:** The implementation program comprises both quantitative and qualitative objectives that serve as benchmarks to assess the company's advancement towards its objectives. Although top leaders should establish goals, it is essential to grant authority to unit leaders and middle management to devise strategies for achieving these goals.
- f) **Monitoring:** The method of implementation should make it easier to assess the effectiveness of various programs on a regular basis, allowing the business to make the required improvements.
- g) **Stakeholder engagement:** Fostering engagement with stakeholders regarding ESG matters is crucial for gaining insight into their expectations and addressing their concerns effectively. This engagement not only strengthens relationships but also enhances overall organizational performance.

27. Sharon G. Dayoan , *ESG is ethical and profitable for business*, KPMG, 30 January 2023

28. George Serafeim, *Social-Impact Efforts That Create Real Value*, September–October 2020 issue of *Harvard Business Review*.

- h) **ESG Reporting:** As mentioned above, many companies resort to 'greenwashing', which has led to stakeholders being cautious about the reports. Hence, it is necessary for organisations to use trusted ESG standards like GRI, SASB, etc. when reporting.

B. Challenges of implementing ESG

- a) **Complex regulatory regime:** Regulations are becoming more stringent by the day, with ever more detailed requirements that can pose challenges for companies to effectively comprehend and adhere.
- b) **Collecting relevant Data:** ESG considerations encompass a wide range of factors, including diversity initiatives, executive compensation and environmental concerns. As a result, many companies face the challenge of having data scattered across disparate systems that lack integration with their planning and reporting tools. In such cases, the entire process often relies on manual efforts involving the extraction of large volumes of data and extensive spreadsheet work, leading to delays, inaccuracies and potential corporate risks. Furthermore, the ever-changing disclosure requirements add complexity to the reporting landscape.²⁹
- c) **ESG related costs:** For smaller organisations or less established enterprises who are still building their businesses and frequently have limited resources, the costs to integrate ESG into their operations and publish pertinent ESG information might be disproportionately bigger. The collection, collation, calculation and presentation of new information will burden companies and increase their costs. Additional expenses for doing audits and providing guarantees on the given data must also be taken into account.³⁰
- d) **Lack of ESG experts:** Being an emerging sector, ESG analysis by investors and others, as well as ESG integration inside organisations demand a vast skill pool. The majority of businesses lack the skilled internal resources needed to properly execute ESG efforts.

Conclusion

Businesses should try to adopt ESG implementation since it is required for regulatory compliance, the development of long-term value, and a commitment to sustainability. The advantages are clear, despite obstacles including financial concerns and difficult data-gathering methods. Companies that follow ESG principles not only abide by changing legal frameworks but also put themselves in a position to prosper in a market where consumers value social responsibility. Ethical investors and customers are attracted to businesses that increase resilience via ESG integration. Additionally, it boosts operational effectiveness, fosters innovation, and lowers risks. The long-term advantages in terms of reputation, stakeholder trust, and sustained profitability justify the necessary up-front costs.

In an era where sustainability and social responsibility are not just mere phrases but vital drivers of success, ESG adoption is a strategic requirement for businesses looking to prosper, adapt and lead in a quickly changing business environment. Businesses can ensure their position in a world where conscious capitalism is the road to long-term prosperity by confronting the issues head-on and committing to a sustainable future.



29. Bedford Consulting, *The 5 main challenges of ESG reporting and best practice*, 2023

30. *Business World*, *Four Primary Challenges Hindering Adoption Of ESG In India*, 24 June 2022

ESG: Creating Value and Sustainability for the Future

CS Akarshak Maheshwari*

CA Sabita Kallakuri**

Latest research by institutions such as CFA Institute, reveal that roughly 89% of investors considered ESG components as part of their investment approach in 2022, up from 84% in 2021¹. Non-financial factors are being weighted equally with the financial factors by the investors and companies in the current economic system of investing. As reported by the Bloomberg Intelligence's 2023 statistics, the total of assets under management in ESG related funds globally is approximately \$41 trillion, up by 40% from \$22.8 trillion in 2016². As per reports of Navex Global and Quoted Compliance Alliance, as of 2020, 88% publicly traded companies, 79% venture and private equity backed companies and 67% of privately owned companies had ESG initiatives in place. 77% of small and mid-caps had formal purpose statement related to ESG and nearly 18.5% small and mid-caps were using ESG standards and frameworks³.

The above statistics reveal that ESG has been gaining tremendous importance across industries in the global corporate world. ESG is not, however, a new concept. So, why then the sudden focus on these factors? Why are governments and countries actively launching new laws and regulations around these factors and focusing on non-compliances?

ESG, short for Environmental, Social and Governance, came into existence almost a decade ago in 2001 with the launch of FTSE4Good Index. However, the core concept of ESG and related investments have existed for centuries. In the 1960s and 1970s, one witnessed the first ESG implementation when divestments from South Africa were advocated to protest the country's system of apartheid. ESG was coined by the United Nations in 2004 when then UN Secretary General Kofi Annan invited 50 CEOs of major financial institutions to participate in a joint initiative of UN Global Compact with the support of International Financial Corporation (IFC) and Swiss Government⁴. The purpose of this initiative was to find ways to integrate ESG into capital markets, giving birth to the concept of "Responsible Investing".

Why the sudden focus on ESG? Over the last few years, the world has changed in many ways. Worsening human-cause, climate change, shortage of natural resources leading to manufacturing

* Asst. General Counsel & Company Secretary, EruLearning Solutions Pvt. Ltd.

** Associate Director - Process Excellence, EruLearning Solutions Pvt. Ltd.

The views expressed are personal views of the authors and do not necessarily reflect those of the Institute.

1. Brian baker, CFA and Mercedes Barba, "ESG Investing Statistics 2023", published January 31, 2023. www.bankrate.com

2. Toni Vitali, "ESG Investing Statistics (2023)", updated June 12, 2023, www.investingintheweb.com/education/esg-investing-statistics

3. John Niemoller, "25 ESG Statistics You Need to Know in 2023", corporate ESG sustainability, January 6, 2023, perillion.com/blog.

4. Georg Kell, "The Remarkable Rise of the ESG", published on July 11, 2018 on Forbes.com.



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inefficiencies affecting environment, rise in inflation, pandemic and health issues leading to job cuts, cost reduction measures, tremendous encouragement to start-ups and heavy investment in such industries bringing in governance related issues has affected economy in multiple ways. These factors have affected company profits, costs and resources, have led to the remarkable rise of the ESG. ESG became the new normal since the 2018.

ESG, a subset of sustainability, stands on 3 main pillars – Environmental Factors, Social Aspects and Corporate Governance.

- **Environmental Factors:** Environmental factors refers to energy consumption and waste management measures adopted by a company that benefit both the company and the environment. It includes carbon emissions and climate change measures. Every company uses energy and resources; every company affects, and is affected by, the environment.
- **Social Aspects:** Social aspects address the relationships that a company holds and the reputation it fosters with people and institutions in the communities it serves. This includes diversity, inclusivity and general obligations of the company towards the society since every company operates within a broader, diverse society.
- **Corporate Governance:** Corporate Governance is the system of policies, practices, controls and procedures adopted by a company to govern itself and its affiliates to enable it to make effective decisions, to comply with the relevant laws and regulations and to meet the needs of external stakeholders. Every company, whether small or large, irrespective of the industry type, requires governance.

These factors may be attributed as the 3Ps – People, Process and Products:

- People reflects the social criteria;
- Process implies Governance; and
- Products revolves around the Environmental criteria.

It is important to understand that even though the ESG factors are considered individual driving factors/criteria, they are interconnected and sometimes overlap, complement, and assist each other while driving towards a sustainable outcome.

So, why should companies worry about what is happening outside their walls, including climate change and biodiversity loss? What values are fundamental to the company? What does business owe to society and the planet? Isn't job creation and production of useful products sufficient? Answers to these questions are eye opening. No business can work in isolation, without considering its impact on others. Business and economic activities are intertwined and should seek to operate with minimum impairments to nature, biodiversity, social harmony, eco-system and governance system.

How, then, does the ESG create value to a business ensuring right balance between economic, social and company values and its net worth? The 2023 statistics report by S&P Global Market Intelligence states that 80% of the world's largest companies are reporting exposure to physical and market transition risks associated with climate change. As per PwC's 2023 report, 76% of the consumers say they would stop buying products of companies that treat the environment,

employees and/or the community poorly. Further, according to the Cone Communications report, 88% of consumers state that they would be more loyal to companies that support social or environment issues. These percentages support the fact that ESG is about value preservation and value creation by optimizing the use of key business resources and capital. Conversely, inaction may lead to value destruction.⁵

ESG factors have a direct and indirect impact on a company's financial performance. Below are some of the potential factors that enable a company in its journey of value creation:

- **Customer Demand for ESG-driven Products:** Companies that adopt ESG-focussed product strategy have had top line growth by way of entry into new markets and expansion in the existing markets. The simple reason for this is the trust amongst customers, authorities, supply chain networks that provides the required access, approvals and licenses for growth. An example for such a growth is – Unilever developed Sunlight, a brand of dishwashing liquid that used much less water than its other brands, sales of Sunlight and Unilever's other water-saving products outnumbered category growth by more than 20 percent in several water-scarce markets.
- **Emission Reduction Leading to Cost Savings:** Reduced emissions will lead to a reduction in costs due to less spending on waste management, lower payment of taxes on carbon emissions and lower transportation costs, each of which will directly benefit the bottom line.
- **Purpose-driven and Inclusive Workplace:** Cultivating a purpose-driven and inclusive work environment should result in increased productivity. Research has revealed that employee satisfaction positively correlates to shareholder returns. Many companies have developed Gender Diversity and Inclusivity indexes (GDI index) to track them as goals to improve employee morale, satisfaction and overall sense of belongingness. Study reveals that such companies have low employee turnover rate and employee issues. This is demonstrated by London Business School's Alex Edmans research that companies that made Fortune's "100 Best Companies to Work For" list generated 2.3 percent to 3.8 percent higher stock returns per year than their peers for over 25 years⁶.
- **Regulatory Compliance and Strong Governance:** Ensuring regulatory compliances and having strong controls and processes in place will lead to increased efficiencies, lower errors, avoiding penalties, tax credits and subsidy eligibilities. Ensuring adequate policies, processes and strong monitoring mechanisms in place will lead to lower regulatory and legal interventions. The biggest downfall for most start-up organizations is lack of proper governance mechanisms in place. For example, a leading Indian Edtech company is facing charges due to poor governance mechanisms which had led to the company, having to sell few of its units, loose funding, face penalty charges, provide various explanations to authorities such as Enforcement Directorate, Serious Fraud Investigation Office (SFIO) etc. creating a total imbalance not only to the company but for the entire sector.

5. John Niemoller, "25 ESG Statistics You Need to Know in 2023", *Corporate sustainability, ESG, January 6, 2023, perillion.com/blog.*

6. Alex Edmans, "Does the stock market fully value intangibles? Employee satisfaction and equity prices," *Journal of Financial Economics, September 2011, Volume 101, Number 3, pp. 621–40, sciencedirect.com.*

- **Investment in Green Technology:** Investment in green technology and green assets will enable asset optimization and will contribute towards a green environment. This can help companies to avoid stranded investments that may not pay off because of future environmental issues (such as massive write-downs in the value of certain equipment). The do-nothing approach of conducting business as usual is eroding. Regulatory responses to emissions will affect energy costs and will impact balance sheets in carbon-intense industries. Bans or limitations on single-use plastics or diesel-fuelled cars in city centres will introduce new constraints on multiple businesses. One way to get ahead of the future curve is to consider repurposing assets immediately.

How can an organization adopt ESG and ensure proper implementation to achieve its objectives:

- **Develop ESG Strategy and Sustainability Development Goals (SDG)** – This includes (i) creating ESG vision and mission for the organization; (ii) establishing an ESG strategy reflecting company and board's vision & mission; and (iii) developing and implementing measurable sustainability goals and targets that align with the overall ESG strategy. The United Nations (UN) and similar universal bodies have released certain frameworks and standards to enable the development of ESG strategy. Some of the common frameworks are Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), Climate Disclosure Standards Board (CDSB), UN Principles for Responsible Investment (UN-PRI), World Economic Forum (WEF), Stakeholder Capitalism Metrics, and Sustainability Accounting Standards Board (SASB). A framework is a broad set of principles-driven guidance on what information should be covered, and how it should be prepared and disclosed. A framework provides guidance for all organizations to move the world towards more sustainable future. Standards is a document issued by a standard-setting body, designed to make a framework actionable by dictating the specific rules for what should be reported. It discloses information concerning the ESG issues, within and related to business management.
- **Implement SDG goals into day-to-day operations** – Value creation should be the CEO's core message. The organization should perform gap analysis to identify the current state of company on ESG, create a roadmap with charters and action plans also keeping in mind the results of gap analysis performed, define Key Performance Indicators (KPI) along with calculation methodology, ensure ESG priorities link to the core value. A KPI would mean an index which tracks, measures and ranks the performance of a group of companies or assets in sustainability using a variety of metrics and methodologies.
- **Rate and Monitor Risk**– Assessment of a company's material ESG performance / risk management measures using quantifiable indicators and aggregated into a single score / rating is a crucial step for effective ESG implementation. Being thoughtful and transparent about ESG risk enhances long-term value. Based on the evaluation results, the company should prepare actions and track implement of these actions.
- **Sustainability Reporting & Disclosures** – Develop reporting frameworks and reporting templates that support disclosure requirements, stakeholder expectations and compliances. Public distribution and socialisation of company's overall ESG performance including ESG ambitions, sustainability report and ESG risk rating is crucial as this is the means the organizations can share their stage of implementation and maturity stage in

ESG compliance. This can be done via marketing platforms and social media platforms for bigger and better reach which ultimately helps to improve the organization's financial performance.

- **Invest in ESG** – The above benefits confirm how vastly ESG plays a role in today's business growth and advancements. However, the major reason why ESG has gained so much prominence in the last few years is the increasing interest of the investors in ESG issues and the way companies are adopting ESG. Many major banks and investing firms such as JP Morgan, Wells Fargo and Blackrock have incorporated ESG investing criteria into their processes and products. Various statistics by giants like McKinsey, Deloitte, Index Industry Association prove this fact. For example – As per McKinsey's report, 63% of the time ESG propositions have had a positive impact on equity returns⁷, 85% of asset managers say that ESG is a high priority for their companies as per analysis by Index Industry Association⁸. Green, Social and Sustainability bonds designed to funnel investments into ESG projects reached a new global record of over \$700 billion in issuances in 2021⁹, almost double the 2019 total of \$358 billion as per the report of Climate Bonds Initiative. As per Deloitte's recent study, ESG-mandated assets could make up half of all professionally managed investments by 2025, totalling to \$35 trillion¹⁰.
- **Global Mandate** - Another reason for the rapid growth of ESG has to do with the global mandates. Research demonstrates that more countries are requiring companies to disclose their ESG performance in one format or another. According to the ESG Book, the global leader in sustainability data and technology, stated that ESG regulations have increased by 155% over the past decade as the rapid growth of sustainability-based policy interventions continues to shape financial markets¹¹. According to Reporting Exchange, the world's largest ESG policy and regulation database, there are about 2400 ESG regulations covering more than 80 jurisdictions worldwide which are updated on real-time basis. These regulations require companies to disclose their ESG performance and risks to investors, which increases transparency and accountability. Companies that fail to meet ESG standards may face reputational damage and loss of investor confidence, which may significantly impact their bottom line. ESG regulations may require companies to change their business practices, causing significant investments in new technology, processes and systems.

There are multiple challenges faced by the companies in the ESG adoption process:

Though ESG has become a game changer in the value proposition of an organization for better financial performance and long run sustainability, this concept has its own challenges as ESG may apply differently to a manufacturing industry as it could be to a service industry. Accordingly, the

7. Wittold Henisz, Tim Koller and Robin Nuttall, "Five ways ESG Creates Value", November 14, 2019, www.mckinsey.com/capabilities.

8. 'Measurable Impact: Asset Managers on the Challenges and Opportunities of ESG Investment,' July 2021.

9. "Sustainable Debt Global State of the Market Report, 2020, www.climatebonds.net/2021/04/record

10. Sean Collins, "Advancing environmental, social and governance investing". Article, February 20, 2020, Deloitte.com/us/en/insights/industry/financial_services.

11. <https://www.esgbook.com/>



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various metrics, standards and frameworks developed might not be applicable for certain industry types and pose challenges in terms of selecting and implementing the appropriate strategy.

Research by KPMG and Navex Global have revealed the following challenges:¹²

1. **CEO Responsibility for ESG Policies:** Approximately, 71% of the CEOs believe that it's their personal responsibility to ensure that the organization's ESG policies reflect the values to their customers.
2. **Performance Gaps in Environment, Governance, and Social Metrics:** Only 50% of companies believe that their company performs very effectively against environment metrics. However, only 39% believe their company performs well for governance and 37% express confidence in their social performance.
3. **Corporate Silos as a Barrier:** About 24% of companies say that corporate silos are a barrier in the implementation of ESG. Such silos can obstruct the seamless integration of ESG values across an organization.
4. **ESG still in Ideation Phase:** Many organizations are in the initial stages of understanding their ESG needs, developing strategies and experimenting with what best works for their set up and for the above mentioned challenges. The increasing regulatory watch has also added to the already existing problems and the corresponding dilemmas.

Conclusion

As development and business attitudes migrate from the short-term gains to long-term value creation for all the stakeholders, ESG integration becomes a fiduciary duty for everyone. ESG is rapidly growing and evolving. Investors need to incorporate ESG factors into the investment process. Companies need to take a serious role in the community, in addition to its conventional business operation model. Some believe, however, that ESG is a fad and will soon be a fleeting initiative which is a myth. With more than nine out of ten publicly traded companies adopting ESG, ESG is one of the biggest trends in the business world today. How a company adopts and implements ESG will determine how a company performs in both the financial and non-financial space in the near future. There is still a lot of work needed to make many companies and the economy ESG ready. Are you up for the challenge?



12. John Niemoller, "25 ESG Statistics You Need to Know in 2023", January 6, 2023, perillion.com/blog/esg-statistics

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ESG: Creating Value and Sustainability for Future

CS Sunil Choraria*

What is ESG?

ESG stands for Environmental, Social and Governance – the three key non-financial factors while measuring the sustainability and ethical impacts of any entity.

It is a framework that helps us understand how an organisation is dealing or managing risks and opportunities related to Environmental, Social and Governance criteria. It is increasingly being linked to how sustainable an organisation's operations are.

- ESG is a framework that helps stakeholders understand how an organisation manages risk and opportunity around itself, whilst sustaining itself.
- ESG has evolved from other historical movements that focussed on health, safety and corporate social responsibility.
- ESG has changed how investment and allocation decisions are taken.

Overview - E, S & G

Environmental criteria include organisation's environmental risk management practises and whether they are inclined to mitigate those risks & create long term sustainability of the businesses. Investment in such mitigation measures is the way to minimise the environmental risks. Thinking short term and allowing such environment risks to recur, without trying to mitigate such concerns, creates imbalances and impedes progress.

In today's world, banks asking for environmental clearance, pollution certificates and NOC, is gaining momentum.

In short, we can say that the "E" captures energy efficiencies, carbon footprints, greenhouse gas emissions, deforestation, biodiversity, climate change and pollution mitigation, waste management and water usage of the corporate.

Social Impact on the lives of the stakeholders is captured here. Such impact is caused due to the policies of the organisation on the community, employees, channel partners causing long term sustainability effect the organisation deals in.

In short, the word "S" covers labour standards, wages and benefits, workplace and board diversity, racial justice, pay equity, human rights, talent management, community relations, privacy and data protection, health and safety, supply-chain management and other human capital and social justice issues relating to the corporate.

**Practising Company Secretary, S. Choraria & Associates, Kolkata*

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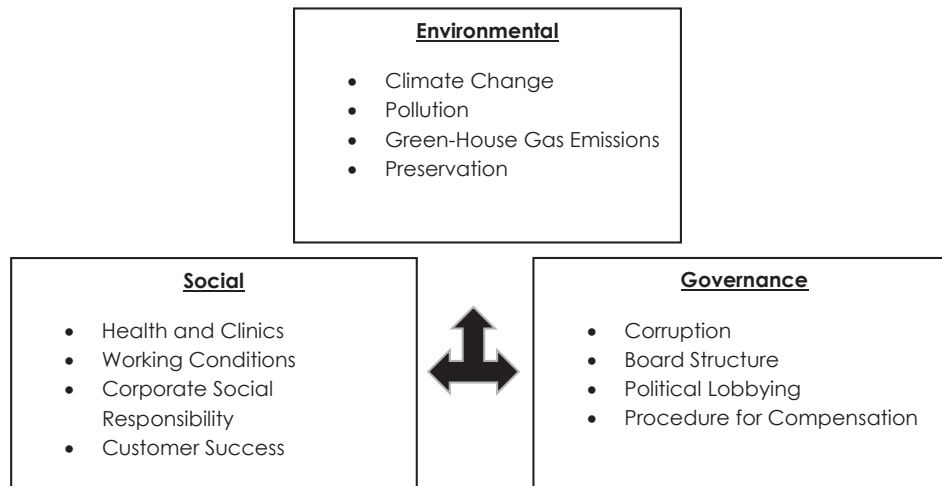
Governance relates to the way management aligns itself to stakeholder's expectations. Whether the shareholders' rights, governmental compliances, internal controls are transparent, accountable and viewed seriously by the governing body is the question.

In short, the word "G" covers the governing of the "E" and the "S" categories—corporate board composition and structure, strategic sustainability oversight and compliance, executive compensation, political contributions, lobbying, bribery and corruption, and the process followed for such issues.

- E in ESG, environmental criteria, includes the energy your company takes in and the waste it discharges, the resources it needs and the consequences for living as a result. Not least, E encompasses carbon emissions and climate change. Every company uses energy and resources; every company affects and is affected by, the environment.
- S, social criteria, addresses the relationships your company has and the reputation it fosters with people and institutions in the communities where you do business. S includes labour relations and diversity and inclusion. Every company operates within a broader, diverse society.
- G, governance criteria, is the internal system of practices, controls and procedures your company adopts, in order to govern itself, make effective decisions, comply with the law and meet the needs of external stakeholders. Every company, which is itself a legal creation, requires governance.

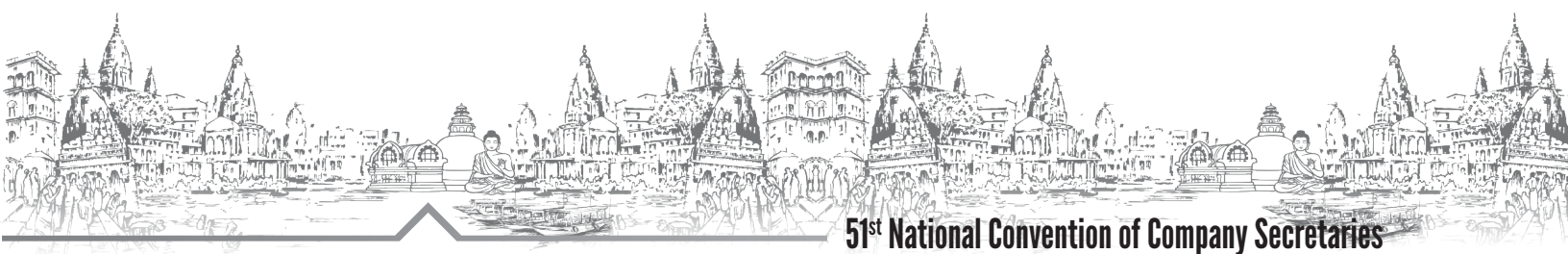
Goal of ESG

The Goal of ESG is aligned towards capturing all the non-financial risks and opportunities in the Company's activities, which affect or may affect the operations of any corporate.



Creating Value - Investing & Investors

The Environmental, Social and Governance factors are now a subset of non-financial performance indicators and include ethical, sustainable and corporate issues; which could vary from systems in place to ensure accountability and managing corporates pollution/carbon footprint.



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The number of small or big investors and funds that are incorporating ESG factors are growing rapidly and is expected to garner further momentum to this niche issue and will be playing more important role in the valuation of the company.

- Investment is possible today in Socially Responsible Funds and ETF's. Top funds in India include the HDFC Securities – Sustainable Equity Fund, ICICI Prudential ESG Fund, KOTAK – ESG Opportunities Fund, etc.
- World-wide Solar PV Applications are reaching record levels
- Green Bonds have caught the fancy of many investors.

Like a wise investor who want to invest in more responsible companies, as he feels that these companies have a higher likelihood of succeeding in the long run. Similarly in India, we have already come across numerous instances of investors not investing in harmful cigarette and liquor companies, for ESG reasoning. For such investors, social aspects matter more than the mere projected financial returns on that investment.

Governance also plays an important role in the investment pattern of any investor. Accordingly, if the said company is poor in governance factors like political lobbying, non-payment of taxes, etc.; these create an impression enough to stay away from investing in that company.

Similarly, big private investors would not invest in a company which is not compliant with the environmental laws of the land.

Critics also argue that such subsets of ESG may differ from investor to investor and depending on such priorities, investments that match such values occur. Hence, it is a matter of discussion as to whether the mutual fund manager should keep ESG in mind or better returns to investors his priority. However, ESG have strength of minimising risk for investors as compliant companies are more likely to succeed in the long run.

ESG criteria can greatly help investors avoid companies that might pose a greater financial risk due to their environmental or other practices and may be liable for regulatory sanctions. Amidst the rush for ESG investing, investors need better data on entities' ESG performance to strategize ESG-based regulations and compliances.

Across the asset-management world, interest in Environmental, Social and Governance (ESG) performance has soared over the past few years. ESG factors into investment decisions and portfolio management strategies are increasingly becoming the norm and investors are seeking to better understand a company's long-term value by looking at ESG information.

ESG Investing

ESG investing stands for Environmental, Social and Governance investing. It is an investment strategy that incorporates environmental, social and governance considerations into the selection and management of investments. The goal of ESG investing is to generate long-term financial returns while also addressing societal and environmental concerns.

Benefits of ESG investing include:

Improved risk management: ESG factors can serve as early warning signs for potential problems that could negatively impact a company's financial performance.



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Better alignment with personal values: ESG investing allows investors to align their investments with their personal values.

Improved long-term financial performance: Companies with strong ESG practices tend to have better long-term financial performance.

Thus, one can safely say that an organisation's true value creation can be ascertained only through both financial and non-financial impact evaluation.

Future - Challenges and Opportunities

India's commitment to achieve 'net zero carbon emissions by 2070' has resulted in several government initiatives, such as subsidies and other incentives for industry. Ultimately, investors will expect that any ESG risks or opportunities resulting from governmental and regulatory actions are being properly disclosed by affected companies.

On the other hand, India has to contend with a number of ESG issues, which are further compounded by the scale of the country's population, its socio-economic diversity and its growth ambitions. Higher quality ESG reporting by Indian companies will therefore be an important tool in guiding greater volumes of capital towards sustainable purposes by rewarding companies that both promise and deliver on ESG commitments.

Let's hope that the new ESG in the form of BRSR -SEBI Regulations is accepted by all in spirit and practicality, enhancing the global reputation of India in the form of conducive business environment, both ethical and opportunity wise. The BRSR framework is a laudable milestone and should hopefully help to provide more meaningful and reliable ESG data to markets and investors in India.

As next steps, the BRSR framework can gradually be extended to other listed companies and unlisted companies operating in regulated or resource intensive areas, so long as their compliance burden is not unduly increased. In the next phase, Ratings and Certifications could be the challenge and opportunity for the Regulator and Professional respectively.

Environmental factors	Social factors	Governance factors
Natural resource use	Workforce	Board independence
Carbon emissions	Human rights	Board diversity
Energy efficiency	Diversity	Shareholder rights
Pollution/waste	Supply chain	Management compensation
Environmental opportunities		Corporate ethics

The above factors and their critical analyses will help the companies to create value for all stakeholders (promoters, public and institutions) and sustain the business over the long term.

In the long run, ESG compliances should run as a part of business vertical, considered as an important part of the organisational structure.

ESG – Technological Aspects

Digital transformation and ESG are two prominent and high-priority topics in the business community globally. The first focuses on applying technology throughout the value chain to produce faster, smarter and more desirable business outcomes. The latter emphasizes the broader value a business is expected to create for its stakeholders from an environmental, social and governance perspective. Use of Artificial Intelligence (AI) is also expected to play a key role in the above. These two goals can – and should – go hand-in-hand in today's stakeholder economy.

Investors are talking about use of an ESG software - technology platform that helps investors assess and analyse the ESG performance of existing and potential investments as the next step. It should provide a centralised platform to collect and manage ESG data and provides investors with a comprehensive view of a company's sustainability practices, including their impact on ESG practices. This information can be used to make informed investment decisions that align with an investor's values and goals, as well as to identify companies that are leading the way in sustainability. ESG software typically includes features such as data analysis dashboards, carbon emissions calculation, customisable reporting options and user-friendly tools to help investors make investment decisions based on accurate data.

Reasons why investors are seeking ESG software to manage portfolio data¹

Sustainable investing has become increasingly important for investors who want to align their values and investments with the long-term health of our planet and society. As the demand for ESG-focused investment strategies continue to grow, ESG software has emerged as a crucial tool for investors who want to manage their portfolio data effectively. ESG software provides investors with real-time access to ESG data and analysis, allowing them to assess the ESG performance of their investments, set goals and monitor their progress towards a more sustainable future.

1. Monitor ESG Performance in Real-Time and Over Time

The monitoring of performance over time is essential to understand long-term risks and opportunities. To build a sustainable long-term investment strategy that will support investment decisions, investors need access to current and correct data for both now and in the future – not just a time-stamped data set.

2. Improve Transparency and Accountability

Access to accurate and consistent ESG data to enable responsible investment decisions is now more important than ever. There is a plethora of ESG frameworks and guidelines available for ESG reporting but, for investors, working out which ESG metrics to request from companies is challenging. Before seeking data, investors need to be sure that that data will reliably support their investment decisions and accurately enable their long-term sustainability strategy.

3. Manage Funds and Portfolio Companies seamlessly

Managing funds and portfolio companies can be complex and time-consuming task for investors, especially when it comes to incorporating ESG into their investment process. ESG

1. greenstoneplus.com/blog/why-investors-are-seeking-esg-software-to-manage-portfolio-data

software can simplify this process by providing investors with a centralised platform for managing their portfolio data. This includes ESG data and analysis, allowing investors to track the ESG performance of their investments and monitor changes over time.

4. Save Time and Resources

Many firms are still using spreadsheets and emails and, as data gets more complex, these processes become cumbersome, time-consuming and prone to error. Manual processes are not only a security risk but are also prone to risk and error and are extremely heavy on time and resources.

5. Meet The Latest Reporting Standards

Meeting the latest reporting standards is crucial for investors who are committed to sustainable investing and ESG, as it helps to ensure the accuracy and reliability of ESG data. By meeting these standards, investors can be confident that the ESG data they receive is relevant, credible and up-to-date. This helps to avoid potential risks associated with using inaccurate or outdated ESG data, such as making misguided investment decisions. In addition, meeting the latest reporting standards is important for investors who are looking to demonstrate their ESG commitment to their stakeholders.

6. Reduce ESG Risk and Get Better Returns

Investors are seeking to understand the ESG-related business risks and opportunities companies face. This includes assessing the potential impact of ESG factors on a company's long-term business model and the resilience of companies to adapt to ESG changes. Over time, these considerations may reshape competitive advantages and ultimately the sustainability of business growth and long-term value creation for shareholders.

7. Facilitate Investments and Investor Engagement

Portfolio company engagement in ESG performance can be a challenge for investors and sometimes there can be little to no communication lines between the two parties. There are huge benefits to communication and engagement between asset managers and their portfolio companies.

8. Make Market and Competitor Outperformance Easy

ESG software makes market and competitor outperformance easy by providing access to ESG data and analysis, allowing investors to track their investments and ESG performance over time and compare it to the performance of their peers and competitors. This helps investors to identify areas for improvement and make informed decisions about their investments that can lead to better ESG outcomes.

9. Identify Areas of Improvement and Set Goals

Having access to ESG data and analysis allows investors to assess the ESG performance of their investments and compare it to their peers and competitors. With this information, investors can identify areas where they can improve their ESG performance, set specific ESG goals and track their progress over time.

10. Monitor and report progress against carbon reduction targets

With a surge in the setting of Science-Based Targets (SBTs) and net-zero pathways, investors are using ESG software to accurately measure, monitor and report carbon performance. Calculating, reporting and reducing Scope 3 emissions in accordance with the GHG Protocol is challenging for investors because the required data comes from outside of its own operations.

Obtaining accurate GHG emissions across an investment portfolio has long been a pain point for investors and general partners have often employed consultants to calculate the GHG emissions from their portfolio which can be limited, lengthy and expensive. The right ESG software solution leverages primary data, industry-approved estimations, data validation tools and approvals to ensure verification-ready data throughout the year.

ESG links up with each corporate, in many important ways like:

- (1) facilitating top-line growth,
- (2) reducing costs,
- (3) minimizing regulatory and legal interventions,
- (4) increasing employee productivity, and
- (5) optimizing investment and capital expenditures.

Phenomenon across the globe

As shared by the The Wall Street Journal², organizations across the globe have increased their awareness and focus on environmental, social and governance (ESG) issues, yet many do not have a formal mechanism to assess or prioritize ESG risks in their extended enterprise. What's more, many organizations don't trust the related internal or external data available to them.

A survey³ shows a significant level of awareness and focus on ESG in the extended enterprise. A meaningful 82% of respondents indicate that their organizations have moderate to very high levels of awareness and intend to focus on ESG issues and related requirements. A significant 80% of respondents indicate that their boards and executive management have a greater level of awareness of ESG-related risks and support a culture of collaboration among those responsible for managing those risks.

The world is moving ahead, faster, towards ESG compliances and thus, create value for the stakeholders. Even the governments are using all their means to push the ESG, which is the future towards all round sustainability.

- Energy ministers from the Group of 20 nations met in Goa, India on July 22, 2023 and endorsed five voluntary principles on hydrogen, to encourage the development of national standards and globally harmonized certification of low- and zero-emission hydrogen.
- Member states of the UN's International Maritime Organization (IMO), which is the standard-

2. Monthly newsletter of June 2023

3. <https://zerotracker.net/analysis/net-zero-stocktake-2023>



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setting body for international shipping, have agreed to a decarbonization strategy that includes reaching net-zero emissions by “close to 2050”.

- The International Sustainability Standards Board (ISSB) has taken a significant step towards promoting transparency and accountability in sustainability reporting with the issuance of its first-ever global sustainability disclosure standards. These standards, IFRS S1 and IFRS S2, mark the beginning of a new era in disclosing sustainability related information in capital markets, worldwide. By providing a common language for companies to communicate their climate-related risks and opportunities, it aims to enhance trust and confidence in corporate disclosures, thus empowering investors to make informed decisions.⁴

India is also moving ahead fast and listed companies have taken the lead ahead with BRSR compliances. The reporting of Indian Listed Companies has been noteworthy and the future looks bright for the compliant companies, enabling path towards sustainability for future. There will be greater integration of ESG into investment decisions, regulatory landscape and enhanced disclosure and ESG reporting requirements.

Conclusion

Increased emphasis on ESG has lent a valuable opportunity to businesses to evaluate their existing mechanisms and make necessary changes. Ensuring compliance with regulatory and industry standards is crucial for building trust in the capital markets. The changing conversation around ESG has lent a valuable opportunity to businesses to evaluate their data protection, data breach control mandates, etc. While a lot is being done to embed ESG into an organization's underlying infrastructure, the social and governance factors are likely to have higher significance in the years to come as organizations strive to build trust among stakeholders and contribute to a more sustainable and equitable future. Here a mention about the consequences of poor ESG performance like – Blacklisting & personal liability, cracks in geo-political landscape, high costs/pricing and advent of social stigma which may hinder the ESG engagement is needed. But, with organizations pushing this agenda ahead full steam, the world is optimistic that the future of business will be defined by strong social and governance practices.



4. <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>

ESG: Creating Value & Sustainability for future

CS Vrunda Jani*

CS Ankit Kesharwani**

Environmental, social and governance (ESG) investing refers to a set of criteria for a company's conduct that socially responsible investors use to evaluate possible investments. Investments screened using corporate policies and environmental, social and governance (ESG) principles promote ethical business practices.

Environmental criteria considers a company's environmental protection efforts, such as corporate climate change policies. Social factors look at how it handles interactions with its workforce, suppliers, consumers, and the areas in which it operates. Leadership, executive compensation, audits, internal controls and shareholder rights are all topics covered by governance.

Introduction

In recent years, Environmental, Social, and Governance (ESG) considerations have taken center stage in the world of business and investment. ESG represents a holistic approach to corporate responsibility that goes beyond traditional profit-focused metrics. It encapsulates a company's commitments to environmental sustainability, its treatment of employees and society, and its governance practices. This article explores how ESG principles are not just about doing good; they are increasingly recognized as a path to creating long-term value and securing a sustainable future for businesses and society.

BlackRock, one of the world's largest asset management firms, has indeed played a significant role in the promotion and integration of Environmental, Social and Governance (ESG) principles in the investment industry.

ESG: A Brief Overview

1. **Environmental Responsibility:** The "E" in ESG emphasizes a company's environmental practices. This includes minimizing carbon emissions, reducing waste, conserving resources, and adopting eco-friendly technologies and processes. Businesses are increasingly aware of the importance of environmental sustainability not only for ethical reasons but also because it can lead to cost savings and risk reduction.
2. **Social Responsibility:** The "S" in ESG is concerned with how companies treat their employees, customers, and communities. Social responsibility includes diversity and inclusion initiatives, fair labor practices, community engagement and product safety. Companies that prioritize social

* Manager - Merchant Banking, GYR Capital Advisors Pvt. Ltd., Ahmedabad

** Manager - Merchant Banking, GYR Capital Advisors Pvt Ltd., Ahmedabad

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responsibility tend to attract and retain talent more effectively and build stronger customer loyalty.

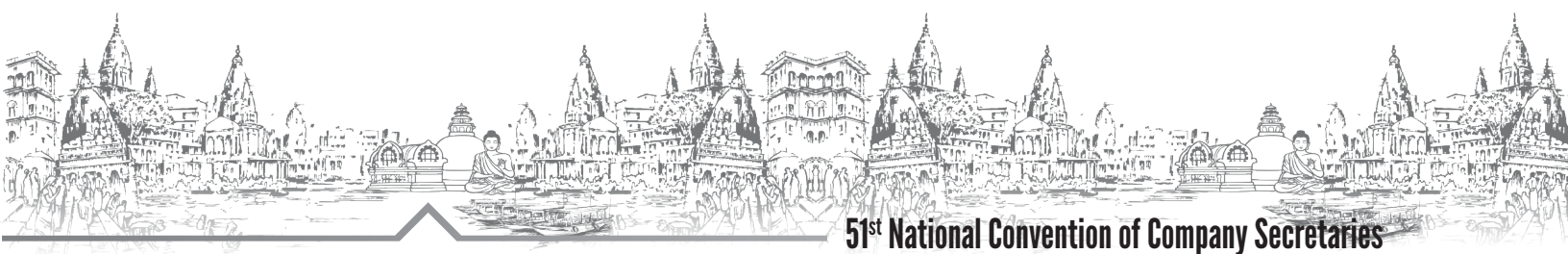
3. **Governance Practices:** The “G” in ESG focuses on corporate governance and ethics. It encompasses issues like board diversity, executive compensation, transparency, and the protection of shareholder rights. Strong governance practices can enhance a company’s reputation and reduce the risk of corporate scandals and legal issues.

ESG as a Value Driver

- **Risk Mitigation:** ESG practices can help companies identify and mitigate risks. For instance, by addressing environmental risks, companies can reduce exposure to regulatory fines, lawsuits and reputational damage. Similarly, robust governance practices can prevent unethical behavior and financial mismanagement.
- **Innovation and Efficiency:** Companies that prioritize ESG often find innovative ways to reduce resource consumption and improve operational efficiency. This can lead to significant cost savings and create a competitive advantage.
- **Attracting Capital:** Investors are increasingly factoring ESG criteria into their investment decisions. Companies with strong ESG performance are more likely to attract capital, and studies have shown a correlation between ESG scores and financial performance.
- **Brand Reputation and Customer Loyalty:** Consumers are becoming more socially and environmentally conscious. Companies that demonstrate a commitment to ESG values, can build a stronger brand reputation and foster customer loyalty.
- **Employee Engagement:** ESG-oriented companies often have more engaged and motivated employees. Employees feel a sense of purpose and pride working for a company that aligns with their values, leading to higher retention rates and increased productivity.

The rise in prominence of Environmental, Social and Governance (ESG) criteria can be attributed to several key factors that have collectively propelled it to fame in recent years:

- **Global Sustainability Concerns:** Growing awareness of critical global challenges, such as climate change, resource depletion and social inequality has shifted public and investor sentiment toward sustainability. High-profile climate events and scientific reports have underscored the urgent need for businesses to address these issues.
- **Financial Institutions and Investors:** Financial institutions and asset managers have played a significant role in promoting ESG. They have recognized that incorporating ESG factors into investment decisions can enhance risk assessment and long-term performance. The integration of ESG considerations has become a standard practice for many institutional investors.
- **Regulatory Mandates:** Governments and regulatory bodies in various countries have implemented policies and disclosure requirements related to ESG. For example, the European Union introduced the Sustainable Finance Disclosure Regulation (SFDR), which compels financial market participants to disclose ESG information. Such regulations have made ESG a mainstream consideration for companies.



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- **Investor Activism:** Shareholder activism and advocacy groups have pushed for greater corporate accountability in ESG matters. Proxy voting, engagement with company management, and the filing of shareholder resolutions have become powerful tools to influence corporate behavior.
- **Consumer and Stakeholder Expectations:** Increasingly, consumers expect businesses to operate in an environmentally and socially responsible manner. Companies that align with ESG values can build stronger brand loyalty and customer trust. Additionally, stakeholders such as employees and communities are demanding more responsible corporate behavior.
- **Performance Evidence:** Studies and research have shown that companies with strong ESG performance often outperform their peers in the long term. This empirical evidence has attracted more attention from investors and executives who seek sustainable and resilient business models.
- **Integration into Business Strategy:** Leading companies have recognized that ESG is not just a compliance requirement but a strategic imperative. They have embedded ESG principles into their core business strategies, contributing to their financial success and resilience.
- **Data Availability and Reporting Standards:** The availability of ESG data and standardized reporting frameworks, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), has facilitated the assessment and comparison of ESG performance across companies.
- **Media Coverage and Public Awareness:** Increased media coverage and public discussions about ESG issues have brought these topics to the forefront of public consciousness. High-profile events, such as climate strikes and corporate scandals, have further fueled interest in ESG.
- **Educational Initiatives:** Academic institutions, think tanks and organizations dedicated to sustainability have played a crucial role in educating businesses, investors and public about the importance of ESG. Educational programs and research have contributed to the dissemination of ESG knowledge.

In summary, ESG's rise to fame can be attributed to a convergence of factors, including growing sustainability concerns, financial industry recognition, regulatory mandates, investor activism, changing stakeholder expectations and the availability of data and reporting standards. As ESG continues to evolve, it is likely to remain a central theme in business, finance and society; shaping the way companies operate and make investment decisions.

Creating a Sustainable Future

The world is facing numerous challenges, from climate change and social inequality to resource depletion and ethical concerns. ESG provides a framework for businesses to address these challenges head-on. By integrating ESG principles into their strategies, companies can contribute to a more sustainable future in several ways:

- **Reducing Environmental Footprints:** Companies can play a crucial role in mitigating environmental damage by adopting sustainable practices, reducing emissions and transitioning to renewable energy sources.



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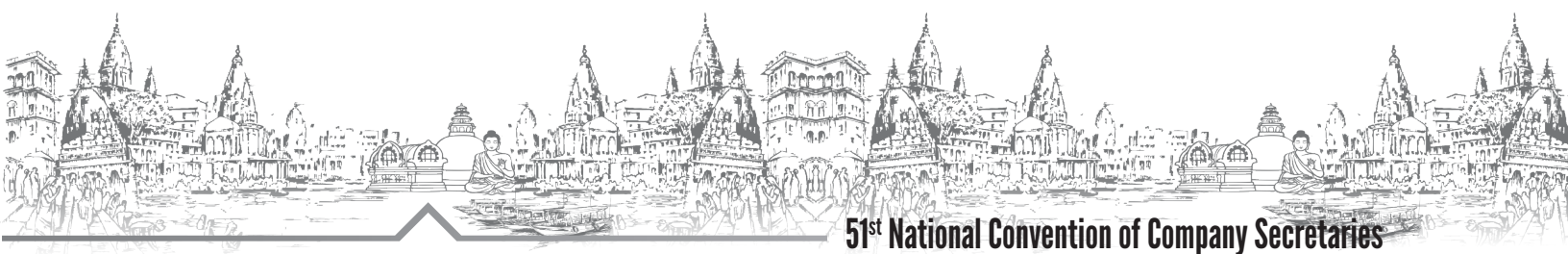
- **Promoting Social Equity:** Businesses can contribute to social equity by providing fair wages, diverse and inclusive workplaces, and by supporting local communities.
- **Strengthening Governance:** Strong corporate governance practices ensure ethical behavior and accountability, which are essential for building trust in both business and government institutions.
- **Innovating for the Future:** Companies that invest in sustainable technologies and practices can drive innovation and help develop solutions to global challenges.

ESG in India: A Comprehensive View

1. **Environmental Responsibility:** India faces pressing environmental challenges, including air and water pollution, deforestation and resource depletion. ESG encourages businesses to adopt eco-friendly practices, reduce emissions and invest in clean energy solutions. For Indian companies, this means adopting sustainable manufacturing processes, promoting waste reduction, and aligning with the country's ambitious renewable energy goals.
2. **Social Responsibility:** Social factors are paramount in India's context, where income inequality, diversity and labor rights are critical issues. ESG principles promote diversity and inclusion, fair labor practices, and community engagement. Companies in India can actively address social inequalities by focusing on equitable wages, employee well-being and community development initiatives.
3. **Governance Practices:** Robust governance practices are essential for maintaining transparency and ethical conduct. India's corporate governance framework has been evolving, and ESG can be a catalyst for further improvement. Companies need to enhance board diversity, improve executive compensation structures, and ensure transparent decision-making processes to gain investor confidence.

ESG as catalyst for Value Creation

1. **Risk Mitigation:** India faces regulatory and operational risks related to environmental compliance, social unrest and governance issues. By integrating ESG, Indian companies can proactively manage these risks, reduce regulatory penalties, and enhance their resilience in an ever-changing business landscape.
2. **Access to Capital:** India has witnessed a growing interest in sustainable investing, with investors looking favorably upon companies with strong ESG performance. Access to capital, including foreign investments, becomes more accessible for companies that prioritize ESG, enabling them to fuel growth and expansion.
3. **Brand Reputation and Customer Trust:** Indian consumers increasingly value companies that contribute positively to society and the environment. Businesses that embrace ESG can build stronger brand reputations and foster customer loyalty, ultimately translating into higher sales and market share.
4. **Employee Engagement:** In a country with a diverse workforce, promoting inclusivity and fair treatment can lead to higher employee engagement and productivity. Indian companies that prioritize ESG are likely to experience lower turnover rates and attract top talent.



5. **Innovation and Technology:** India has the potential to become a hub for sustainable innovation. ESG-oriented companies can drive research and development in areas like renewable energy, waste management, and green technology, positioning themselves as industry leaders.

Creating a Sustainable Future for India

India faces complex challenges, from climate change and pollution to poverty and inequality. ESG provides a framework for Indian businesses to address these challenges effectively:

1. **Environmental Stewardship:** Indian companies can contribute significantly to addressing environmental issues by adopting sustainable practices, reducing emissions, and supporting clean energy initiatives, thus aiding the country's commitment to sustainable development.
2. **Social Equity:** ESG allows Indian businesses to promote social equity by addressing issues such as gender diversity, skill development, and community engagement, ultimately contributing to the country's social progress.
3. **Stronger Governance:** Improved corporate governance practices enhance transparency and accountability in India's business environment, building trust among investors and stakeholders.
4. **Innovation and Leadership:** India has the potential to lead in sustainable innovation, providing solutions that not only benefit the country but also have global relevance.

Certainly, there are relevant case studies that illustrate the implementation and impact of ESG principles in different contexts:

Case Study 1: Tata Group (India)

The Tata Group, one of India's oldest and largest conglomerates, has been a pioneer in integrating ESG principles into its business practices. Tata has consistently focused on environmental sustainability, social responsibility and good governance.

- **Environmental Responsibility:** Tata Motors, a subsidiary of the Tata Group, introduced the Tata Nano, a highly affordable and fuel-efficient car, which reduced emissions and fuel consumption. Tata Steel has also invested in energy-efficient technologies and reduced its carbon footprint.
- **Social Responsibility:** The Tata Group is known for its philanthropic efforts, including the Tata Trusts, which focus on healthcare, education and rural development. Additionally, Tata companies prioritize employee welfare and diversity in their workforce.
- **Governance Practices:** Tata has maintained strong governance practices, with an emphasis on transparency and ethical behavior. The company's governance structure has helped it navigate complex business decisions and maintain a positive reputation.

The Tata Group's commitment to ESG principles has not only enhanced its reputation, but has also attracted responsible investors and contributed to its long-term success.



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Case Study 2: Unilever (Global)

Unilever, a multinational consumer goods company, has placed ESG at the core of its business strategy, demonstrating how a global corporation can leverage ESG principles for value creation.

- **Environmental Responsibility:** Unilever has set ambitious targets to reduce its environmental footprint. For example, the company aims to make all of its plastic packaging recyclable, compostable or reusable by 2025 and to achieve net-zero emissions from its products by 2039.
- **Social Responsibility:** Unilever has launched various social initiatives, including the Unilever Foundation, which focuses on sanitation, hygiene and clean drinking water. The company also promotes gender diversity and inclusivity within its workforce and supply chain.
- **Governance Practices:** Unilever's corporate governance structure prioritizes transparency and accountability. The company has implemented policies to ensure ethical behavior, responsible sourcing and fair compensation.

By aligning its business with ESG principles, Unilever has not only reduced risks associated with climate change and social issues but has also driven innovation and gained a competitive edge in the consumer goods industry.

Case Study 3: Ørsted (Denmark)

Ørsted, formerly known as DONG Energy, is a Danish renewable energy company that underwent a remarkable transformation, illustrating the potential for companies to pivot towards sustainability.

- **Environmental Responsibility:** Ørsted shifted its focus from fossil fuels to renewable energy sources, becoming a global leader in offshore wind energy. The company's commitment to reducing carbon emissions is exemplified by its plan to be carbon-neutral by 2025.
- **Social Responsibility:** Ørsted has engaged with local communities, addressing concerns and sharing benefits from its wind farm projects. The company is committed to upholding labor rights and promoting diversity and inclusion within its workforce.
- **Governance Practices:** Ørsted's board has a strong focus on sustainability, with ESG factors integrated into decision-making. Transparency and adherence to ethical practices have been central to the company's governance model.

The transformation of Ørsted from a fossil fuel-based energy company to a renewable energy leader not only underscores the importance of ESG but also demonstrates the financial viability of sustainable practices.

These case studies highlight how ESG principles can be applied across diverse industries and regions to create value, drive innovation, and contribute to a more sustainable and responsible future.

Current Trends in ESG

The landscape of Environmental, Social and Governance (ESG) is dynamic, and it continues to evolve in response to global challenges, regulatory changes, and shifting investor and stakeholder expectations. Several key trends are expected to shape the future of ESG:



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- **Regulatory Developments:** ESG regulations and reporting requirements are likely to become more standardized and stringent. Governments and regulatory bodies are increasingly recognizing the importance of ESG data and are expected to introduce new rules to ensure transparency and consistency in ESG reporting.
- **Climate Change Focus:** Climate-related considerations are expected to remain at the forefront of ESG. As the world grapples with the impacts of climate change, investors and businesses will increasingly focus on carbon emissions reduction, climate risk assessments, and the transition to a low-carbon economy.
- **Social Issues:** Social factors within ESG will gain prominence. Issues such as diversity and inclusion, labor practices, employee well-being and social justice will become more critical for companies to address as stakeholders demand greater accountability in these areas.
- **Human Capital Management:** The COVID-19 pandemic has highlighted the importance of human capital management. Companies will focus on workforce resilience, health and safety, remote work policies and employee mental health support as integral components of their ESG strategies.
- **Sustainable Finance:** Sustainable finance options, such as green bonds, social bonds, and sustainability-linked loans, will continue to grow. Investors seeking to align their portfolios with ESG goals will have more opportunities to invest in sustainable financial products.
- **Technology and Data Analytics:** Advancements in technology and data analytics will play a crucial role in ESG. Companies will increasingly rely on data-driven insights to measure and report on their ESG performance, identify risks and drive decision-making.
- **Stakeholder Engagement:** Engaging with stakeholders, including shareholders, employees, customers and communities, will be a key aspect of ESG strategies. Companies will need to listen to and respond to the concerns and expectations of their diverse stakeholder groups.
- **Impact Measurement:** Investors and companies will place a greater emphasis on measuring and reporting the real-world impact of their ESG initiatives. Metrics related to positive social and environmental outcomes will be more closely scrutinized.
- **Supply Chain Sustainability:** Ensuring supply chain sustainability and transparency will be critical. Companies will focus on responsible sourcing, ethical labor practices, and reducing the environmental impact of their supply chains.
- **Biodiversity Conservation:** Biodiversity considerations will gain importance as businesses recognize the interconnectedness of environmental issues. Companies will take steps to protect biodiversity and natural ecosystems.
- **ESG Integration in Investment Strategies:** More investors will integrate ESG criteria into their investment decision-making processes. Passive and index-tracking funds with ESG screens will become increasingly popular.
- **ESG Ratings and Metrics:** Enhanced ESG ratings and metrics will emerge, providing investors with more granular and reliable data for assessing companies' ESG performance.



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- **ESG in Emerging Markets:** ESG adoption will expand in emerging markets, driven by both local and international investors seeking responsible investment opportunities.
- **Collaborative Initiatives:** Cross-industry and cross-sector collaborations will increase. Companies, investors and governments will work together to address complex ESG challenges, such as climate change and social inequality.
- **ESG Reporting Technology:** The development of ESG reporting platforms and software will simplify the process of collecting, analyzing and reporting ESG data for businesses.

Conclusion

ESG is not just a buzzword; it's a powerful framework that can drive value creation and contribute to a sustainable future. Companies that embrace ESG principles are better positioned to thrive in an increasingly complex and interconnected world. By aligning their strategies with environmental, social and governance considerations, businesses can benefit financially while also fulfilling their responsibilities to society and the planet. In doing so, they can help create a world that is more equitable, resilient and sustainable for future generations.

The importance of environmental, social and governance (ESG) concerns has acquired a lot of attention recently in the Indian context. India is ideally situated to use ESG principles to create value and forge a sustainable future because of its complex socio-economic landscape and environmental problems.

In the Indian context, ESG is more than a trend; it's a powerful tool for sustainable growth and societal improvement. As Indian businesses integrate ESG principles into their strategies, they not only create value for their shareholders, but also contribute to the nation's progress towards a more equitable, environmentally sustainable and socially inclusive future. ESG is not just an opportunity for Indian businesses; it is a responsibility to shape a better tomorrow for India and its people.

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Reflections on Governance for a Circular Economy

CS Kanchan Bhave*

The Company Secretary is responsible for ensuring that the company complies with all relevant ESG laws and regulations. This may include reporting on ESG performance and managing stakeholder engagement. The “E” within the “ESG” i.e. sustainability concerns are increasingly incorporated into both the agenda's of policymakers and the strategies of companies. To address sustainability issues like Climate Change, Biodiversity Loss, Pollution, Drought and Water Scarcity, Resource Depletion, Deforestation; the concept of Circular Economy ('CE') – while not entirely new – has gained importance.

Introduction

The world's population is expected to increase by nearly 2 billion people in the next 30 years, from the current 8 billion to 9.7 billion in 2050 and could peak at nearly 10.4 billion in the mid-2080s. Interestingly, to tackle climate change, the European Parliament adopted the European Climate Law, which raises the EU's target of reducing net greenhouse gas emissions at least 55% by 2030 (from the current 40%) and makes climate neutrality by 2050, legally binding.

If one has to achieve balance in a contradictory situation of growing population and finite resources, coupled with climate neutrality goals, each corporate has to speed up transition towards a circular economy in the form of boosting sustainable products, empowering consumers for the green transition, harnessing the potential of digital tools, and respect the boundaries of our planet and protect the environment.

Meaning of the terms - Sustainability and Circular Economy

Sustainability means meeting our own needs without compromising the ability of future generations, to meet their own needs.

Circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.

In the natural world, there is no wastage. Energy is provided by the Sun, one specie's waste is another's food and when things die, their nutrients return to the soil – in a circle of life. That is why we need to move to a circular economy, inspired by the circle of life – where everything has value, and nothing is wasted. – i. e. waste not in the traditional sense of junk, but any kind of underutilization of assets and resources.

*Director, Group Corporate Secretariat, Standard Chartered Bank

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Principles of Circular Economy

- 1) **Reduce:** The emphasis is on achieving resource efficiency by prioritizing use of regenerative and restorative resources. The underlying production process must ensure renewable, reusable and non-toxic resources are utilized as sources of materials and energy in an efficient way.

Fast Moving Consumer Goods (FMCG) sector is one of the many sectors whereby lot of packaging material is used. Good packaging always highlights the nutritional value of the product concerned and makes it easier for the consumer to take a call on the purchase. There are a lot of FMCG products that need to be transported carefully due to their fragile nature, and casual handling may result in product damage and disfigurement. In the context of CE, FMCG industries not only need to rethink on sustainable packaging goals but also focus on reducing the volume of packing material consumed.

*“Kellogg's in the U.S. are reducing the thickness in some of their bag-in-box retail cereal packages by 17% to **reduce** plastic packaging by 97,000 kilograms, or the equivalent of nearly 30-gallon barrels of uncrushed plastic bottles, each year. This project will enable them to eliminate the equivalent amount of packaging it takes to produce nine million bag-in-box liners, annually. With decrease in the size of cereal boxes, while maintaining the same amount of food in each box, resulted in the size of the corrugated shipping cartons that hold these packages, eliminating up to one million pounds of packaging material.”*

- 2) **Reuse:** This encompasses two aspects – first is to reuse the useful parts / components of a product, wherever possible and second is to promote greater use of product-as-a-service through sharing platforms. The aim is to encourage sharing of under-utilized assets or creating a web of shared services, whereby the service provider typically has ownership of the product throughout the lifecycle, and the customer pays for the time or usage of it, governed by either a short-term or long-term contract.

Latest interesting example to share is about a question raised by a shareholder at Indag Rubber Limited –Annual General Meeting held on August 3, 2023, on impact of Extended Producer Responsibility (EPR) Regulations to which the Chairman responded as follows:

*“For any circular economy, there are three pillars – **REDUCE, REUSE AND RECYCLE**. So, by EPR, Government is trying to put a spotlight on both – recycle and reuse. In the context of tyres, reuse means retreading. Every tyre is built for multiple retreading by design. If it is not retreaded, it is put in landfill which is a colossal loss for environment. Also, producing a new tyre consumes a lot of oil and energy. **So, by retreading or reusing the tyre, you are scientifically extending the life of the tyre, and this is going to benefit the retreading industry and recyclers.**”*

- 3) **Recycle:** Focus on utilization of discarded material as a source of secondary resource, through extensive recycling.

The textile industry is one of the most polluting industries in the world, since it uses a resource-intensive supply chain that causes massive waste and releases a large amount of toxic substances that pollute air, water and soil.

H&M brand is now popular in India. Their journey towards circular economy started much before in 2016 when they launched a “Global in store clothing collection” scheme to engage the customer to bring in used clothes to the store which was sorted by a third-party organization manually and resold around 40% to 60% as second-hand clothing around the world. They also directly sell 5%-10% of the clothes for reuse. The fabrics which cannot be used further are used into different varieties of products. Out of the products, 30%-40% of the textiles are upcycled into fiber, for developing new garments. Currently, the company works hard to increase the proportion of the upcycling materials in their production. The long-term objective of the H&M is to find a solution for reusing and recycling all textile fiber for new uses and to use yarns made out of collected textiles in their products.

In India – Reliance Industries Ltd has also introduced use of recycled PET fibers in the fabric and “green” fashion such as Reliance’s R Elan 2.0 is in the market, first launched in 2017.

- 4) Re-manufacture:** Idea is to create new products by utilizing waste streams through cooperation and collaboration between multi-sector industry actors or symbiotic relationship between a network of companies in a particular value chain.

Automobile manufacturing requires different metals- steel, aluminium, copper, lead, chromium, nickel and zinc, as well as significant amount of plastic, glass, rubber and fabric.

Tata Motors ProLIFE, launched on June 6, 2013, on the occasion of World Environment Day, buy backs or exchange the used vehicle parts like engine, gearbox or alternators. The company then remanufactures the returned part and offers the remanufactured product with a warranty. This approach allows longer use of parts, reduces demand for energy and materials, thereby creating new revenue streams for Tata Motors ProLIFE. In 2017-18, an equivalent of 26,993 vehicles have been reused or recycled under the take-back programme, thus generating revenue of Rs 215 crore.

- 5) Repair / Refurbish:** The aim is to preserve and extend the life of a product that is already made by designing for the future. It is important to ensure at the design stage itself that the product is designed for appropriate lifetime and extended future use. While products are in use phase - maintain, repair, refurbish and upgrade them to maximize their lifetime and give them a second life through take-back strategies, when applicable.

While the increased development and adoption of consumer electronics undeniably have numerous benefits, they also come at a cost. The production and use of these devices require a lot of energy and contribute to carbon emissions. Additionally, the manufacturing of consumer electronics leads to the depletion of finite natural resources since raw materials, such as rare-earth metals and precious minerals, are necessary.

One way to facilitate a circular economy in the consumer electronics industry is refurbishing electronic devices. By refurbishing devices, their lifespans can be extended. This approach reduces e-waste and provides consumers with affordable alternatives.

In July 2023, ‘Better than New’ campaign for Philips Refurb Editions launched in Germany was an eye-catching, imagery and a compelling sustainability message. Instead of selling products, the store was selling something more intriguing: an idea. Specifically, the idea that new does not always mean better. By choosing to buy refurbished products, such



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as Philips Refurb Editions, consumers can reduce their impact on the environment with high-quality products and in many cases save money as well. In the case of Philips Refurb Editions, they also come with the same two-year Philips warranty.

Various companies cited above form part of various industrial and economic activities. Banks play a key role in shaping industry, trade and commerce and sub-classifications of business. Hence, it is imperative to understand the role of Banking in contributing to Circular economy.

Banking Sector

Banks and financial institutions play a critical role in managing risk which includes, financing of sustainable infrastructure, supporting transition and investing in green innovation. Banks can support by providing capital to finance the investment in renewables, climate adaptation technologies and the transition to a 'circular economy' which encourages sustainable use of resources. Transition to net-zero will involve more than investments and underwriting for "green" assets and businesses such as renewables and electric vehicles. To achieve net-zero across the whole economy, legacy carbon intensive assets and companies will require financing to help them transition to a cleaner future.

For businesses, this means a fundamental change to operations, and that, in turn, requires capital. Insurers, lenders and investors will play a crucial role in making that capital available and in incentivising and supporting their clients and investees as they make their transitions. Creating sustainable and climate-friendly infrastructure will, however, require finance that is fit for the future. Projects that are climate adapted from the outset reduce some of the risks and are more likely to stand test of time, so banks will need to consider the potential climate risks over the lifespan of the project to ensure resilience and protect investments.

Role of Company Secretary

Globally, new requirements for environmental, social and governance disclosures are being introduced. Voluntary reporting frameworks are rapidly transitioning into mandatory reporting in many parts of the world. Amidst such a rapidly evolving landscape in the environmental, social and governance disclosure, the Company Secretary has a role to play. Positioned with a bird's eye view of all organisational and board practices, the Company Secretary is able to support internal efforts to drive the critical changes and collaborate with the Board and relevant departments including the Chief Sustainability Officer (CSO) or the ESG function.

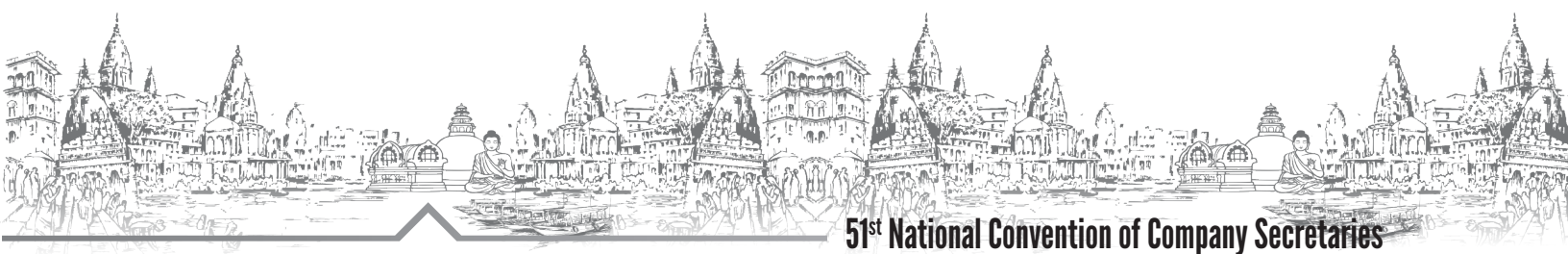
Some of the measures to consider:

- 1) To advocate and create awareness, and to bring about behaviour change, start recording data on action taken around initiatives which contribute towards CE and present them to Board members, company publications and website, annual report, shareholder engagement sessions, people awareness forums and stakeholder meetings.

In the annual address by the Chairman to Shareholders, special mention could be about measures taken around circular economy.

Adopt a traffic light classification system to report updates:

- a) A green classification represents activities that contribute substantially to climate



change mitigation that is consistent with a net zero outcome or are on a pathway to net zero by 2050.

- b) An amber classification represents transition activities, including those that are either transitioning towards green within a certain time frame, or enabling significant emissions reductions in the short term.
 - c) A red classification represents harmful activities that are not currently compatible with a net zero trajectory.
- 2) As part of Sustainability goals of the organisation, Company Secretary can work with Sustainability Head to conduct training / brain storming sessions with Board of Directors including Independent Directors to share; knowledge, ideas and best practices. This will ensure Board members are future ready for question which could be posed by shareholders at AGMs or other forums.

Integrating Circular Economy goals into CSR initiatives will not only align business with sustainable practices but also create positive impact on society and environment.

Some of the questions which a Company Secretary could share in advance with the Chair are:

- i. What measures have you taken as a result to reduce your consumption and move towards a circular business model (indicate the share of the business's activities affected by these solutions)?
 - ii. What are future plans of the Company, timeline, vision and mission to become a fully circular business?
 - iii. Could you explain whether sustainability initiatives / targets are measured against variable compensation policies of your senior executives?
 - iv. How ambitious are the Company's commitments on the Circular business?
 - v. How is Circular business plan implemented in the day-to-day business or integrated as business model?
 - vi. How is the company trying to make its products last longer?
- 3) Board approved e-waste management policy and guidelines should be put in place / monitored which will contribute to eliminating wasted resources, wastage capacities and wasted lifecycles.
- 4) Active engagement of Board members and business heads to ensure awareness of the materiality of risks and opportunities in sustainability trends. Broadening of fiduciary duty to include long term and stakeholder perspectives.
- 5) Ensure the Board's evaluation processes assess Board and Director sustainability skills, experience and contribution (e.g. do Directors feel informed about sustainability trends and issues as they impact the company, its value chain, industry and operating context; effectiveness of the Board's role in monitoring the company's sustainability performance; whether the Board demonstrates a commitment to sustainability in its decisions and actions;



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whether Director demonstrates knowledge of the sustainability policy and strategy and their application to the business, the degree to which sustainability is considered in Board decisions, etc.); use results to inform training, procedures or recruitment.

- 6) Incorporate sustainability practices into meeting arrangements.
- 7) CE activities reporting can be focused on circular product design and business model strategies instead of the end-of-life management and sourcing strategies of products and packaging.

Some of interesting examples across the globe:

- 1) *Mushroom packaging*: Ecovative Design has developed packaging made from the roots of mushrooms! These 'mycelium' act as glue, growing around woodchips or a mould to create sturdy plastic-free zero-waste packaging.
- 2) In Sweden, eco-friendly shoppers can visit the first ever second-hand shopping centre, ReTuna. Every store in the building sells only up-cycled vintage goods – from coats to chairs. One can bargain and avoid waste.
- 3) Covestro is inventing new materials made from waste carbon dioxide (CO₂) in the air that reduce the amount of fossil fuel you need to make things like foam mattresses or textiles.

Conclusion

“Paris or no Paris, it is our conviction that we have no right to snatch from our future generations, their right to have a clean and beautiful earth. It is part of our thinking and for that reason we do not believe in exploitation of the nature. We people do not have the right to take more than necessary from nature.”

– Honourable Prime Minister of India, Shri Narendra Modi (*St Petersburg International Economic Forum, 2017*)

A chance to contribute an article on Circular Economy comes at a very opportune time – it represents a unique opportunity to spread awareness about the circular business models in India, key enablers that could help companies accelerate thereby making our dream of clean and efficient growth in India a reality.

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1. Population | United Nations
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Cultivating Sustainability: Embracing the Circular Economy for a Greener Future

CS Rakesh Chandra Sharma*

Introduction to the Circular Economy

The Circular Economy represents a transformative approach with the primary goal of minimizing waste and optimizing the efficiency of resources. This paradigm involves a departure from traditional linear methods of production and consumption, shifting instead towards a model centered on recycling and resource utilization. Within this innovative framework, products are intentionally designed for extended lifecycles, emphasizing durability and facilitating easy repair and upgrade processes. The approach entails the recycling, reprocessing and then seamless integration of materials back into the production cycle.

As per Sustainable Development Goal (SDG) 12, the Circular Economy is one of the current sustainable economic models, in which products and materials are designed in such a way that they can be reused, remanufactured, recycled or recovered after their useful life and thus maintained in the economy for as long as possible, along with the resources of which they are made, and the generation of waste, especially hazardous waste, is avoided or minimized, and greenhouse gas emissions are prevented or reduced.

Circular Economy in today's context

Our planet has provided us with an abundance of natural resources. But we have not utilized them responsibly and currently consume far beyond what our planet can provide. We must learn how to use and produce in sustainable ways that will reverse the harm that we have already inflicted on the planet.

“In light of our shared humanity, it is high time to urgently embrace a Sustainable Lifestyle through Sensible Behaviour Towards Lifestyle Patterns (SL-SBLB) to secure the well-being of future generations.”

Today's reality, with circularity dropping from 9.1% to a mere 7.2%, highlights the urgency of transitioning towards a more circular economy. This means that out of the over 100 billion tonnes of materials extracted annually, only 7.2% are reintegrated into the global economy. To counteract the overshooting of planetary limits and limit global warming to a 2-degree increase, a comprehensive shift towards circularity is imperative. However, this transition won't look uniform across the world, as different countries face distinct challenges. Some must significantly reduce their material consumption, while others need to stabilize or even decrease it.

The global projections indicate that the circular economy holds the potential to generate a

*Deputy General Manager, BSES Yamuna Power Ltd.

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.



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staggering \$4.5 trillion in economic value by the year 2030. Furthermore, sustainable businesses are showcasing their prowess by outperforming their counterparts in terms of financial returns.

These figures underscore the immense economic promise embedded within the principles of the circular economy. By designing systems that prioritize resource efficiency, waste reduction, and responsible consumption, businesses are not only contributing to environmental well-being but also reaping significant financial rewards. The circular economy's capacity to rejuvenate industries, stimulate innovation, and optimize resource usage positions it as a cornerstone for economic growth in the coming decade.

The success of sustainable businesses attests to the notion that ethical and environmental considerations are not at odds with profitability. In fact, these enterprises are demonstrating that a commitment to sustainability can lead to superior financial performance. This convergence of environmental stewardship and economic prosperity makes a compelling case for embracing circular practices, fostering a sustainable and prosperous future.

Every individual holds the power to contribute to the journey of the Circular Economy. By adopting circular practices in our daily lives and supporting businesses that prioritize these principles, we collectively pave the way for a brighter future. Let us endeavour to make a positive impact, not just for ourselves, but for the well-being of future generations.

Circular Economy vs. Linear Economy

The linear economy and the circular economy represent two contrasting paradigms of resource management and economic growth. While the linear economy follows a linear "take-make-dispose" model, the circular economy aims to create a closed-loop system that promotes sustainability and efficient resource utilization. Let's delve deeper into the distinctions between these two models:

Linear Economy: The linear economy is built on a linear production and consumption model. It relies heavily on the extraction of finite resources and the continual use of new raw materials to manufacture goods. This linear process creates a cycle of production, consumption, and disposal, leading to significant waste generation and environmental degradation.

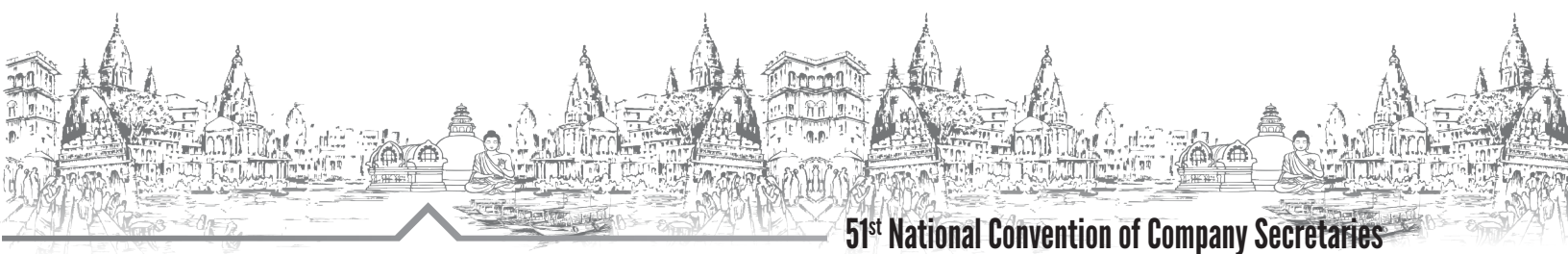
Linear Flow: Extraction >> Processing >> Transformation >> Consumption >> Disposal

Circular Economy: The circular economy presents an alternative model that aims to reduce waste and maximize resource efficiency. It is designed to mimic natural ecosystems, where waste is minimized, and materials flow in closed loops. The circular economy focuses on designing products for durability, repairability, and recyclability, and it promotes practices like reusing, remanufacturing, and recycling.

Circular Economy (Closed-Loop) Flow: Design >> Production >> Use >> Reuse/Recycle >> Repeat

Companies and governments embracing the circular economy approach implement strategies to reduce waste and optimize resource use. This includes designing products with a focus on durability, repairability and recyclability. Examples include:

- Companies like Patagonia encourage repair and refurbishment of their products to extend their lifecycles.



- IKEA designs furniture with modular components to facilitate repair and recycling.
- Dell implements closed-loop recycling, using recycled materials to produce new products.

In summary, the linear economy's resource-intensive and wasteful nature contributes to environmental degradation. The circular economy offers a transformative solution by reimagining resource management, promoting sustainability and fostering a closed-loop system that benefits the environment, economy and society as a whole. As we face pressing environmental challenges, the circular economy presents a viable path forward for a more sustainable and resilient future.

How the circular economy can play a fundamental role in halting and reversing biodiversity loss?

The Circular Economy holds significant potential to address biodiversity loss by promoting resource efficiency, reducing pollution and fostering sustainable practices. Through strategies such as closed-loop systems, responsible consumption and regenerative agriculture, it minimizes the impact on ecosystems. Circular design principles, coupled with collaborations and localized production, work to safeguard habitats and preserve biodiversity. By integrating Circular Economy principles into economic models, societies and businesses can contribute to the restoration and protection of our planet's diverse ecosystems.

Benefits of Circular Economy

The Circular Economy offers a wide range of benefits across various sectors, making it a compelling and sustainable approach to economic and environmental challenges. Here are some key benefits:

- **Resource Efficiency:** One of the core advantages of the Circular Economy is its emphasis on using resources more efficiently. By designing products for durability and repairability and by recycling and reusing materials, the need for virgin resources is reduced. This helps to conserve natural resources, reduce extraction pressures and lower the overall environmental impact of resource extraction.
- **Waste Reduction:** Circular practices significantly reduce waste generation. Products are designed to have longer lifespans and materials are continually cycled back into production processes. This minimizes the amount of waste that ends up in landfills or incineration facilities, thereby reducing pollution and the need for disposal infrastructure.
- **Environmental Impact:** Adopting circular practices can lead to decreased emissions, energy consumption and pollution levels. The approach prioritizes clean production, efficient transportation and sustainable waste management, all of which contribute to a reduced environmental footprint.
- **Economic Opportunities:** The Circular Economy can foster economic growth through innovation and new business models. Repair, remanufacturing and recycling industries can create jobs and stimulate economic activity. Additionally, the shift towards services and product-as-a-service models can lead to increased revenue streams for businesses.
- **Innovation:** The Circular Economy encourages creative thinking and innovation in product



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design, manufacturing processes and business models. Companies are incentivized to find innovative ways to extend product lifecycles, enhance reparability and create products that are easier to recycle.

- **Resilience to Resource Scarcity:** As the world faces potential shortages of critical resources, such as certain metals and minerals, circular practices become even more crucial. By recycling and reusing materials, the Circular Economy helps to alleviate pressures caused by resource scarcity.
- **Reduced Carbon Footprint:** Circular practices can contribute to lowering greenhouse gas emissions. By reducing the need for new production, transportation and disposal, carbon emissions associated with these activities can be minimized.
- **Consumer Engagement:** Consumers are increasingly valuing sustainable products and practices. Embracing circular principles can improve a company's reputation, attract environmentally conscious customers and drive demand for circular products and services.
- **Long-Term Cost Savings:** While transitioning to circular practices may require upfront investments, businesses and communities can experience long-term cost savings through reduced resource consumption, waste management expenses and greater operational efficiency.
- **Global Sustainability Goals:** The Circular Economy aligns with many international sustainability goals, such as the United Nations' Sustainable Development Goals (SDGs). It supports goals related to responsible consumption and production, climate action and the conservation of ecosystems.

The Circular Economy holds the potential to create a more sustainable and resilient world by addressing resource constraints, environmental degradation, and economic challenges. Its benefits extend across environmental, economic and social dimensions, making it a holistic and impactful approach to shaping a better future.

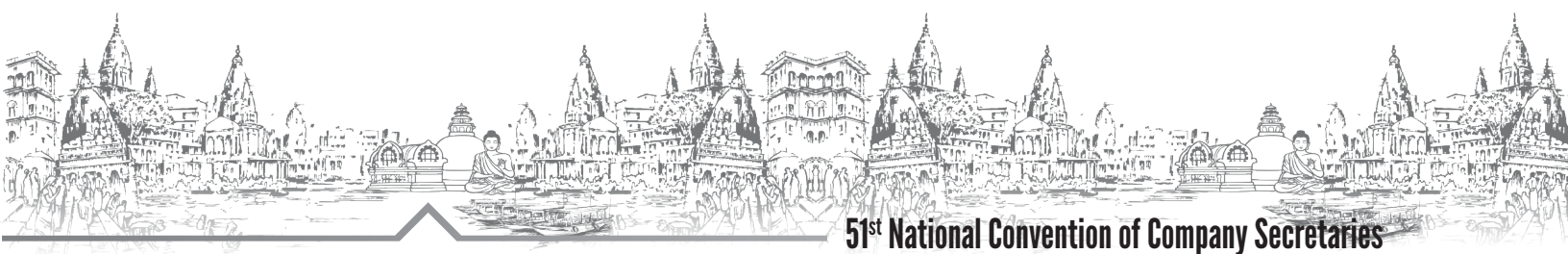
Imagine a World with Zero Waste

Indeed, the vision of a world where Circular Economy principles are universally applied is a compelling one. A world without waste, pollution, emissions, or negative environmental impacts would represent a remarkable shift towards sustainability and responsible resource management. While achieving this ideal might be ambitious, the principles of the Circular Economy provide a roadmap for moving in that direction.

The concept of a waste-free economy aligns with the core tenets of the Circular Economy, where resources are kept in use for as long as possible and the concept of "waste" as we know it today is minimized or eliminated. It envisions a shift from the linear "take-make-dispose" model to a closed-loop system where products and materials are continuously recycled, remanufactured and reused.

Nine Principles of Circular Economy

The Ellen MacArthur Foundation, a leading organization in promoting the Circular Economy, has



outlined a set of guiding principles that capture the essence of this approach. Here are the nine principles of the Circular Economy:

- i. **Design Out Waste and Pollution:** Products and processes should be designed with the aim of eliminating waste and pollution. This involves designing for durability, repairability and recyclability, as well as minimizing harmful substances.
- ii. **Keep Products and Materials in Use:** Extend the lifespan of products and materials by promoting reuse, refurbishment, remanufacturing and sharing. The goal is to maximize the value extracted from resources before they are ultimately recycled.
- iii. **Regenerate Natural Systems:** Focus on restoring and regenerating ecosystems and natural resources that are impacted by economic activities. This can involve strategies like regenerative agriculture and responsible land use.
- iv. **Rethink the Business Model:** Shift from traditional linear models of ownership and consumption to innovative business models like product-as-a-service, leasing and subscription models. These models align incentives with keeping products in circulation for longer.
- v. **Promote Systemic Thinking:** Recognize the interconnectedness of various elements within a system and consider the broader impacts of decisions. This involves collaborating with stakeholders across the value chain to identify opportunities for circularity.
- vi. **Use Renewable Energy:** Transition to using renewable energy sources to power production and processes. This helps reduce the environmental impact and reliance on fossil fuels.
- vii. **Reduce Resource Dependency:** Decrease the dependence on virgin resources by maximizing the use of recycled and renewable materials. This involves developing efficient recycling and recovery systems.
- viii. **Foster Collaboration:** Collaborate across sectors and industries to share knowledge, resources and expertise. This includes partnerships between businesses, governments, NGOs, and communities to drive circular initiatives.
- ix. **Embrace Digital Technology:** Leverage digital technologies like data analytics, IoT, and Blockchain to optimize resource use, enhance traceability and facilitate circular supply chains.

These principles guide the transformation from a linear economy to a circular one, where resources are managed more sustainably, waste is minimized and economic activities are aligned with ecological and societal well-being. Each principle contributes to a holistic approach for creating a regenerative and restorative economic system.

Examples of global corporations embracing Circular Economy

There are several companies across various industries that have embraced the Circular Economy principles and integrated them into their business models. Here are a few examples:

IKEA: IKEA has been working to design products that are more durable, repairable and recyclable. They've also introduced take-back programs for furniture, where customers can return old furniture to the store for refurbishment or recycling.

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How IKEA is implementing circular economy principles and enhancing resource efficiency:

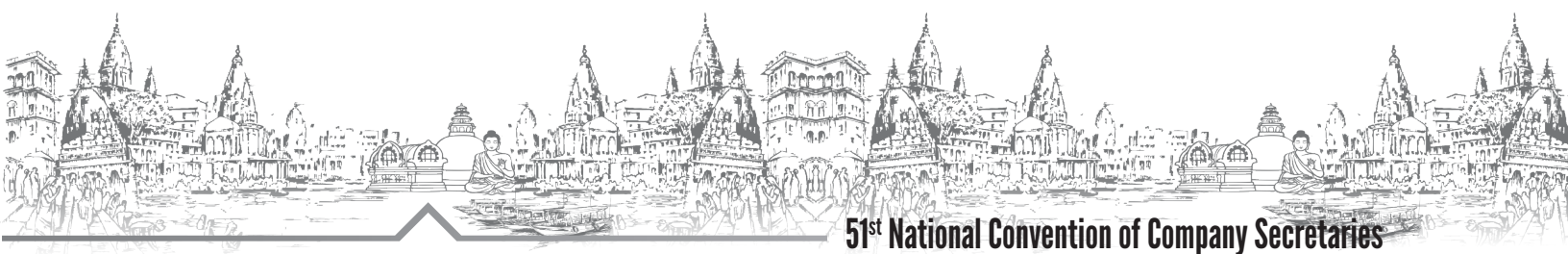
Waste Utilization	Resource Value Extraction	Reduced Throughput	Circular Product Design	Resource Efficiency	Circular Gains
IKEA repurposes waste materials (e.g., broken glass, scrap fabric) to create new products, reducing waste and adding value to discarded materials.	IKEA extracts residual value from waste resources, reducing the need for new raw materials.	By reusing waste and embracing circular practices, IKEA reduces the overall volume of materials required for production.	IKEA designs products for versatility, disassembly, and offers replacement parts, extending product lifespans.	Efficient production and design not only conserve resources but also lead to cost savings.	IKEA's innovative approach to resource utilization and product design reduces environmental impact while enhancing business sustainability.

IKEA Sustainability program provides a convenient way to the IKEA consumer to dispose of their IKEA products and appliances when they reach their end-of-life. The consumer deposit the Plastic as well as the E-waste at any of the IKEA stores in the Waste collection bins provided or can call Service Centre at a Toll-Free no. or visit a web link available on the web portal of the organisation. The said link is used to know the nearest collection centre where they can drop off the Plastic Waste or the Electronic waste.

Coca-Cola: Coca-Cola has been working to implement a circular approach to its packaging. They aim to collect and recycle a bottle or can for every one they sell by 2030. They've been incorporating recycled materials into their packaging and experimenting with alternative materials to reduce their plastic footprint.

The Company has made significant progress toward its packaging sustainability goals, particularly in terms of recyclability and the use of recycled materials in packaging. However, the goal of reducing the use of virgin plastic has faced challenges due to the overall growth in plastic packaging. Similarly, the target for reusable packaging is still a work in progress, with 14% achieved in 2022.

It's important to note that addressing plastic waste and transitioning to a circular economy for packaging is a complex and ongoing process that requires continuous efforts, innovation, and



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collaboration throughout the supply chain. The Company's "World Without Waste" strategy demonstrates its commitment to sustainability and addressing the global plastic waste challenge.

Patagonia: This outdoor clothing and gear company is well-known for its commitment to sustainability. Patagonia encourages customers to repair their products and offers repair services in its stores. The Company also promotes the resale of used Patagonia products through its "Worn Wear" program, extending the lifespan of its products and reducing waste.

To make the recycling (or repurposing) of worn-out garments work, the Company established a 45 people repair department at its distribution center to where all worn-out clothes are sent to be recycled or repurposed.

The switch to organic cotton was more beneficial to the environment than to the company itself, as the prices of its clothing line were then higher to reflect the higher cost of the raw resources.

These examples showcase how companies from various industries are finding innovative ways to embrace Circular Economy principles, from designing products for longevity and recyclability to implementing take-back and recycling programs. These initiatives not only contribute to the companies' environmental sustainability goals but also create positive impacts on their bottom lines and brand reputation.

Pioneering a Sustainable Circular Economy in India

India, home to a staggering 1.3 billion people – 18% of the global population – resides on a mere 2.4% of the world's surface. This demographic density underscores the challenge of resource constraints that India grapples with. As the nation aspires for economic growth aligned with its burgeoning population, a paradigm shift toward an inclusive, environmentally sustainable model of development is imperative.

A transition to a low-carbon, resource-efficient economy stands at the heart of this transformation. India's pursuit of this goal hinges on harnessing the potential within the circular economy framework. This approach assumes paramount significance against the backdrop of swift urbanization, burgeoning population and the escalating specter of environmental and climate crises. The circular economy ethos champions integrated processes and products, offering a critical lever to minimize resource dependency.

To implement circular economy principles and circular economy strategies in organisations, the British Standards Institution (BSI) had launched the standard 'BS 8001:2017'. India is realizing the importance of having its own regulatory framework such as National Material Recycling Policy, National Policy on Resource Efficiency, Bureau of Resource Efficiency (BRE) etc. There is a need to integrate resource circularity in the Industrial Revolution (IR) 4.0 strategies.

Reflecting on the vision of the 21st century India, the clarion call is for clean, accessible and congestion-free mobility. All stakeholders are summoned to embrace the **"Waste to Wealth" (Kachre se Kanchan Abhiyaan) Policy**, underscoring the imperative of resource recycling to its fullest potential.

As Hon'ble PM Shri Narendra Modi aptly underscores, this collective commitment is pivotal in steering the nation toward a sustainable circular economy – an economy that harmonizes growth with stewardship of our planet's precious resources.

Government Policies Propelling India's Path to a Sustainable Circular Economy

In pursuit of fostering a sustainable circular economy, the Indian government has been proactive in crafting policies and initiatives aimed at driving transformative change.

- **Plastic Waste Management and Beyond:** The government has instituted a series of crucial rules to manage plastic waste, such as the Plastic Waste Management Rules, e-Waste Management Rules, Construction and Demolition Waste Management Rules and Metals Recycling Policy. These regulations are geared toward achieving sustainable economic growth and curbing waste-related challenges.
- **Empowered Committees for Circular Progress:** The government has convened 11 committees, comprising representatives from institutions like NITI Aayog and the Ministry of Environment, Forest and Climate Change (MoEFCC), along with SMEs and industry experts. Each committee is dedicated to a specific focus area, spanning from municipal and liquid waste to electronic waste, lithium-ion batteries and more. These committees are mandated to develop comprehensive action plans for facilitating the shift from linear to circular economies within their domains.
- **Green Energy Transition:** In a bid to lessen reliance on fossil fuels, the National Solar Mission has been initiated. This substantial endeavour aims to elevate solar energy usage across India, fostering ecologically sound growth while addressing energy security challenges.
- **Electrifying Mobility:** The National Electric Mobility Mission Plan sets forth an ambitious target of making 30% of all vehicles in India electric by 2030. This initiative seeks to bolster national fuel security, provide cost-effective and environmentally friendly transportation and position India's automotive industry as a global manufacturing leader.
- **Climate Resilience and Clean Energy:** The National Action Plan on climate change is actively shaping a comprehensive strategy for tackling climate change's multifaceted challenges. It focuses on emissions reduction and adaptation to climate impacts.
- **Supporting Agriculture and Clean Energy:** The Pradhan Mantri Fasal Bima Yojana supports farmers in mitigating climate-related risks like droughts and floods. Additionally, the National Clean Energy Fund is a vehicle for advancing clean energy technologies within the country.
- **Enhancing ESG Transparency:** To combat greenwashing, the Securities and Exchange Board of India (SEBI) has introduced guidelines mandating companies to disclose their Environmental, Social and Governance (ESG) performance. These guidelines empower investors with comprehensive insights, facilitating informed investment choices.
- **Green Bonds and Sustainable Funding:** Sovereign Green Bonds (SGrBs) will be issued as part of India's broader market borrowings, channeling funds into green projects and public sector initiatives aimed at reducing the economy's carbon footprint.
- **Pioneering Circular Economy Principles:** The government promotes the "7Rs" of circular economy: *Reduce, Reuse, Recycle, Redesign, Remanufacture, Refurbish and Repair*. These principles underpin the design of new ventures, business parks and industrial clusters, fostering sustainable practices and outcomes.



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- **Holistic Approach for a Sustainable Hub:** Harnessing a systemic approach and favorable economic conditions, India is poised to emerge as a sustainable manufacturing hub, unlocking numerous benefits across industries and stakeholders. Through steadfast commitment to these principles, India paves the way toward a future anchored in sustainability and circularity.

How CS Profession can contribute towards implementation of Circular Economy?

The role of Company Secretaries is undergoing a significant transformation, now encompassing a vital focus on the implementation of Circular Economy principles, especially as ESG considerations gain prominence in the corporate world. Within organizations, Company Secretaries are increasingly assuming the mantle of ESG professionals.

The role of Company Secretaries is crucial in raising awareness and promoting the implementation of Circular Economy principles within organizations. Regardless of a company's size or industry, Company Secretaries should inform and sensitize the management and Board of Directors on Circular Economy's significance. This can be achieved by including sustainability-related topics in Board Meetings, organizing training sessions, advocating for sustainability policies, facilitating stakeholder engagement and ensuring compliance with relevant regulations. By proactively guiding the organization in embracing Circular Economy principles, Company Secretaries contribute to long-term sustainability and competitiveness.

In this landscape where sustainability is imperative for organizations to remain competitive, the role of a Company Secretary becomes even more crucial, especially in the context of Circular Economy principles. Company Secretaries are instrumental in guiding organizations towards sustainable practices rooted in Circular Economy principles. They help align business strategies with sustainability objectives, ensuring that every division of the company is transformed to prioritize economic viability while addressing environmental and societal concerns, a fundamental aspect of the Circular Economy.

Company Secretaries play a pivotal role in managing the complex interplay of variables, such as evolving government regulations and environmental risks, which are central considerations in Circular Economy implementation. They can provide insights, facilitate compliance with circular practices and foster transparent communication around the circular initiatives.

Through their expertise, Company Secretaries whether in Employment or in Whole-Time Practice (PCS) assist in driving sustainability initiatives that reduce long-term costs, enhance productivity and position the organization to thrive in an ever-changing world, all of which are objectives of Circular Economy adoption. As organizations embrace sustainability as a core value, Company Secretaries are at the forefront of this Circular Economy transformation, ensuring that companies are not only future-ready but also responsible stewards of the environment and society, thereby exemplifying the circular ethos in their operations and strategies.

In this journey towards driving successful Circular Economy initiatives, Company Secretaries can navigate the path that bridges the gap between current business practices and the sustainable business model of the future i.e "**BUSINESS AS IS**" being done presently to "**BUSINESS TO BE**" sustainable.

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Following is an excellent example and actions taken by the Utility to embrace Circular Economy principles and promote sustainability within an organization. Each of these initiatives contributes to reducing waste, conserving resources and improving overall efficiency:

Transitioning to Circular Economy Practices in a Utility

In this case study, the author, who is a Company Secretary, took an active role in the introduction of organizational initiatives to adopt Circular Economy practices within a utility company. Considering the broad scope of assets and operations, the author employed the "Pareto Principle" to identify key areas for improvement. Through this process, it was determined that "Scrap Management of Cable & Oil" emerged as a critical focus area for the utility. The Utility company faced several challenges related to cables damaged and improper disposal of Oil:

- Improper Cable Deposition & Oil : Material removed from the site was improperly deposited, leading to multiple issues, including financial losses.
- Environmental Impact: The haphazard disposal of materials (like Damaged Cables & Unhealthy Oil) had adverse environmental implications, raising concerns about the utility's sustainability practices.

Steps taken to address the challenges related to cables damaged and improper disposal of Oil:

Step No. 1	<table border="1"> <tr> <td>Issue Identified</td> <td colspan="3">Scrap Management : Cables & Oil removed from the site are improperly deposited and caused multiple issues</td> </tr> </table>				Issue Identified	Scrap Management : Cables & Oil removed from the site are improperly deposited and caused multiple issues		
Issue Identified	Scrap Management : Cables & Oil removed from the site are improperly deposited and caused multiple issues							
Step No. 2	Planning Methodology through 6 W's for Identified Issues:							
	1.	What	>> Material Removed from the existing network	Cables	Oil			
	2.	Why	>> Operational Issue	Underway Faults leading to Cable damage	Transformer failure deteriorate Oil			
	3.	Worth	>>Significant	Value in Rs.(₹)	Value in Rs.(₹)			
	4.	When	>>Frequency	Occurs throughout the year	Occurs throughout the year			
	5.	Where	>>Location	Anywhere in the area of operations	All Sub-Stations located in the area of operations			
	6.	Whom	>>Concerned officer in Charge	Break Down - Head – Cables Faults	Maintenance Head - Oil			
Step No. 3	<table border="1"> <tr> <td>Objective</td> <td colspan="3">Appropriate disposal of Cables and Oil</td> </tr> </table>				Objective	Appropriate disposal of Cables and Oil		
Objective	Appropriate disposal of Cables and Oil							

Step No. 4	<table border="1"> <thead> <tr> <th data-bbox="365 298 483 676" rowspan="2">Goals</th> <th data-bbox="483 298 911 338">Cable</th> <th data-bbox="911 298 1414 338">Oil</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 338 911 676"> 1. Measurement of Cable Removed 2. Measurement of Cable Deposited 3. Segregation of Cable 4. Disposal / Sale of Scrap 5. Revenue Generation </td> <td data-bbox="911 338 1414 676"> 1. Assessing quantity of Oil (Unhealthy) removed 2. Assessing quantity of Oil - Deposited 3. Disposal / Sale 4. Revenue Generation </td> </tr> </tbody> </table>	Goals	Cable	Oil	1. Measurement of Cable Removed 2. Measurement of Cable Deposited 3. Segregation of Cable 4. Disposal / Sale of Scrap 5. Revenue Generation	1. Assessing quantity of Oil (Unhealthy) removed 2. Assessing quantity of Oil - Deposited 3. Disposal / Sale 4. Revenue Generation										
Goals	Cable		Oil													
	1. Measurement of Cable Removed 2. Measurement of Cable Deposited 3. Segregation of Cable 4. Disposal / Sale of Scrap 5. Revenue Generation	1. Assessing quantity of Oil (Unhealthy) removed 2. Assessing quantity of Oil - Deposited 3. Disposal / Sale 4. Revenue Generation														
Step No. 5	<p data-bbox="365 693 911 735">Implementable Solutions with Action Plan:</p> <table border="1" data-bbox="365 745 1414 1178"> <thead> <tr> <th data-bbox="371 753 727 863">Smart Key Performance Indicators (KPI) & Key Result Area (KRA)</th> <th data-bbox="727 753 1040 863">Unit of Measurement For KPI & KRA</th> <th data-bbox="1040 753 1408 863">Concerned Officer-in-Charge</th> </tr> </thead> <tbody> <tr> <td data-bbox="371 863 727 947">Cable (Removed & Deposited)</td> <td data-bbox="727 863 1040 947">In Kilogram (Kg)</td> <td data-bbox="1040 863 1408 947">Maintenance Head – Cables Faults</td> </tr> <tr> <td data-bbox="371 947 727 1031">Cable (Disposal / Sale)</td> <td data-bbox="727 947 1040 1031">In Kilogram (Kg)</td> <td data-bbox="1040 947 1408 1031">Store – In Charge</td> </tr> <tr> <td data-bbox="371 1031 727 1115">Oil (Removed & Deposited)</td> <td data-bbox="727 1031 1040 1115">In Kiloliter (Ltr)</td> <td data-bbox="1040 1031 1408 1115">Maintenance Head - Oil</td> </tr> <tr> <td data-bbox="371 1115 727 1178">Oil (Removed & Deposited)</td> <td data-bbox="727 1115 1040 1178">In Kiloliter (Ltr)</td> <td data-bbox="1040 1115 1408 1178">Store – In Charge</td> </tr> </tbody> </table> <p data-bbox="365 1199 1414 1272">These KRAs / KPIs were made a part of annual targets of Concerned Office-In-Charge along with the Departmental & Individual Employee Targets.</p>	Smart Key Performance Indicators (KPI) & Key Result Area (KRA)	Unit of Measurement For KPI & KRA	Concerned Officer-in-Charge	Cable (Removed & Deposited)	In Kilogram (Kg)	Maintenance Head – Cables Faults	Cable (Disposal / Sale)	In Kilogram (Kg)	Store – In Charge	Oil (Removed & Deposited)	In Kiloliter (Ltr)	Maintenance Head - Oil	Oil (Removed & Deposited)	In Kiloliter (Ltr)	Store – In Charge
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Oil (Removed & Deposited)	In Kiloliter (Ltr)	Maintenance Head - Oil														
Oil (Removed & Deposited)	In Kiloliter (Ltr)	Store – In Charge														
Step No. 6	<p data-bbox="365 1281 803 1312">Review & Monitoring Mechanism:</p> <ol data-bbox="397 1333 1414 1850" style="list-style-type: none"> 1. Alignment of KPIs: Key Performance Indicators (KPIs) of staff involved were aligned with the objectives related to Cable & Oil management and other circular economy practices. This alignment ensures that employees' performance is directly tied to the organization's sustainability goals. 2. Organizational Hierarchy and Area-Wise Allocation: The monitoring process takes into account the organizational hierarchy, meaning that performance assessments are tailored to different levels within the organization. Additionally, the allocation of work and duties is divided area-wise, likely based on geographical or functional divisions within the company. 3. Performance Reviews: Regular performance reviews are conducted for Cable and Oil management, covering various aspects such as removal, deposition, segregation, disposal, and sales. These reviews ensure that the entire lifecycle of these materials is monitored and managed efficiently. 															

	<ol style="list-style-type: none"> 4. Monthly Revenue Assessment: The organization assesses revenue outcomes on a monthly basis. This likely involves tracking the financial impact of the Cable & Oil management initiatives, including revenue generated from the sale of recycled materials. 5. Comprehensive Quarterly Reports: Detailed quarterly reports are provided to the management by the respective Officer-in-Charge. These reports summarize the activities related to Cable & Oil management and their financial impacts. The comprehensive nature of these reports allows the management to gain a holistic view of the progress made and make informed decisions.
Step No. 7	<p>Impact Assessment: An Impact Assessment was performed by the respective Officer-in-Charge, offering an exhaustive analysis of Cables & Oil handling process. This evaluation included a comparative analysis of the situation both "Before & After" the implementation of corrective measures. The assessment was substantiated by a report issued by an expert who assessed the environmental impact, taking into account the adoption of Circular Economy practices.</p>

By focusing on Cables & Oil handling process management and adopting Circular Economy practices, the Utility company aimed to minimize waste, enhance environmental sustainability, and maximize financial recovery. The proactive approach led by the Company Secretary demonstrated the organization's commitment to sustainable and responsible resource management, aligning its practices with the principles of Circular Economy. Through systematic planning, robust monitoring and impact assessment, the utility company paved the way for a more sustainable future while ensuring efficient and responsible asset management.

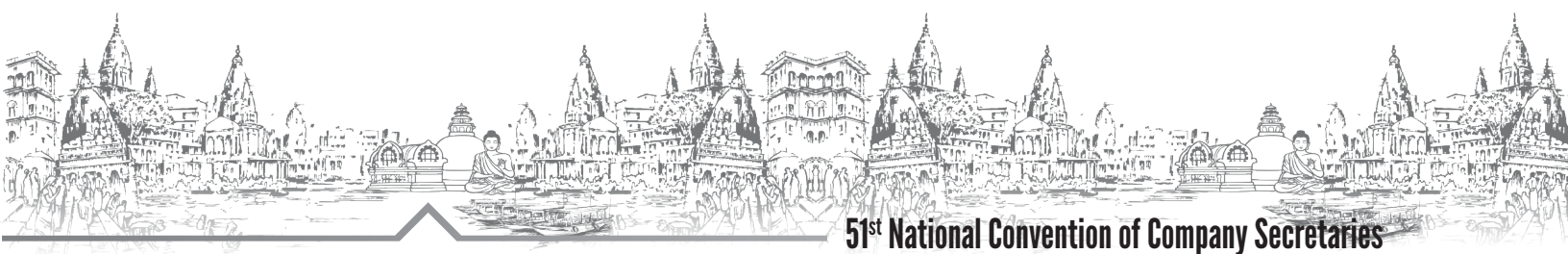
Conclusion

The Circular Economy offers a promising path to sustainability by addressing environmental challenges while simultaneously promoting economic growth and fostering innovation. Embracing these principles at individual, corporate and societal levels is crucial for a more sustainable and resilient future.

Amidst this shifting landscape, the role of Company Secretaries is undergoing a significant evolution, with a particular emphasis on the implementation of Circular Economy principles. This evolution is especially pronounced as ESG considerations gain increasing prominence within the corporate realm. Company Secretaries are now assuming the responsibilities of ESG professionals within organizations. As they navigate the path towards driving successful Circular Economy initiatives, Company Secretaries bear the critical responsibility of bridging the gap between current business practices ("BUSINESS AS IS") and the sustainable business model of the future ("BUSINESS TO BE").

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Circular Economy - New Perspectives and the Role of Company Secretaries

Prof. R. Balakrishnan*

Circular Economy – A Brief

By circular economy, one understands that it is a model of production and consumption involving sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible, thereby, the life cycle of the product is extended. In practice, we could say that the term circular economy is nothing but reducing the wastage to a minimum possible level. When a product reaches the end of its life, its materials are kept within the economy, wherever possible, since the recycling is possible in most of the cases. Again, the recycled materials could be productively used again and again, thereby, further value is created. This is a departure from the traditional linear economic model which is based on a take – make – consume and finally throw away pattern. Probably the traditional model relied upon large quantities of cheap, easily accessible material and energy.

The circular economy has been continuously gaining traction with business enterprises and government leaders alike. Across the world, with a result, this concept was getting innovative thinking and capturing the opportunity, to gradually decouple economic growth from virgin resource inputs, encourage innovation, increase growth and create more robust employment.

Circular economy emerged as a key driver in development of sustainability

Arising out of circular economy, the following things have emerged across the world.

- (a) In the fast-developing digital world, the circular economy has emerged as a key driver in the development of sustainability.
- (b) Significant contributions have been generated by circular economy businesses in terms of gross domestic product and employment.
- (c) In the future, new approaches are needed that meet global trends in digitalization, resources and ecological challenges.
- (d) Instead of solely addressing environmental issues, e-businesses in the digital age need to ensure the sustainable development of the circular economy.
- (e) The future of the businesses is going to be based on circular economy and it is expected to bring e-business model for uplifting environment, social, governance and sustainability performance.
- (f) The circular economy would focus on process related to technical aspects, reduce the

*FCS & Governance Professional (Governance Institute of UK)

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cost of operation and resource pressure, minimize the environmental impact and maximize social and economic impacts.

Future of the businesses are going to be more towards e-business model, e-business application portfolio and software application development for sustainable circular economy business.

International Organization for Standardization brought out ISO 14000

The International Organization for Standardization brought out a set of standards created to help companies around the world reduce their adverse impact on the environment. ISO is a framework for improved and more environmentally-conscious quality management systems by large and small organizations and the ISO-14000 series of standards was introduced in the year 1996 by the International Organization for Standardization and most recently revised in the year 2015. Adopting the ISO standards is optional and not mandatory. Companies could get ISO-14000 certified and according to the latest ISO, survey more than 400,000 organizations around the world have obtained certification including our own country and to name some of the companies, we could state (i) Munjal Auto Industries Limited; (ii) Saint-Gobain Sekurit India Limited; (iii) Zuari Cement Ltd-; (iv) India Steel Summit Private Limited; (v) Lloyds Metals And Energy Limited amongst others.

Circular Economy in our country

When we look into our country relating to circular economy, we could say that the circular economy aims to eliminate all forms of junk from the market. The term “junk” in simple terms refers to any inefficient utilization of resources or assets. It is a restorative approach to production and consumption that involves redesigning, recovering and reusing products and materials to reduce environmental impacts. Circular models seek to eliminate four different kinds of waste that are as follows: -

- (a) **Wasted Resources:** Materials and energy that cannot be effectively recycled over time.
- (b) **Wasted Capacities:** Products and assets that are underutilized.
- (c) **Wasted Lifecycles:** Products that prematurely end due to planned obsolescence or a lack of second-life options.
- (d) **Wasted Embedded Values:** Components, materials and energy not retrieved from waste streams

As per the published reports available, the transition to a circular economy could result in an additional US\$ 4.5 trillion in global economic output by the year 2030. Moreover, in contrast to the current growth environment, our country's circular economy development route might generate an annual value of US\$ 218 billion (Rs. 14 lakh crores) by the year 2030 and US\$ 624 billion (Rs. 40 lakh crores) by the year 2050. The implementation of circular economy in India would require an enabling ecosystem that encourages the identification and adoption of new business models.

Currently, 377 million people living in urban cities, produce approximately 55 million tonnes of Municipal Solid Waste such as organic waste, recyclables like paper, plastic, wood, glass, etc., per year, with these numbers expected to skyrocket to 125 million MT per year by the year 2031. Moreover, only 75-80% of the Municipal Solid Waste gets collected; out of which only 22-28% is processed and the rest is dumped in dump yards. MSW generation is projected to increase



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to 165 million tons by 2031 and further rise to 436 million tons by 2050. By the year 2030, India is expected to be the world's third-largest economy, accounting for approximately 8.5% of the global GDP. The circular economy has the potential to fuel India's growth while also providing significant environmental benefits, making a sustainable and resilient framework. According to National Chemical Laboratory and Poly Ethylene Terephthalate Packaging Association for Clean Environment, the recycled Poly Ethylene Terephthalate plastic industry in India is estimated to be worth around US\$ 400-550 million. Further Poly Ethylene Terephthalate is recycled at a rate of 90%, which is higher than in Japan (72%), Europe (48%) and the United States (31%). Thus, there are enormous opportunities for a circular economy in our country and in the near future, it is likely to be: -

Leading hub for technology and innovation

- (a) Our country is well equipped due to digitalization.
- (b) The Information Technology dominance and pool of tech talent, our country, could use digital technology to create innovative and cutting-edge circular businesses.
- (c) Our country has the potential to accelerate our country's economy to the forefront of the global circular economy revolution.

Early success compared to global economies

- (a) Our country is one of the fastest developing economies.
- (b) Our country can easily take up opportunities to use circular methods of production, building sustainable designs, as mature economies have a linear lock-in and switching costs would be costly and time-taking.
- (c) Our country being an emerging nation, we have a competitive advantage over mature economies.

Easy acceptance

- (a) Several circular aspects are ingrained in our countryman's mind sets like (i) vehicle over-utilization; (ii) repair or extensive recovery; and (iii) recycling of post-use materials at the household level.
- (b) For instance, the average length of car ownership in our country is 9-12 years, as compared to 7-8 years in the United States of America.
- (c) Thus, this widespread cultural acceptance makes our country a larger marketplace.

Cost-centric Market

- (a) The cost of providing services to consumers will be cheaper for those who would take the circular path than that of the traditional take-make-waste model.
- (b) Incorporating circular practices in our country could result in US\$ 624 billion in savings across construction, food and agriculture and mobility by the year 2050.
- (c) This will contribute to widespread adoption, particularly among our country's cost-conscious consumers.

Initiatives taken by our government

In the year 2014, our government launched the “Swachh Bharat Abhiyaan” (Clean India Mission) to make our country cleaner and free from open defecation and litter. The Clean India Mission includes provisions for plastic waste management, such as promoting waste segregation at the source and setting up plastic waste management systems. Several states of our country have implemented their own regulations and initiatives for plastic waste management. Despite these efforts, plastic waste management in our country remains a significant challenge due to a lack of infrastructure, low waste collection rates, inadequate funding and lack of recognition to the Informal Recycling Sector (IRS). Government also introduced initiatives like “Namami Gange programme (National missions for clean Ganga) in the year 2014 and Green Skill Development programme in the year 2017 and also came out with biodiversity conservations para taxonomists initiatives.

Environmental, Social and Governance Regulations

Environmental, Social and Governance (ESG) Regulations refer to the regulatory measures designed to promote sustainable and responsible business practices. Environmental factors cover a range of issues related to climate change, pollution, resource depletion, waste management, etc. Social factors cover issues related to better labour practices, human rights protection and community impact, while governance factors cover issues related to business conduct and ethics, transparency and disclosure, board composition and corporate governance. These factors are increasingly being considered by investors to evaluate the long-term sustainability of companies and also to guide their investment decisions. Everyone is proud to be associated with those organization which are practicing better corporate governance and a compliant organization. This trend has been driven by recognition of the critical role that long-term sustainability plays in the success and stability of global economy. Consequently, there has been a continuous rise in ESG related regulations, from all the sectors of the regulators which are aimed at encouraging companies to adopt responsible business practices that consider the impact of their operations on the environment, society and overall governance. The regulatory framework includes guidelines and standards for ESG reporting and disclosure, as well as requirements for companies to establish ESG policies and procedures. Some of the key frameworks and initiatives include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).

ESG implications for companies

Companies are required to disclose their ESG performance along with the risk to the stakeholders of the company under the ESG regulations. This brings the enhanced responsibility on the part of the company for more transparent disclosures coupled with greater accountability. Obviously, the companies which are not meeting the requirements – rather fail to meet the ESG standards might end up losing the confidence of the stakeholders and end up its reputational brand image, which will result into severe revenue losses and affect the profits of the company. The company might work towards changing their business practices in alignment with the ESG standards, guidelines which might call for significant investments towards putting the latest modern technology coupled with system changes and modifications of the company's processes and practices.

Regulations in place relating to ESG

Under the framework of the Companies Act, 2013, compliance and disclosure requirements are already in place, relating to governance issues and its disclosures such as: -

- (i) Duty of director of a company to act in good faith, promote the objects of the company for the benefit of all the stakeholders of the company.
- (ii) The board report to contain details on the conservation of energy, steps taken or the impact on the conservation of energy, steps taken to utilise alternate sources of energy, capital investment in energy conservation equipment, efforts towards technology absorption, etc.
- (iii) CSR report is required to be published by companies covered under CSR provisions.
- (iv) Certain classes of companies to have independent director (s), women director.
- (v) Specified classes of companies to have Audit Committee, Nomination & Remuneration Committee.
- (vi) In respect of listed companies, the Company Secretary needs to ensure that the required compliance is done and the report of BRSR is published in the annual report as required under the LODR regulations.

In addition to the above requirements in place, our Government had taken to protect the environment and brought out various Acts and Rules from time to time and to name some of them are: -

1. Wildlife (Protection) Act, 1972
2. Water (Prevention and Control of Pollution) Act, 1974
3. Water (Prevention and Control of Pollution) Cess Act, 1974
4. Air (Prevention and Control of Pollution) Act, 1977
5. Forest Conservation Act, 1980
6. Environment (Protection) Act, 1986
7. Public Liability Insurance Act, 1991
8. Ozone-Depleting Substances (Regulation and Control) Rules, 2000
9. Energy Conservation Act, 2001
10. Biological Diversity Act, 2002
11. National Green Tribunal Act, 2010
12. Coastal Regulation Zone Notification, 2018
13. With reference to employee benefits the Factories Act, 1948; Shops and Establishment Act; bonus and gratuity laws and other labour related laws are put in place.
14. To strengthen the corporate governance regulations like the Prevention of Money Laundering Act, 2002; the Prevention of Corruption Act, 1988, etc.

Role of SEBI with respect to ESG Regulations

In the recent past, across the world, the ESG regulations have been gaining traction, driven by growing awareness of ESG risks and opportunities among the stakeholders and investors coupled with increasing focus on corporate sustainability and the regulatory push towards responsible investment practices. The market regulator i.e. the Securities and Exchange Board of India (SEBI) has been actively promoting ESG and introduced a number of ESG-related regulations and guidelines in recent years, investing in our country through various initiatives, regulatory requirements from time to time as listed below:-

- (a) During the year 2013, a guidance note on ESG disclosure was brought out by SEBI, recommending that the listed companies should disclose their ESG performance in their annual reports.
- (b) Again, in the year 2015, the guidelines issued by SEBI was updated to include more detailed reporting requirements, such as reporting on water usage, energy consumption and greenhouse gas emissions.
- (c) In the year 2018, SEBI has issued a circular requiring mutual funds to disclose their ESG policies and practices in their offer documents.
- (d) In the year 2019, SEBI issued a circular requiring credit rating agencies to disclose their ESG risks and opportunities in their rating reports.
- (e) In the year 2020, SEBI issued a circular requiring asset management companies to report on their stewardship activities, including their engagement with companies on ESG issues.
- (f) In the same year i.e., year 2020, SEBI mandated ESG reporting to the top 1,000 listed companies, who are mandatorily required to report on Business Responsibility Report (BRR) as a part of their annual reports. The requirement of the business responsibility reporting is that the report is required to state the initiatives taken by the companies from the point of Environmental, Social and Governance (ESG) perspective, as per the specified format by the Securities Exchange Board of India.
- (g) In the year 2021, SEBI brought out amendments to the existing provisions of BRR. As per the amendments brought out by SEBI, the existing reporting of BRR was required to be discontinued after the financial year 2021-22. In place of the existing BRR, the companies are required to submit a new report as "Business Responsibility and Sustainability Report" based on the ESG parameters.

In respect of other than top 1000 companies - Listed companies (other than top 1,000) and companies which have listed their specified securities on the Small and Medium Enterprises (SME) exchange may voluntarily submit BRSR in place of BRR, effective from FY 2021-22 onwards.

ESG regulations in banking sector

The banking sector regulator, Reserve Bank of India (RBI) has also been promoting ESG compliances in our country. In the year 2020, the RBI issued a circular requiring banks to disclose their ESG-related information in their annual reports, including their policies on climate change, risk management, sustainable finance and social responsibility and this circular also directed the banks to report on their financing of green and social projects. During the year 2022, Reserve



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Bank of India mandated that Scheduled Commercial Banks, Urban Co-operative Banks and Non-Banking Financial Companies with assets over five thousand crores, must adopt the “Task-Force on Climate related Financial Disclosures (TCFD) framework brought out by the financial stability board in order to improve and increase reporting of climate related financial information coupled with sustainability related disclosures.

Role of Company Secretaries

Under the provisions of the Companies Act, 2013, for all companies the Company Secretary is responsible for ensuring that the company complies with all applicable legal and regulatory requirements and that the board of directors operates effectively. In respect of listed company, again the compliance officer, who is a qualified company secretary needs to ensure the required compliances as per the SEBI (Listing Obligations & Disclosure Requirements) Regulations. In the context of environmental, social and governance, the Company Secretary plays a key role in helping the company to prioritize and integrate environmental, social and governance considerations into its operations and decision-making processes.

In the last one decade or so, across the world, the importance of environmental, social and governance factors has become increasingly recognized in the corporates. The companies are expected to prioritize the environmental, social and governance factors in the operations of the company as well as, bring it effectively in the decision-making processes as stakeholders are paying closer attention to environmental, social and governance performance of a company. As a result of this, the role of the Company Secretary in ESG has become more important than ever. Here are some specific ways in which the Company Secretary can contribute to the company's environmental, social and governance efforts.

1. **Supporting ESG Education**

The Company Secretary can provide education and training to the Board of Directors and other employees regarding ESG issues and best practices and the required disclosure with compliance requirements.

2. **Managing ESG Communication**

The Company Secretary can help in managing communication with stakeholders regarding the company's ESG performance and initiatives. This may include preparing ESG reports (BRSR report for listed companies), responding to stakeholder inquiries and participating in ESG-related events.

3. **Facilitating ESG Integration**

The Company Secretary can work with the Board of Directors and other stakeholders to ensure that ESG considerations are integrated into the company's strategy, risk management and decision-making processes.

4. **Monitoring ESG performance**

The Company Secretary can help the Board of Directors to monitor the company's ESG performance and identify areas for improvement. This may include tracking ESG metrics and benchmarking against industry peers.

5. Ensuring ESG compliance

The Company Secretary who is a compliance officer and also a Key Managerial Personnel is responsible for ensuring that the company complies with all relevant ESG laws and regulations. This may include reporting on ESG performance and managing stakeholder engagement.

Disclosure in the annual report – specifically for listed companies

The Company Secretary has to ensure that all the principle wise disclosures are properly reported providing the required transparent information in the annual report. SEBI spelled out the following nine principles on which the disclosure is called for:-

1. Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable.
2. Businesses should provide goods and services in a manner that is sustainable and safe.
3. Businesses should respect and promote the well-being of all employees, including those in their value chains.
4. Businesses should respect the interests of and be responsive to all its stakeholders.
5. Businesses should respect and promote human rights.
6. Businesses should respect and make efforts to protect and restore the environment.
7. Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
8. Businesses should promote inclusive growth and equitable development and
9. Businesses should engage with and provide value to their consumers in a responsible manner.

In respect of unlisted companies ESG related compliance

The Company Secretary needs to ensure the ESG related compliance in the companies wherever, he is serving, depending the nature of industry, sector of industry, etc. (e.g. manufacturing, banking, IT sector, etc.) is met with and the Company Secretary assists / helps the board to ensure the adequate compliance. The compliance could vary such as (a) environmental management – effluent treatment related; (b) air, dust, smoke, water pollution related; (c) hazardous & toxic material management especially in chemical industries; (d) employees health, safety related where labour intensive units are there – especially labour laws; (e) consumer & producer safety related – ensuring product liability insurance, public liability insurance are in place.; (f) ensuring that the company had put in place the ESG management practices and process; (g) data privacy, security and management more specific to IT industry; (h) ensuring that the company complies with business code of ethics and code of conduct. The above are only illustrative examples and in practice, the compliance could vary depending upon the nature of industry, sector specific and other related issues. The bottom line is that the Company Secretary needs to ensure adequate ESG compliance – whatever applicable to the company.

Role of Practicing Company Secretaries in ESG compliance

Under the provisions of the Companies Act, 2013, companies having paid up capital lesser than Rs. 10 crores need not employ a Company Secretary in whole time employment. However, these companies are also required to ensure the compliances as applicable by taking a help of practicing professionals such as Practicing Company Secretaries. Coming to ESG related compliance, the PCS could advise the boards of the company relating to ESG risk and assist them in ensuring the required compliance by identifying the areas depending upon the nature of industry. Apart from advising, the PCS also could help the Board of Directors to identify areas where the company can improve its ESG performance. The PCS could also provide guidance on regulatory requirements related to ESG compliance and help in ensuring that the company is adhering to them.

Many companies would like to get the ISO-14001 certification and the PCS could help those companies in drafting the standard operating procedures which is one of the fundamental documents for ISO. The practicing professional could also assist in drafting the policy documents for company such as (a) business code of conduct & ethics; (b) CSR policy; (c) code of fair disclosure; (d) dissemination of information to market; (e) strategic risk management policy; (f) whistle blower policy and vigil mechanism, etc., amongst others.

Conclusion

Companies with good ESG track records are increasingly being considered good long-term investments by investors, which continue to deploy capital into green projects and are increasingly reliant on investment outcomes based on evidence which can be showcased by a robust ESG reporting framework adopted for the benefit of shareholders and other key stakeholders.

In summary, the role of the Company Secretary in ESG is critical for ensuring that the company operates in a responsible and sustainable manner. By prioritizing ESG considerations and integrating them into decision-making processes, companies can not only meet regulatory requirements but also build trust with stakeholders, improve their reputation and contribute to a better world. Company Secretaries in employment and as well in practice have a great role to play in ensuring ESG compliance in future days to come. More regulations could emerge for independent certification for ESG compliance, CSR compliance, etc. We have a long way to go on this and future appears to be very bright.

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Women-led Development: Accelerated, Inclusive & Resilient Growth

CS Preeti Grover*

CS Kajal Jain**

Introduction

Across the globe, countries are putting efforts to bring women at par with modernization and digitalization. Under the G20 Presidency of India this year, **Women Led Development is the guiding light for G20 Summit**. India is taking prominent steps for empowering women and has launched various schemes aimed at bringing a positive change in the society. While launching the scheme "NARI SHAKTI", Hon'ble Prime Minister in his speech said **"Empower a woman, empower a family. Empower a family, empower a village. Empower a village, empower a nation."**

From Independence to Resilience - An Expeditious Journey of Indian Women

Freedom fighters like Rani Lakshmi Bai, Sarojini Naidu, Vijayalakshmi Pandit, Begum Hazrat Mahal and Kasturba Gandhi are few of the leading examples of women freedom fighters who played an important role in fighting for India's independence. From 1920 onwards, women took an active part in the independence movement by being followers of Gandhian path. Women fought for social and economic equality in the country, by protesting against discriminations based on caste, colour, sex, religion and language. The prejudice against lower class continued even after attaining independence. Women from different parts of the society played pivotal role in protest against such discrimination.

Women's political participation in the fight for independence opened up new vistas for raising their voices and putting their suggestions and opinions across the table. Since Independence, there has been resilient growth in women's political, educational, legal and social status.

When we think of women leaders in India, the name of **Indira Gandhi**, first and only woman Prime Minister of India till date, is very important. She played a big role in spreading public support for agricultural improvements. It helped the country in achieving self-sufficiency in food grain production. **She is also known for her success in the Indo-Pakistan Civil War (1971), which resulted in the creation of Bangladesh in 1971. She was appraised globally for her contribution.**

Among some other examples, **Rajkumari Amrit Kaur** was the first woman Cabinet Minister of Health. **She played an important role in establishing the All India Institute of Medical Sciences (AIIMS).**

Women are considered as the backbone of not only a family but also the entire society. India has seen several phenomenal women athletes who have inspired the young females to step forward and live their dreams.

**Proprietor, PG & Associates, Noida

**Practising Company Secretary, PG & Associates, Noida

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Women have made a profound presence in the sports also. Their hard work and zeal have always been fruitful to them. Some of the Indian women who have made the country proud with their marvelous performance in sports are Mary Kom, Saina Nehwal, Sania Mirza, PV Sindhu, Mithali Raj, PT Usha, etc.

Some successful women in banking in India include **Arundhati Bhattacharya, first woman to serve as the Chairperson of India's oldest and largest commercial bank, the State Bank of India**, Kalpana Morparia, Naina Lal Kidwai, Ranjana Kumar, Shikha Sharma, Usha Ananthasubramanian.

Walk the Talk- Transition from Supporting Women to Enabling Women Led Development

"The best measure of a nation's progress is the way it treats its women."

The country's rate of success in sustainable development depends on the magnitude of women's involvement and participation in the capacity building and economic activities. Prime Minister Narendra Modi said **"We cannot achieve success if 50 per cent of our population being women are locked at home."** The Government of India is taking pro-active steps to ensure that women are made part of institutions. Government has launched various *Abhiyans* and schemes for the upliftment of women. Some of them are listed below:

- **Swachh Bharat Mission:** In early 1990, even though the economy was rising and urbanization was at peak, the rural area was untouched and unaware of such growth and modernization. The basic need of human beings i.e. Sanitisation was not appropriate and **the sanitation coverage in India was as low as 39% till 2014.**

Realising the problems faced by women and girls by feeling a sense of helplessness and fear, sometimes even shame, when taking care of their sanitation needs in the open on account of the lack of toilets, the Government launched the Swachh Bharat Mission (SBM) in October, 2014, where women continued to be the biggest beneficiaries of this programme. This Mission has helped in promoting their safety, convenience and self-respect. **Currently 50% of villages in India have ODF (Odor Defecation Free) plus status.**

- **Beti Bachao Beti Padhao:** There was a trend of decline in Child Sex Ratio in 2000s indicating women disempowerment by both pre-birth discriminations manifested through gender-based sex selection and post birth discrimination against girls. The Beti Bachao Beti Padhao (BBBP) scheme was launched in January, 2015, in an attempt to foster change in the minds and hearts of the people of our country and to ensure survival, protection and education of the girl child. Reportedly, there has been an improvement in sex ratio and enrolment of girls in schools. **Female literacy rate also stood at 70.30% this year.**
- **Sukanya Samriddhi Yojana (SSY):** This scheme is a part of BBBP campaign. SSY is a small deposit scheme of the Government of India meant exclusively for a girl child.
- **Abolishment of Triple Talaq- A Win Against Patriarchy and Powerplay Masquerading as Religion:** Both men and women should enjoy equal rights to religious freedom but this was not the case amongst Muslims. The Shayara Bano case was a landmark case under the family laws that dealt with the malpractice of triple talaq in Muslim community. The Supreme Court found instant Triple Talaq to be in violation of Article 14 of the Constitution in a majority decision issued in August, 2017. **The Muslim Women**

(Protection of Rights on Marriage) Act, 2019, declared instant divorce granted by the pronouncement of talaq three times as void and illegal. Muslim women were free from the terror of instant divorce and fear of abandonment.

- **Sanitary Pads at Just Re.1 - Pradhan Mantri Bhartiya Janaushadhi Pariyojana:** By providing low-cost and high-quality sanitary pads, Janaushadhi Suvidha is making menstrual products more accessible and hygienic to women. Now women don't need to resort to unhygienic alternatives during their menstruation.

Empowering Women by Providing Financial Aid from Government

Various active measures and Government Schemes have been launched by the Government of India for empowering women. Few of them are mentioned below:

Bhartiya Mahila Bank (BMB) business loan was established in 2013, products were designed in a manner to give a slight concession on loan rates to women and to promote asset ownership amongst women customers.

Mudra Yojana launched in April, 2015, was introduced with a special focus on women entrepreneurs by giving loans, with no requirement of collateral security for loans up to ₹10 lakhs, on easy terms and conditions. The scheme also offers lower interest rates making it easier for women who are looking to start a new business or expand their existing businesses.

Stand Up India Scheme, was introduced in April, 2016, to promote entrepreneurship amongst women from Scheduled Castes (SC) & Scheduled Tribes (ST) categories. The scheme was designed to help women in starting a Greenfield enterprise in trading, manufacturing and service in the agricultural sector.

Mahila Coir Yojana was introduced in November, 1994, empowering women in the country by giving training and distribution of coir processing equipment. This programme is a 100% women-oriented programme intended to provide self-employment to the rural women artisans in coir producing regions.

Mission Shakti was launched in March, 2001. It is an Integrated Women Empowerment Programme with two sub schemes, Sambal and Samarthya which aims at strengthening interventions for safety, security and empowerment of women in a mission mode through institutional and convergence mechanism for greater efficiency, effectiveness and financial prudence.

Startup India Scheme was introduced in January, 2016. Through initiatives, schemes, creation of enabling networks and communities that would work with each other and activating partnerships among diverse stakeholders in the startup ecosystem that would ease doing of business, this scheme is committed towards helping and strengthening women entrepreneurship in India.

Legal Rights of Women

Even after India's independence, men and women were not treated equally and the gender disparity continued. Women have always been fighting for their rights and status in the society. Although various steps were taken and changes were made, legal rights granted to women were insufficient.



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To protect the dignity and grant equal rights to women, various laws have been introduced like The Special Marriage Act (1954), The Hindu Marriage Act (1955), The Hindu Succession Act (1956), The Immoral Traffic (Prevention) Act (1956), The Dowry Prohibition Act (1961), The Medical Termination of Pregnancy Act (1971), The Equal Remuneration Act (1976), The Commission of Sati (Prevention) Act (1987), The Protection of Women from Domestic Violence Act (2005), The Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act (2013) (PoSH) and The Maternity Benefit (Amendment) Act (2017).

The Supreme Court has conferred **daughters the equal status of a coparcener in Hindu families**, providing them with the inheritance rights. In another case, Supreme Court ruled that **“women officers in the army should be entitled to permanent commission** and command postings in all services other than combat, and they have to be considered for it irrespective of their years of service.”

Other landmark judgements protecting women rights:

- In *Vindhya Saxena vs. East Delhi Municipal Corporation* (2021) - it was held that **every child has the right to use his or her mother’s surname** if he or she so desires.
- In *Vineeta Sharma vs. Rakesh Sharma* (2020), it was held that **daughters have an equal claim to Hindu property in an undivided family** and this right is derived from birth.

Women on Seat of Power in Corporate World in 2020S

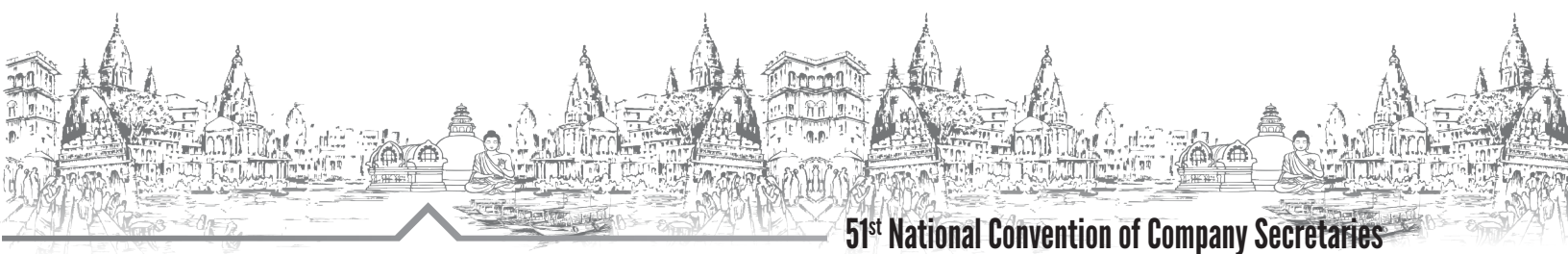
The concept of Women Director on Board was introduced by the Companies Act, 2013, mandating appointment of women director on board in listed and other companies. Women on Board bring with themselves the multitasker ability, creative approach and the thought process of solution seeker while applying all permutations and combinations to face all the challenges thrown at them.

The journey from helping in becoming an independent nation to being an independent director on Board of the Companies has been a great accomplishment for women and an inclusive growth for the nation overall. While imagining the Corporate Board, one would envisage a long row of directors suited- all of them men. The situation is changing gradually due to the legislation which aims at bringing diversity on the table.

Businesses with increased proportions of women executives and directors performed better and offered best results. This was stated by several studies which examined Fortune 500 and 1,000 companies. Another study found 20% lower bankruptcy rate for businesses with at least one woman on the board. Women on corporate boards can help the company in achieving their goals and targets more effectively and profitably.

Digital Inclusion and Technological Empowerment- A Catalyst

Digitalization has played an important role in development, thus, enabling access to digital knowledge. Various digital platforms have created abundant opportunities for sales and marketing of products from the smartphones, **which women can take advantage of while sitting at home and earn a good amount of money.**



Women, earlier, were supposed to look after the family and kids, but bygone are those days. Now not only they participate but lead capacity building institutions. Bringing women to the core of economic and professional activities can provide a real impetus to socio-economic development of the country. Empowered women play a strong, equal and central role in nation's overall growth. Development can be speedier, more inclusive and more beneficial when women participate, it improves not only their lives, but helps in improvement in the lives of their families, communities and entire society. In the digital era, it has become need of the hour to equip and give digital access and digital literacy to women, especially, in rural areas.

The Government of India in February, 2017, launched Pradhan Mantri Gramin Digital Saksharta Abhiyaan (PMGDISHA). The aim of the scheme is to bridge digital divide by covering 6 crore rural households specially targeting rural population, including the section of communities confined to the lower or peripheral edge of the society, especially women and girls.

Example of Women-Led Development from India

Throughout the globe, women entrepreneurs are multiplying in numbers. In India, **about 20.37% of the Micro, Small and Medium Enterprises (MSMEs) industry comprises of women-led businesses,** which employs about 23.3% of the labor population. Between **13.5 and 15.7 million businesses in India are owned by women,** who also hire between 22 and 27 million individuals.

The sixth economic census released by Ministry of Statistics and Programme Implementation (MoSPI) highlights that **women constitute around 14% of the total entrepreneurship in India which works out to be 8 million.** Today's women entrepreneurs do not come only from the higher income established business families, they come from all walks of life and from all parts of the country. With their caliber and hard work, women are marking their presence in every field. Fighting against society norms, they are engaged in all sort of businesses from running construction companies, food companies, baby products companies, media agency, event management companies, security business to detective agencies, etc.

Women are tapping into fields that have traditionally been citadel of male domination. Setting up own business and running it smoothly is a big task in India as it is one of the most ethnically diverse nation with rich culture and religious faith which sometimes acts as a barrier for the development of women.

Kiran Mazumdar Shaw, Falguni Nayar, Radhika Ghai Aggarwal, Richa Kar, Vandana Luthra are the leading examples of established women entrepreneurs in India.

Suggestions for Promoting Women-Led Development

There are few suggestions which can help in achieving women led development:

- **Reservation of Seats for Women in politics:** Women's representation in the National Parliament is a key indicator of the extent of gender equality in parliamentary politics. One of the most effective ways to increase inclusion is reservation of seats for women in legislative bodies and more women participation in politics.
- **Granting benefits to companies having all women Directors** on Board of the Company. Government can consider providing incentives to such companies having all women Board which will help in generating more women entrepreneurs.

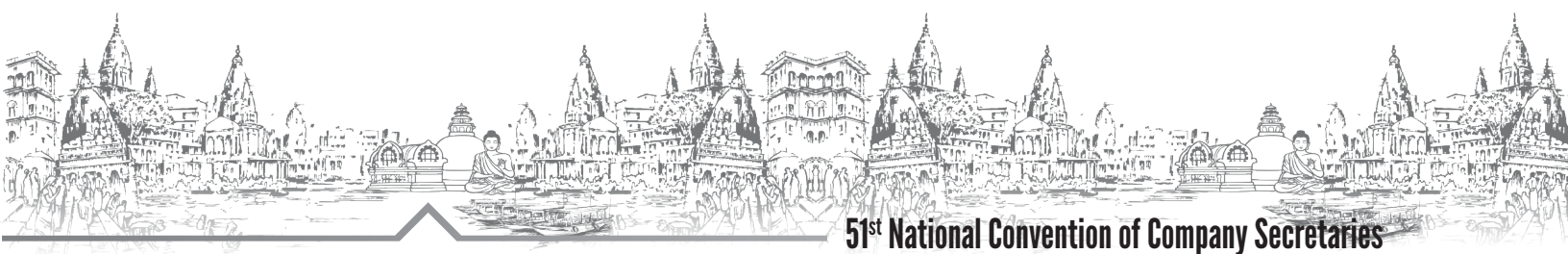


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- **Setting up of Counsel for mental health and domestic violence cases:** The Government can setup counsel teams at district level like 'Feel like Home' providing mental support to women who are victims and do not file complaint due to certain fear.
- **Strict implementation of PoSH (Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013)** The Government should hold mandatory refresher courses twice a year to spread awareness about the Act. The courses should be made compulsory for all workforce and completion report to be mandatorily submitted. An online portal can be launched by the Government, where complaints against the internal committee of the organization can be made, if it fails to resolve the issue.
- **Gender equality in CSR initiatives:** Companies undertaking CSR activities can prioritize gender equality in their CSR initiatives & help in empowering women from marginalized sections of the society.
- **Conducting gender pay audits:** Gender pay audit is a process that allows an organization to compare the salaries of men and women in similar positions, as well as identify any gaps between them. Talent should be the main basis for success and growth of any person irrespective of gender.
- **Fostering a gender-neutral legal framework for business:** There should be a strict legal framework for eliminating gender disparity at work place as gender equality brings women empowerment. Government should encourage more participation and engagement of women from all strata of the society.
- **Better educational facilities:** Educational facilities and training programs for women, honest and sincere attempts should be made by the government and social organizations to increase literacy among females.
- **Concessional rate of interest:** Special cells may be opened for providing easy finance to women entrepreneurs by Banks and Financial Institutions. Further, finance may be provided at concessional rate of interest to help women to start/upscale their business.
- **Create self-employment opportunities for women:** Women entrepreneurs should be encouraged and given adequate assistance to set up co-operatives with a view to eliminate middlemen. Marketing facilities for the purpose of buying and selling of both raw and finished goods should be provided within easy reach.

India's Women Led Development Appraised Globally

- **Improved score in Women Empowerment Index (WEI)** The empowerment deficit according to the WEI in India is 48% and gender gap is 44%. The WEI is the first UN gender index to include violence amongst women and girls as only dimension. It measures women's power and freedom to make choices. India's score in WEI is better than regional average of central and southern Asia where empowerment deficit is 50%.
- **74th Republic Day parade of India led by Nari Shakti:** On January 26, 2023, Parade displayed women empowerment with marching contingents of the Akash missile system, armed forces, CRPF, and Army's Daredevil team **led by women officers.**



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- **World's largest women's self-help network:** Kerala has the world's largest women's self-help network, **Kudumbashree** which aims to help women from all around the world.
- **India created history in August 2023 : Chandrayaan-3** - the Indian spacecraft, successfully landed on the moon's South Pole, making India the first country to do so. India became the fourth country after Russia, China, and United States, to softly land on the moon.
- **Women scientists have played a major role in Chandrayaan-3 success.** On August 26, 2023, Prime Minister Narendra Modi, met several female scientists from the Indian Space Research Organisation (ISRO) to highlight the tremendous role played by women in Chandrayaan-3 lunar mission. He said **"The women scientists of this mission have played a crucial role in ensuring its success. Without their contribution, this achievement was just not possible. They will inspire generations to come."**
- The Chandrayaan-3 project crew included around 500 people striving to make it a grand success, with a significant number of ladies behind the effort. Around **27% of the mission's senior executive posts were held by women.**
- From Chandrayaan to Mangalyaan, these rocket women are taking India to new heights and blazing the trail for many other women to work in previously male-dominated fields.

Moving Towards Women Led Development

Focus was laid on women by acknowledging them as a key engine for future economic growth, in Budget 2022-23. The Budget addressed some of the issues faced by women and efforts were made for the empowerment of women. India's Finance Minister, Nirmala Sitharaman, highlighted the success of the **Deendayal Antyodaya Yojana National Rural Livelihoods Mission that mobilised rural women into 81 lakh Self Help Groups (SHGs).** In a special gesture for women and commemorating Azadi Ka Amrit Mahotsav (to celebrate India's 75 years of Independence), a new one-time small savings scheme was launched, which will be made available for a period of 2 years up to March 2025.

Further, India has been placing women's issues at the forefront in G20 discussions. Economic empowerment of Women is at the heart of India's G20 agenda. The Women 20 (W20) engagement group focuses on actualizing the vision of 'Women-Led Development' to create a world of equality & equity, so that each woman lives with dignity and gets the opportunity to prove herself.

Outcome of India's Presidency - Major Decisions taken During the Summit

- G20 New Delhi Leaders' Declaration 2023, has incorporated **the Chair's Statement for gender equality, women empowerment and women-led development.**
- **Creation of a Working Group on the empowerment of women** to support the G20 Women's Ministerial which will convene its first meeting during the Brazilian G21 Presidency.
- India's collective and unwavering dedication to championing **'Gender Equality and Empowering All Women and Girls'** secured a firm place within the G20 New Delhi Leaders' Declaration 2023.



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- Focus on 'Enhancing Economic and Social Empowerment', 'Bridging the Gender Digital Divide', 'Driving Gender Inclusive Climate Action and **'Securing Women's Food Security, Nutrition and Well Being.**

The themes under India's vision for women-led development are comprehensive. These include increasing investment in and access to education and skilling, including in STEM for women; promoting women entrepreneurs and women-owned & led MSMEs; promoting leadership and decision-making roles for women at the grassroots, including in political systems and governance; recognising & promoting women's role in climate change, food security and nutrition.

India has committed to launching an online platform for mentoring and capacity-building of women in G20 countries with a focus on women in MSMEs and grassroots leaders.

India is presently in the best phase. This expeditious journey has been possible with **women contributing to 22% of the current GDP.** The complete narrative has shifted to Women Led Development, a more inclusive and empowering approach for the development of nation.

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Women-Led Development: Accelerated, Inclusive and Resilient Growth

CS Jay Bhavesh Parekh*

Summary

Women-led development represents a powerful approach to achieving accelerated, inclusive and resilient growth in societies around the world. By recognizing the potential of women as leaders, entrepreneurs and innovators, we can tap into a vast reservoir of talent and creativity. Investing in women's empowerment and gender equality is not just a moral imperative; it is a path to a brighter and more prosperous future for all. It is time for societies to embrace women-led development as a driving force behind positive change on a global scale.

Introduction

In recent years, the world has witnessed a growing recognition of the invaluable role that women play in driving economic and social development. Women-led development represents a transformative approach that emphasizes the empowerment of women as key agents of change. Through this article, we explore the concept of women-led development and its potential to accelerate, inclusive and resilient growth in societies worldwide.

I. Accelerated Growth

Women constitute approximately half of the global population and their economic participation is essential for accelerating growth. Women-led development recognizes the untapped potential within this demographic. When women are given equal opportunities to participate in the workforce and lead businesses, it can lead to increased productivity, innovation and contribution to economic growth. Research has consistently shown that companies with diverse leadership teams, including women, tend to outperform their competitors. By tapping into the talents and perspectives of women, societies can harness a broader range of skills and ideas, ultimately fostering economic growth. Few key points to consider are as under:

1. Untapped Potential

The untapped potential of women in women-led development lies in their diverse talents, skills and experiences. Empowering women and providing equal opportunities across various sectors can lead to accelerated economic growth, innovation and societal progress. Recognizing and tapping into this potential is not only a matter of gender equality but also a strategic imperative for building a more prosperous and inclusive future for all. When women's talents, skills and perspectives are harnessed, it can result in increased productivity and innovation. Below are the key points on how to achieve this:

*Company Secretary, Seven Islands Shipping Limited, Mumbai

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.

- a) **Educational Attainment:** Women around the world have been making significant strides in education. They now often outnumber men in universities and graduate programs.
- b) **Entrepreneurship:** Women have been increasingly entering the entrepreneurial world, launching businesses in various sectors. Empowering women entrepreneurs with access to capital, network and markets, can unlock significant economic potential.
- c) **Innovation and Creativity:** Diverse perspectives lead to more innovative solutions. Women bring unique viewpoints to problem-solving, product development and research. When women are actively involved in research, development and innovation, it can lead to breakthroughs and advancements that benefit society as a whole.
- d) **Leadership Skills:** Women often possess strong leadership skills, including empathy, collaboration and communication. These skills are highly valuable in the modern workforce, particularly in roles requiring teamwork, management and conflict resolution.
- e) **Consumer Influence:** Women play a substantial role in consumer decisions. Recognizing and catering to their preferences and needs can lead to the development of products and services that resonate with a broader audience.
- f) **Community Building:** Women frequently take on crucial roles in community development and social cohesion. Their ability to connect and mobilize communities can be harnessed for various social and economic initiatives, contributing to positive change.
- g) **Political Participation:** Encouraging women's participation in politics and governance can lead to more balanced and inclusive policies. Women bring different priorities and perspectives to the decision-making process, resulting in policies that address a wider range of societal needs.
- h) **Caretaking Roles:** Women often bear the primary responsibility for caregiving within families. Recognizing and supporting their contributions in this area, such as through policies that provide access to affordable childcare and parental leave, can enable women to balance their caregiving responsibilities with career aspirations.
- i) **Global Impact:** On a global scale, women's participation in international organizations, diplomacy and peace negotiations can have a profound impact on conflict resolution and global stability.

2. Diverse Leadership

The active inclusion of women in leadership roles stands as a multifaceted and indispensable component within the realm of women-led development. It serves as a catalyst for innovation, an enhancer of decision-making processes and a driver of market responsiveness—each contributing significantly to the success of organizations and the advancement of society. Embracing diversity in leadership transcends mere equity; it



represents a strategic imperative essential for thriving in an increasingly complex and interconnected world. Extensive research consistently underscores that companies boasting diverse leadership teams tend to excel. By integrating women into leadership roles, organizations unlock a broader spectrum of ideas and experiences, thereby propelling growth. This can be achieved through the following means:

- a) **Diverse Perspectives:** Diverse leadership encompasses individuals hailing from diverse backgrounds, experiences and identities, including women in prominent leadership positions. When women actively assume leadership roles, they infuse decision-making processes with distinctive perspectives and insights. These diverse viewpoints prove invaluable in addressing intricate challenges and rendering well-informed choices.
- b) **Innovation:** Research consistently underscores that diverse teams exhibit a proclivity for innovation. When women occupy leadership positions, they infuse organizations with novel ideas, creative problem-solving strategies and alternative approaches, igniting innovation. Consequently, this sparks the development of novel products, services and processes, adeptly meeting the evolving demands of the market.
- c) **Enhanced Decision-Making:** Diverse leadership teams tend to possess superior acumen for informed decision-making. Women in leadership roles bring forth an array of essential skills, spanning adept communication, empathy and collaborative prowess. These attributes augment the quality of deliberations and negotiations, culminating in superior decisions that account for a broader spectrum of stakeholders.
- d) **Market Responsiveness:** Diverse leadership serves as a linchpin in enhancing an organization's capacity to respond adeptly to ever-evolving market dynamics. Women in leadership roles often wield a deeper comprehension of consumer preferences, particularly in sectors wherein women constitute a substantial consumer base. This profound insight empowers companies to tailor their products and services, adeptly catering to the multifaceted needs of a diverse customer demographic.

3. Entrepreneurship

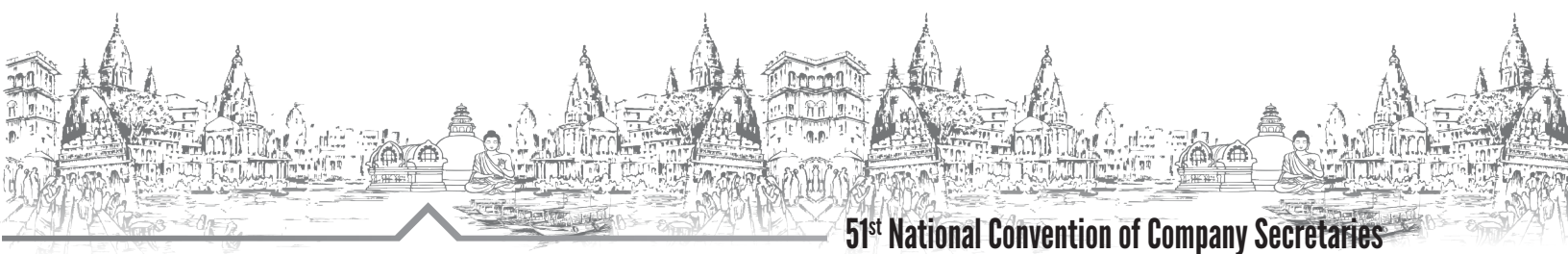
When women receive support in entrepreneurship and business leadership, it catalyses the establishment of new businesses, job creation and economic expansion. In summary, entrepreneurship constitutes a pivotal element of women-led development. It endows women with economic empowerment, nurtures innovation and triggers a ripple effect by generating employment opportunities and fostering community development. By promoting and nurturing women as entrepreneurs, societies can unlock their potential as drivers of economic growth and positive societal transformation.

- a) **Economic Empowerment:** Entrepreneurship serves as a potent tool for women's economic empowerment. As women become entrepreneurs, they gain control over their financial destinies, fostering the creation of businesses that not only generate income for themselves but also contribute to overall economic growth.

- b) **Job Creation:** Women-led entrepreneurship transcends individual success; it extends to job creation. Women entrepreneurs often become employers, thereby mitigating unemployment rates and stimulating local economies.
- c) **Innovation:** Women entrepreneurs are wellsprings of innovation, injecting unique perspectives and ideas into the business landscape. This innovation often leads to the development of novel products, services and business models, driving economic growth and bolstering competitiveness.
- d) **Closing Gender Gaps:** Encouraging women to initiate and lead businesses represents a potent means to bridge gender gaps in entrepreneurship. Historically, women have confronted barriers such as limited access to capital, networking and training. Initiatives that bolster women entrepreneurs, encompassing mentorship programs and improved access to financing, work towards creating an equitable playing field.
- e) **Community Impact:** Women-led businesses frequently yield positive consequences for their communities. Women often prioritize social responsibility and community well-being. As business leaders, they frequently engage in philanthropic activities, advocate for local causes and contribute to sustainable development.
- f) **Diversity in Leadership:** Entrepreneurship empowers women to infiltrate leadership roles historically dominated by men. By leading their enterprises, women serve as role models, inspiring other women and girls to embark on entrepreneurial careers and ascend to leadership positions.
- g) **Global Market Access:** Entrepreneurship acts as a gateway to global markets. Women-led businesses, venturing into international trade, can make substantial contributions to both international trade and broader economic growth.
- h) **Resilience and Adaptability:** Entrepreneurship demands resilience and adaptability, attributes that women often excel in. Women entrepreneurs are renowned for their ability to navigate challenges, pivot when necessary and innovate to address issues.
- i) **Support Ecosystems:** Building a nurturing ecosystem for women entrepreneurs is pivotal. This encompasses providing access to funding, robust business training, mentorship and networking opportunities. Governments, organizations and communities play instrumental roles in cultivating these ecosystems.
- j) **Policy Advocacy:** Advocacy for policies that promote women's entrepreneurship assumes paramount importance. This advocacy entails implementing measures to counteract gender bias in credit access, reduce regulatory impediments and ensure equitable access to markets.

II. Inclusive Growth

One of the most pivotal aspects of women-led development lies in its steadfast commitment to inclusivity. Gender equality is a fundamental human right that must extend across all facets of development. When women actively participate in decision-making processes, resulting policies and initiatives are more likely to encompass the diverse needs of the entire populace.



Inclusive growth denotes that development should benefit every individual, regardless of their gender, ethnicity, or socio-economic background. Women-led development advocates for equitable access to education, healthcare and economic opportunities, ensuring that no one is marginalized or left behind.

- a) **Equal Access to Opportunities:** Inclusive growth, as a cornerstone of women-led development, assures that all individuals, irrespective of their gender, ethnicity, or socio-economic status, enjoy equal access to opportunities. This necessitates dismantling systemic barriers that have historically marginalized specific groups, particularly women, from accessing education, employment and leadership roles.
- b) **Gender Equality:** Gender equality stands at the core of inclusive growth. It entails addressing gender disparities in various life domains, encompassing education, healthcare and economic engagement. Policies and initiatives underpinning women-led development strive to bridge the gender gap in these spheres, nurturing a more balanced and equitable society.
- c) **Representation in Decision-Making:** Inclusive growth underscores the significance of representation in decision-making processes. When women actively partake in shaping policies and strategies, it guarantees that the varied needs and perspectives of the entire populace are taken into account. This culminates in more comprehensive and effective solutions to societal challenges.
- d) **Social Safety Nets:** An inclusive development approach encompasses the establishment of social safety nets and support systems that shield vulnerable individuals, including women, from plummeting into poverty or encountering undue adversities. These safety nets may encompass affordable healthcare, childcare and social assistance programs.
- e) **Poverty Reduction:** Inclusive growth aspires to diminish poverty rates by guaranteeing that economic opportunities are accessible to all. Women-led development recognizes that women, in particular, can be disproportionately afflicted by poverty and it centers on empowering them through economic inclusion, education and skill augmentation.
- f) **Healthcare Access:** Inclusive growth encompasses equitable access to healthcare services. Women-led development places robust emphasis on women's health, comprising maternal and reproductive health, while also confronting issues such as gender-based violence and discrimination that can impact women's well-being.
- g) **Financial Inclusion:** Access to financial services and resources holds pivotal significance in economic empowerment. Inclusive growth advocates for women's financial inclusion, guaranteeing access to banking, credit and savings mechanisms. This facilitates women in making investments in businesses and securing their financial futures.
- h) **Rural and Urban Equity:** Inclusive growth transcends urban and rural boundaries, ensuring that development endeavours reach every segment of the population, irrespective of geographical location. This is of particular significance for women in rural areas who may encounter distinctive challenges and obstacles to economic engagement.
- i) **Education for All:** Education forms the bedrock of inclusive growth. Endeavours are made to ensure that girls and women have unhampered access to quality education, spanning

from primary to higher levels. Education not only empowers women but also amplifies their contributions to society.

- j) **Community Building:** Inclusive growth fosters community development by enlisting all members, including women, in initiatives that elevate infrastructure, social services and overall well-being.

In summation, inclusive growth within women-led development represents a holistic approach aimed at fostering a society where every individual enjoys equal opportunities, regardless of their background. It addresses gender inequalities, advocates for representation and confronts the unique challenges that women encounter, ultimately culminating in a more equitable, prosperous and resilient society.

III. Resilient Growth

Resilience stands as a pivotal factor in the realm of sustainable development. Women-led development acutely recognizes that women often grapple with distinctive challenges, including gender-based violence and discrimination, which can impede their full contribution to society. By tackling these challenges head-on, societies bolster their resilience.

Investing in the empowerment and safety of women not only fosters individual well-being but also augments the overall resilience of communities and nations. Economically empowered women are better prepared to navigate economic downturns, provide for their families and contribute to their communities' resurgence in times of crisis. Several key strategies are outlined below:

- a) **Addressing Gender-Based Violence:** Resilient growth within the framework of women-led development duly acknowledges the imperative of addressing gender-based violence and discrimination. These challenges often confront women, hindering their ability to engage fully in society and the economy. Policies and initiatives are designed to cultivate safe environments where women can thrive.
- b) **Empowerment for Economic Resilience:** A cornerstone of resilient growth is women's economic empowerment. When women attain economic autonomy and possess access to financial resources, they are better equipped to withstand economic challenges, support their families and contribute to their communities' revival in moments of crisis.
- c) **Diversity in Decision-Making:** Resilient growth champions diversity in decision-making processes. The inclusion of women in leadership roles and decision-making enriches the spectrum of perspectives at the table. This diversity proves invaluable, particularly in times of crisis when innovative solutions are imperative.
- d) **Support for Women-Owned Businesses:** Resilient growth encompasses support for women-owned businesses. These enterprises may encounter unique challenges during economic downturns. Thus, facilitating their access to funding, resources and markets amplifies their resilience and long-term sustainability.
- e) **Healthcare and Well-being:** Resilience in healthcare remains paramount. Women-led development accentuates access to high-quality healthcare, encompassing reproductive and maternal health services. Ensuring the health and well-being of women contributes profoundly to the overall resilience of communities and nations.

- f) **Social Safety Nets:** Resilient growth encompasses the establishment of social safety nets that safeguard vulnerable individuals, including women, during crises. These safety nets may encompass unemployment benefits, food assistance and housing support, constituting a lifeline during arduous times.
- g) **Mental Health Support:** Resilience also extends to mental health support, recognizing that women may confront unique stressors and challenges. Access to mental health services and community support proves instrumental in helping women and their families cope with adversity.
- h) **Community Engagement:** Resilient growth necessitates the active involvement of communities in disaster preparedness, response and recovery efforts. Women frequently assume pivotal roles in community building, serving as key agents in initiatives that foster resilience.
- i) **Education for Crisis Preparedness:** Education emerges as a potent tool in building resilience. Women-led development prioritizes education that encompasses training in crisis preparedness and response. This empowerment equips women and communities to respond effectively to disasters and emergencies.
- j) **Gender-Responsive Policies:** Resilient growth hinges upon gender-responsive policies that account for the distinctive needs and vulnerabilities of women during crises. These policies ensure that women are not marginalized and actively participate in recovery efforts.

In summation, resilient growth within the framework of women-led development endeavours to construct societies and economies fortified to endure and recover from diverse challenges and crises. It underscores the significance of addressing vulnerabilities stemming from gender-based factors, empowering women both economically and socially and crafting policies and support systems that remain sensitive to the unique needs of women during periods of adversity. Ultimately, resilient growth engenders more robust, adaptable and equitable communities and nations.

Trailblazers of Women-Led Development: Stories of Impact and Empowerment

In the world of women-led development, several influential and successful women from India have made remarkable contributions across diverse fields. These stories of resilience, leadership and empowerment serve as inspirational examples of the potential that women-led development holds. Here are a few notable Indian women:

Indian Women

- 1) **Indira Gandhi:** Indira Gandhi was the first female Prime Minister of India, serving two non-consecutive terms. Her leadership during challenging times in India's history left a lasting impact on the country, including her efforts in addressing issues related to poverty, economic development and foreign policy.
- 2) **Kalpna Chawla:** Kalpna Chawla was an astronaut and the first woman of Indian origin in space. She flew on the Space Shuttle Columbia in 1997 and again in 2003, tragically losing her life in the Columbia disaster. Her achievements continue to inspire aspiring astronauts and scientists.

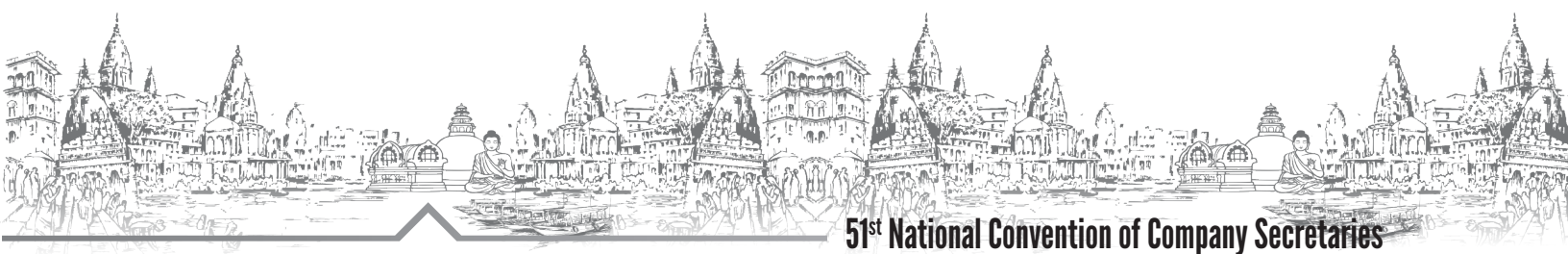


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- 3) **Arundhati Bhattacharya:** Arundhati Bhattacharya is a prominent banker who served as the Chairperson of the State Bank of India (SBI), the largest public-sector bank in India. Her leadership at SBI was noteworthy for its impact on the Indian banking sector.
- 4) **Kiran Mazumdar-Shaw:** Kiran Mazumdar-Shaw is the founder and CEO of Biocon Limited, a biotechnology company. She is recognized for her pioneering work in the biotechnology industry and is considered one of India's leading businesswomen.
- 5) **Mithali Raj:** Mithali Raj is a renowned Indian cricketer and former captain of the Indian women's cricket team. She is one of the highest run-scorers in women's international cricket and has been a source of inspiration for young female cricketers.
- 6) **P.T. Usha:** P.T. Usha, often referred to as the "Payyoli Express," is a former Indian track and field athlete. She represented India in multiple Olympics and World Championships and is celebrated for her exceptional achievements in athletics.
- 7) **Naina Lal Kidwai:** Naina Lal Kidwai is a prominent banker and businesswoman. She was the first Indian woman to graduate from Harvard Business School and has held leadership positions in multinational banks.
- 8) **Dr. Tessy Thomas:** Dr. Tessy Thomas, often called the "Missile Woman of India," is a scientist and engineer known for her contributions to India's missile program, including the successful launch of Agni-V.
- 9) **Vandana Shiva:** Vandana Shiva is an environmental activist, author and scholar who has been a leading voice in advocating for sustainable agriculture and environmental conservation.

International Women

- 1) **Malala Yousafzai (Pakistan):** Malala is an advocate for girls' education and the youngest-ever Nobel Prize laureate. After surviving an assassination attempt by the Taliban for her activism, she continues to champion education for girls worldwide through the Malala Fund.
- 2) **Angela Merkel (Germany):** Angela Merkel served as Germany's Chancellor for 16 years, making her one of the world's most powerful women in politics. Her leadership and policies played a crucial role in guiding Germany and the European Union through various crises.
- 3) **Oprah Winfrey (United States):** Oprah is a media mogul, talk show host and philanthropist. She overcame a challenging upbringing to build a media empire and is known for her influential book club and commitment to education and women's empowerment.
- 4) **Ellen Johnson Sirleaf (Liberia):** Ellen Johnson Sirleaf was Africa's first female head of state. She served as Liberia's President and played a pivotal role in rebuilding the nation after years of conflict. Her leadership is a testament to the impact of women in political leadership.
- 5) **Aung San Suu Kyi (Myanmar):** Aung San Suu Kyi is a Nobel laureate and pro-democracy leader who spent years under house arrest. Her peaceful resistance to military rule in Myanmar inspired people worldwide. She later became Myanmar's State Counsellor.



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- 6) **Sheryl Sandberg (United States):** Sheryl Sandberg is the COO of Facebook and an advocate for gender equality in the workplace. Her book "Lean In" encouraged women to pursue leadership roles and sparked a global conversation on women in corporate America.
- 7) **Jacinda Ardern (New Zealand):** Jacinda Ardern is the Prime Minister of New Zealand and is widely praised for her empathetic and effective leadership, particularly during crises like the Christchurch mosque shootings and the COVID-19 pandemic.
- 8) **Marta Vieira da Silva (Brazil):** Marta is often regarded as one of the greatest female football players in history. Her success in the sport has shattered gender barriers and inspired countless young girls to pursue careers in football.
- 9) **Ruth Bader Ginsburg (United States):** The late Ruth Bader Ginsburg was a pioneering Supreme Court Justice known for her advocacy for women's rights and gender equality. Her landmark cases and dissents have had a lasting impact on the U.S. law.

These women have broken barriers, achieved excellence in their respective fields and inspired countless individuals in India and beyond. Their stories serve as a testament to the potential of women-led development and the impact of women's leadership and contributions.

Conclusion

In conclusion, women-led development emerges as a potent and transformative approach, capable of propelling societies towards accelerated, inclusive and resilient growth on a global scale. By acknowledging and harnessing the leadership, entrepreneurship and innovation potential within women, we unlock a vast reservoir of talent and creativity. Investing in women's empowerment and advancing gender equality transcends mere moral imperatives; it paves the way for a brighter and more prosperous future that benefits all of humanity.

The time has come for societies worldwide to wholeheartedly embrace women-led development as a dynamic and catalytic force, ushering in positive change and progress. By doing so, we not only acknowledge the invaluable contributions of women across diverse fields but also fortify our collective resolve to build a more equitable, prosperous and resilient world for generations to come.

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The maiden step towards Women-led Development – Beckons for Collaboration!

CS Anju Panicker*

CS Revathi K.S.**

Background

“Adukkalayil Ninnu Arangathekkku” is the title of a play written by V.T. Bhattathiripad, a Kerala-based dramatist, Independence activist and an Indian Social Reformer focusing on rights of Namboothiri women. The title, if translated, derives the meaning “from the kitchen to the stage of opportunities”.

Statistically speaking, enhancing women participation in workforce is one of the sure-shot ways for the Indian economy to touch its ten trillion-dollar dream in the coming decade, as it is estimated that achieving gender equality and women empowerment, which is the core of the 5th Sustainable Development Goal (SDG), could result in a staggering 27 percent increase in GDP given the current scenario. Considering that women have been holding the short end of the stick for decades together, it is evident that “gender equity” is the journey and “gender equality” is the destination. It is in this scenario that the shift in the focal point from development of women to women-led development during India’s Presidency in G20 becomes radical.

Nearly 50 percent of the Indian population is women, and we are suffering severe opportunity cost from their underutilisation, resulting in massive economic loss which goes unidentified or unacknowledged. To unlock and maximise this huge potential and trillion-dollar GDP, we need to emphasise women presence and leadership in key areas like corporate inclusion, entrepreneurial opportunities and other newer avenues that bring women to the forefront.

Time and again, it has been proved that even at the grassroot levels, when women have been given discretion and access to resources, they tend to invest in the health, education and wellbeing of their family and community, the effect of which cascades to a developmental impact in the economy. The change they bring through it might have been less-dramatic, as the contribution they make to the household is not valued economically or emotionally by the society. Their empathetic nature, emotional quotient, conditioning to nurture and ability to care are in fact the qualities that will help not just the workplace, but the society as a whole thrive. The importance they give to communication, collaboration and problem-solving, their ability to multi-task and efficiently manage time, their resilience to persist in spite of many adversities thrown at them due to assumed gender roles, their inclination towards inclusive decision-making and adaptability, ability to resolve conflicts and ethical leadership have been proved time and again to have a positive impact in every organisation, whether corporate or political.

However, for a country like India which takes pride in being the biggest democracy and its commitment to respecting diversity, only 15 percent of the seats in Lok Sabha are occupied

*Partner SEP & Associates, Company Secretaries

**Partner SEP & Associates, Company Secretaries

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by women. It is not just in politics that women stand underrepresented – this is spread across all spheres of the society from corporate leadership roles to academia. The accessibility to education and employability of women in India have risen tremendously to the extent that in almost all the graduate or undergraduate courses, the number of women equals if not exceeds men. So, what is the force that keeps a majority of them away from holding or continuing a working profile, let alone a leadership role? The answer is straightforward - patriarchy and social conditioning.

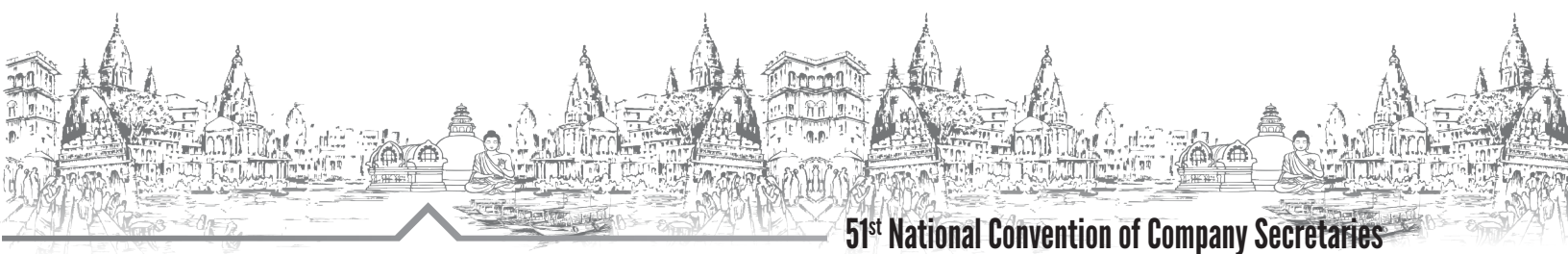
A Report of the Committee on the Status of Women in India published in 1974 lists out the reasons that working women face in managing their professional and personal lives side by side. Some of these reasons are difficulty in balancing office work with household work, gender bias in pay as well as opportunities and prejudice about marital status and motherhood. The difficulties faced by working women in this decade are almost the same as listed in the Report about the conditions that existed half a century back! A look at how far have we come in these 50 years is shameful to say the least. The Report can be called visionary as it classified homemakers also as working women whose value addition was not recognised in and outside the house since it doesn't have an evident economic value and acknowledged their indirect contribution to the family income. It also captures the emotional struggles of a working women and their need for me-time and self-care, which are trending topics of today's generation.

The Report insisted that women who work for an economic benefit outside the house should not only share the expenses of a household, but the domestic responsibilities as well. Considering that the Report was published at a time when the caste and class system was widely prevalent in India, the suggestion that "men of every class should learn housework and domestic science" is far-seeing. The Report also greatly challenged the existing practices of its times by recommending that daughters should be entitled to the same rights as sons in education, maintenance, marriage, succession, inheritance and acquisition of property. Though the landmark Mary Roy case achieved the equal rights in succession a decade later, the harassment and ridicule she faced from her family and society are infamous. The written statements of the case consisted of allegations that she deliberately disrupted society's norms to become "modern and independent".

This narrative brings back the point on patriarchy and the patriarchal social norms which places women on a pedestal to prioritise household responsibilities and wellbeing of others, which marks the absolute feminine qualities of a good woman or a good mother. The constant pressure they feel to live up to this standard have spiralled them into a strong social conditioning that their ultimate life goal is to contribute to their families and that they belong at home, second to men. At the same time, this narrative also conveniently enabled men to limit his contributions at home as a financial provider alone, and expected no active participation in domestic works or child raising.

Though not favourable, this set-up worked better when a vast majority of women were restricted to homemaking alone. In changing times when it became common for women to pursue education and employment at par with men, there was no change in the mindset of men in their responsibilities towards the household. The women ended up enduring the pain of handling both household as well as personal commitments single-handedly. Adding children to this mix, the most common option for her would be to prioritise family, given the patriarchal conditioning, and compromise on career.

While we cannot make a generalised conclusion about what action in which direction would ensure equitable opportunities for women in all sectors and across all walks of life, let us primarily



focus on the most promising class of our economy: the middle class. There has been a significant change in the characteristics of the middle class in India – with an increased disposable income and higher purchasing power, they are contributing to the economic growth at unparalleled levels. The current middle-class population is estimated to be 31 percent, which is expected to increase to 38 percent by 2031 and to a whopping 60 percent by the time, India touches a century of Independence.

Let us explore what can be done to increase the visibility of middle class women and create a level playing field for them in order to achieve gender equality in a working environment, which would eventually land them in a leadership role, because as it is clear now, women in leadership are not less in number because they lack the adequate skills and competencies, but there are a number of social and cultural factors that make up the proverbial glass ceiling and prevent them from persisting in the work place long enough.

1. **Regular enhancement of education and skill development:** The need to upskill to navigate the changing job market and digital revolution is equally important for all genders to survive in all roles. Also, necessary soft skills required for networking, public speaking and communication, conflict resolution, crisis-management etc. need to be part of continuous training, whether in or outside an organisation.
2. **Economic empowerment:** Entrepreneurship among women should be encouraged by providing access to funding and resources, along with adequate training in running an organisation. New entities can benefit from the diverse thought process that women can bring to the table as well as from the inclusive approach women tend to take in decision making. Economic empowerment also means, having absolute authority over one's earnings, which leads to financial independence. This is a necessity for ensuring safety and security even in cases of adversities.
3. **Change in organisational culture:** The tone at the top trickles down the hierarchy and sets the driving force for internal policies in an organisation. The management team of corporates must ensure commitment to gender diversity, equitable practices, inclusive policies, gender-neutral benefits and opportunities, zero tolerance towards harassment, transparency in evaluations and promotions etc.
4. **Change in culture and traditional practices:** The society as a whole must be willing to challenge stereotypical gender roles and rightly promote homemaking and cooking as life skills that every individual needs to master. The culture and traditions reeking of patriarchy which restricts women without any scientific reasoning for its importance in gender needs to be questioned and such questioning has to be normalised rather than being ridiculed.
5. **Breaking social conditioning:** The narrative about the roles played by men and women from a young age become deeply inculcated in our thought-process and habit formation, and hence it is very important for parents as well as educational system to ensure that women are treated and taught to be equal to men in all aspects of life, deserving equal rights, opportunities and responsibilities. The physical and biological differences should be restricted to the purpose it serves rather than taken as a sign of weakness.
6. **Positive representation:** People of all ages are attracted to and influenced by media and entertainment devices. The portrayal of women in these sources of entertainment will have an influence on the mindset of its viewers. Censorship of content should not be restricted to age-appropriate mature themes and violence, but also be extended to represent

changing norms of the modern society like presenting women as inferior, dependent beings who need to be rescued and taken care of by men.

7. **Work-life integration:** Corporates should respect the fact that their employees irrespective of gender have a life outside office and they would require time, energy and a peaceful mind to enjoy that life. Given the most common nature of work across all industries and cross-functional teams across nations and time-zones, aiming for and promoting work-life integration rather than work-life balance seems more logical as it rightly acknowledges that life and work are integral to a person's existence and they need to go hand in hand rather than exclusively. The performance review criteria should not be based on hours spent in office but solely on productivity and timely completion of responsibilities. This creates space for employees to prioritise their time with most important tasks of the day, whether professional or personal, thereby avoiding burnout and also the apprehension of prejudice when attending to important personal works. This is not a benefit that only women need, as that would be counterproductive by reinforcing that the domestic or personal works are a women's responsibility alone.
8. **Support system:** This is one of the most critical point that makes or breaks a women's career. It encompasses everything from open-minded family members to affordable house-help and reliable child-care systems. Until women are able to break the generational conditioning that homemaking and child-raising are primarily their responsibility, they will not be able to achieve their best productivity until they can rest assured that these aspects of their life are well taken care of or suitably delegated.
9. **Advocacy:** Gender equality and women's leadership are not something that concerns women alone, it should be rightly identified as a socio-economic problem and gain traction with people in all walks of life. In this era of social media influence, content on the importance of equal partnership and equal parenting, without the agenda of pseudo feminism, can be easily reached to the right audience, thereby slowly changing the attitude of all genders to such positive approaches. Similar results can be achieved through improving political and global participation in such talks, legal reforms that outthrow extremist conservative cultural practices, community dialogues, workshops, supporting women's movements and such other public engagement.

Where are we now?

It is true that considering the olden days, we have come a long way in identifying and acknowledging the implied restrictions placed on women in the name of traditions, culture and morality. The newer generations have been open to questioning such practices. There has been attitude shift and acceptance about the presence of women in corporate and political scenario, whether as a participant or in leadership, and various legislative framework have also emphasised on this. For example, the Companies Act, 2013 and SEBI Regulations demand the creamy layer companies to have a Women Director on Board. The Prevention of Sexual Harassment at Workplace (Prevention, Prohibition and Redressal), Act, 2013 ensures a preventive as well as a reporting mechanism for safety. More corporates are willingly acknowledging the overall shift in attitude and policies when a woman is at its helm. Their political presence has also slightly improved, though not proportionally representing the women population. It was reported that more than 100 scientists and engineers

were part of the Chandrayan 3 mission. Bureaucracy seems to attract women more in the recent times, with the recommended women candidates for appointment following the Civil Service Examination, 2022 was a historic 34.3 percent. Our Ministry of Finance and Corporate Affairs has a woman at the helm. SEBI also got its first women Chairperson in the year 2022. The number of women employees in banking and finance sector have considerably increased. We cannot deny that there are changes in all fields for women, but such changes are gradual, considering the speed at which all other elements in our society have undergone transition.

An overall participation of family, society and Government is required to bring gender equity in all sections of the society. The Government, through its many initiatives, have amply highlighted the importance of gender equality and women empowerment and has developed numerous programmes for uplifting women of all cadres that need help with capital, infrastructure or any other elements. The G20 EMPOWER and its decision under India's Presidency to create a Working Group on Women Empowerment is a major step in the SDG-5. Its key objectives are to build a steady channel of women entering workforce, fostering an equitable and inclusive workspace and ensuring advancement of women into leadership positions. However, the significance and reasoning of these initiatives need to be identified and acted upon by each individual in a society who has an impact on the woman in their lives. We should also recognise the contribution, women can make to the economic situation of a family, and thereby to the society and nation at large. Every step towards women empowerment should start with challenging the deeply set patriarchy in our practices and mindset, which symbolises inequality and hierarchy, the starting point from which all hindrances to women emanated. Since an egalitarian society is the ideal basis of democracy, let us all join hands to reduce the blatant irony that India projects as the biggest democracy with a bigger discrimination towards women. Every person who resists this change is upholding patriarchy and power dynamics – whether by conditioning or for convenience.

Epilogue

*pitā raksati kaumāre bhartā raksati yauvane
raksanti sthavire putrā na strī svātantryamarhati*

The title, if translated, derives the meaning “The father protects in childhood, the husband protects in youth, the sons protect in old age; the woman is never fit for independence”.

The above phrase from *Manusmriti*, which have attracted praise and outcry alike as a matter of interpretation, is truly losing its meaning in the modern scenario, women are independent. Needless to say, in the professional world as well, this is not an exception!

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Modern Governance and ESG Charters can transform the startup ecosystem with the help of technology

Shri Amit Jain*

As the world races towards achieving ambitious global carbon reduction targets, with 140 countries leading the charge towards net zero emissions, the role of sustainability has transcended from being merely an ethical consideration to a mainstream business concept. It is a narrative that now resonates with governments, corporations and startups alike and at the heart of this paradigm shift lies the convergence of technology and the ESG (Environmental, Social and Governance) framework. This confluence forms a transformative duo in the startup ecosystem, where sustainability and resilience are paramount. It is not merely a matter of compliance or ethical appeal; it is the cornerstone of enduring business success in the 21st century.

Foundation Stone of a Sustainable Business: Technology

As businesses become more responsible towards building a sustainable future, technology plays an indispensable role in the modern startup ecosystem. It enables startups to streamline governance, access real-time data, simplify compliance monitoring and enhance strategic decision-making. As a vital enabler, technology empowers startups to integrate the key elements of innovation, capital and talent into a cohesive and sustainable strategy, fostering efficiency and compliance with ethical and legal standards. By harnessing the power of digital tools and platforms, startups not only set the stage for enduring success but also contribute to a business landscape that prioritizes sustainability and innovation.

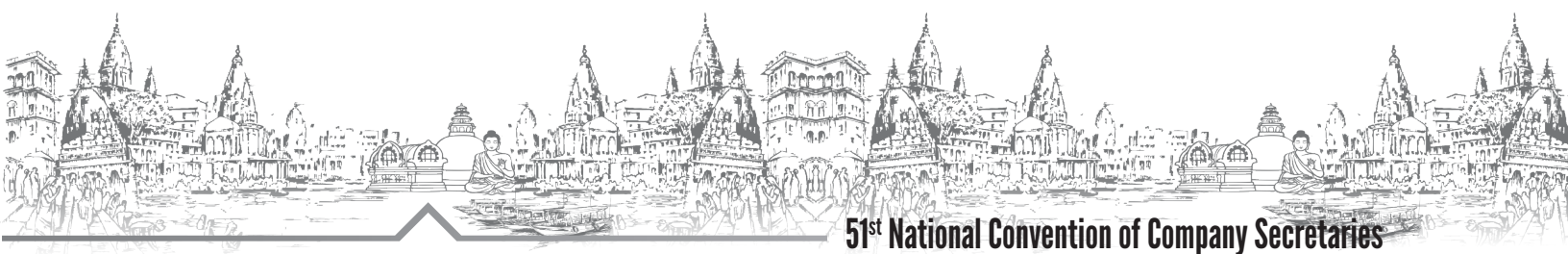
CarDekho group, since its inception, has exemplified a profound commitment to technology and sustainability, weaving these principles into the very fabric of its operations. At the core of CarDekho's mission lies a customer-centric approach, recognizing a gap in the autotech domain – the lack of accessible and reliable information. This pain point experienced by car buyers across India became the catalyst for CarDekho's mission to create a seamless customer experience through technology integration. The company aimed to empower every Indian with the ability to access unbiased reviews and best-in-class mobility solutions, empowering them to make informed decisions.

The pivotal role of technology in enhancing the customer experience hints at a deeper commitment to sustainability. By providing a platform that facilitates well-informed decisions, CarDekho indirectly champions sustainability by encouraging eco-conscious choices. After all, informed choices in vehicle selection can lead to more efficient and environmental friendly transportation solutions.

CarDekho's technological journey further solidifies its sustainability commitment by strategically integrating Artificial Intelligence (AI) and Machine Learning (ML). Besides significant implications

**CEO & CoFounder, CarDekho Group*

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for sustainability, these cutting-edge technologies have also improved the Group's performance. Furthermore, as CarDekho embarks on the path to technological excellence, exemplified by the exploration of Long Language Models (LLM) and generative AI, it takes a significant step towards reinforcing its tech-driven and sustainable future.

The role of modern governance for effective business

Modern Governance serves as the strong foundation for startups' strategic decision-making and operations. Integrating principles like accountability, transparency, fairness and responsibility emphasize ethical conduct, legal compliance and meticulous financial reporting, enhancing transparency for shareholders and stakeholders. Fair treatment of all, regardless of position, along with diversity promotion and incentivized compensation, showcase a commitment to fairness. Boards of directors lead with responsibility, prioritizing the best interests of all stakeholders, boosting financial viability, business opportunities, employee morale and building strong stakeholder confidence. By adhering to these governance principles, startups instill trust among their stakeholders, encompassing investors, employees and consumers – a cornerstone for long-term viability.

As CarDekho expanded its horizons, venturing into diverse sectors such as two-wheelers with BikeDekho and insurtech with InsuranceDekho was challenging. In response, CarDekho's governance model took a unique approach, nurturing young fresh graduates from local colleges. Today, some of them have risen to hold C-suite leadership positions within the Group. This approach showcases the company's commitment to not only finding solutions to challenges but also investing in talent development. Furthermore, some of the leaders, who now head critical subsidiaries at the Group level, also showcase how the governance structure provides opportunities for employees to evolve into leaders. This internal leadership development is a testament to the company's commitment to building a sustainable and resilient business.

Moreover, the Group maintains the highest standards of corporate governance with various entities in place, including a board with an independent director, external auditor, S.R. Batliboi & Associates LLP (EY), an internal auditor represented by KPMG. Functional committees, such as the Audit, NRC (Nomination and Remuneration Committee) and CSR (Corporate Social Responsibility) committees, are also integral components of the governance structure, ensuring transparency and accountability throughout the organization.

The journey from bootstrapping to achieving unicorn status with a valuation of \$1.2 billion in 2021, underscores the significant role of governance in sustaining and fostering growth. Good governance practices underpin the company's success, allowing it to manage its assets effectively. The company's international expansion in Indonesia under the brand OTO and its acquisitions of Carmudi's operations in the Philippines and the launch of its operations in Malaysia, Thailand and Singapore firmly established its foothold across the Southeast Asian nations, further highlighting the governance model's adaptability and effectiveness. The expansion beyond Indian borders was a strategic move that underscored the company's vision and adaptability, facilitated by governance encouraging calculated risks and forward-thinking strategies.

CarDekho's strong governance model is exemplified by consistently impressive Net Promoter Score (NPS) across its diverse business verticals. This reflects the company's unwavering commitment to integrating customer feedback and seamlessly blending technology to ensure a truly smooth



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customer experience. The high NPS values throughout the company underscore its exceptional customer-centric services and transcend regional boundaries, with Southeast Asian (SEA) countries mirroring the Group's dedication to customer satisfaction and loyalty, perfectly aligning with their exemplary governance model.

The Great Place To Work (GPTW) certification is also a testament to CarDekho's modern governance model, underlining its commitment to fostering an inclusive, innovative and empowered work environment. CarDekho's dedication to cultivating a sustaining work culture is further demonstrated by implementing the EPS scheme. This strategic initiative not only strengthens the bond between the company and its employees but also aligns their interests with the long-term success of the organisation, reinforcing the principles of accountability, transparency, fairness and responsibility, that are at the core of CarDekho's corporate governance framework.

Adoption of ESG principles in building a long-term sustainable business

In parallel to the role of technology and good governance, ESG Charter acts as the catalyst for startups' journey towards responsible and ethical business practices. By emphasizing sustainability, startups are compelled to reduce their ecological footprint and tread more lightly on the planet. Simultaneously, the call for social responsibility urges startups to embrace inclusive practices, treat employees fairly and engage with the community. These ESG Charter embed governance standards that promote integrity in decision-making, effectively preventing conflicts of interest and unethical behavior. This aligns startups with the evolving values of investors and consumers and bestows them with a competitive edge in an increasingly values-driven market.

CarDekho is an example of how ESG principles significantly influence building a sustainable and ethical business. The company's commitment to the UNFCCC's Climate Neutral Now initiative through CNN is a testament to its dedication to environmental sustainability. By integrating ESG philosophy into its daily operations, CarDekho has demonstrated leadership as one of the first Indian unicorns to take bold, decisive action through the UNFCCC-CNN Pledge.

Furthermore, CarDekho's commitment to societal betterment is evidenced by its CSR arm, the Girnar Foundation. The foundation has wholeheartedly embraced the United Nations Sustainable Development Goals (UNSDGs). Its adoption of the 5 United Nations Sustainable Development Goals — UNSDG 3: good health and well-being; UNSDG 4: quality education; UNSDG 5: gender equality; UNSDG 11: sustainable cities and communities and UNSDG 13: climate action – showcase the dedication to societal betterment. This adoption of UNSDGs underlines CarDekho's dedication to contributing to a more inclusive and sustainable business model not only to help the company grow but also to contribute to the overall development of the country.

Way Forward

In India, where the discourse around climate change, sustainability and the pursuit of net zero emissions has grown exponentially, the promises made at COP26 have taken on a heightened sense of urgency. For startups, this goes beyond merely adhering to ESG mandates; it's about embracing a profound philosophy that shapes their daily operations. Modern Governance and ESG charters, propelled by the transformative force of technology, are the gateways to a future where startups transcend being mere businesses. They are becoming beacons of innovation, redefining products, reshaping customer relationships and engaging with stakeholders who share



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their audacious vision. In this remarkable journey, technology is not just a tool; it is the catalyst for a sustainable revolution, poised to reshape the very essence of the startup ecosystem.

Good governance empowers this transformation. It nurtures the fertile ground upon which societies and businesses flourish, as transparent and accountable decision-making processes drive inclusivity and social change. For the startup ecosystem, modern governance principles offer stability and structure, ensuring adherence to high standards of transparency, accountability and fairness. This builds trust among stakeholders, including investors, employees and consumers, essential for long-term viability and success.

CarDekho and its sub-brands, like Rupy and InsuranceDekho, lead the charge with their commitment to sustainability and cutting-edge technology adoption. Rupy boasts 100% paperless transactions, an end-to-end digital process and instant V-KYC, empowering channel partners and customers across various categories. Meanwhile, InsuranceDekho has significantly reduced turnaround time from 24-48 hours to just 25 minutes for vehicle inspections through their web-based AI/ML-powered assessment module. They have made the endorsement process 99% faster by introducing innovative features like MyQR Kamai Shaandar, offering partners unique QR codes to streamline policy purchases and commissions.

Furthermore, with a full-stack digital approach, InsuranceDekho is dedicated to sustainability, emphasizing comprehensive training and support for their agent partners, incorporating women, ensuring they are well-equipped to navigate new products and address business challenges.

India is a key player in the evolution of the technology sector, with its innovative strides significantly improving lives. In the startup landscape, the convergence of modern governance, ESG charters and technology is not just recommended; it is the path to lasting success and a better world. Startups, exemplified by India's journey and companies like CarDekho, embrace this integrated approach, offering a promise of a brighter and more sustainable future for all.



Digital Technology Transformation – An Absolute Necessity in Contemporary Business

CS Sudhakar Saraswatula*

The world has recognised the importance of technology and no business can survive without technology. Penetration of technology and in particular digital technology in every aspect of business is remarkable and its effects are astounding. Technology has given human kind an upper hand by ensuring economic efficiency, flexibility and availability of information for effective decision making. According to an article published in Forbes, use of technology will grow at an exponential rate due to the involvement of machine learning, artificial intelligence, metaverse, data science, IoT (internet of things), social commerce and many more. While all of this sounds great, but it creates doubt regarding the application of ethics in the development, use and implementation of technology in business. Businesses are closely associated with the society and the technology they use influences the society. This leads to a question –with growing business digitization, is application of ethics in technological use, the need of the hour? This article explores the same by developing an interconnection between ethics, technology and boards followed by understanding the legal aspects of Companies Act, 2013 and Information Technology Act, 2000.

Co-relation between ethics, business digitization and leaders

Businesses use social media platforms and other digital forms wherein technology touches humans lives on various levels. This gives rise to situations where one is exposed to several people of different temperaments. Everyone has their own opinion which exposes one to criticisms, derogatory comments, interference with privacy, data theft and many more. This can cause clashes or difference of opinions at times. Sometimes these clashes deal with the moral code of conduct i.e. ethics. Thus, businesses are responsible to consider the implications and outcomes of technology that they use. Technology creators should consider ethics when applying their skills for the benefit of businesses.

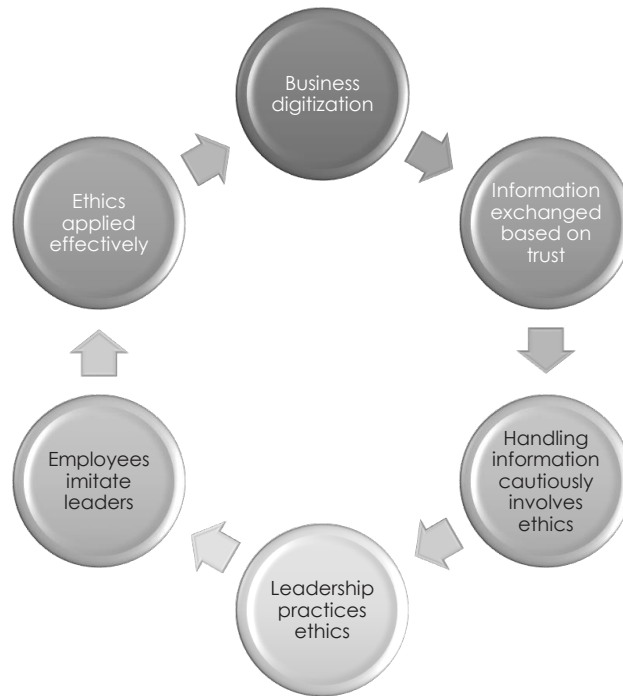
In an article published in the Harvard Business Review, it was stated that businesses should identify potential risks, outcomes and its consequences. For example, businesses running to implement 5G for speed and 24/7 connectivity will have to deal with data theft and privacy concerns which may be much more complicated than the ones which are currently being dealt with by the business community. This has led to a rigorous thinking process concentrating on the appointment of a leader to grapple with ethical challenges. The same will also help in effective management of ethical issues.

When using technology, stakeholders worry in terms of trust, honesty, transparency and privacy since lot of information is being exchanged in the process. Leaders should take responsibility and set effective standards and policies for the use of ethics and morality in technology.

**Chief Consultant – Mehta & Mehta Corporate Law Firm & Former Vice-President (Corporate Secretarial) Reliance Industries Ltd.*

The views expressed are personal views of the author and do not necessarily reflect those of the Institute.

Thus, when technological innovation is created or any technology is implemented, ethics should be considered with respect to the stakeholders. Leadership who focusses on the use of technology should apply ethics and is responsible and accountable for it. This discussion clearly highlights the relationship between ethics, leadership and use of technology in business. This can be well understood when referred to the sequence of actions in Fig.1. below.



Application of technology in governance

In the year 2022, the Ministry of Electronics and Information Technology, Government of India, announced that it is high time to transform India into a digital and knowledge based economy. This will expand the economy, create opportunities and develop digital capabilities. It fulfils this vision via a Digital Plan called as **DIGITAL INDIA**. This plan will reduce corruption, promote transparency and create an environment of E-governance. The said **DIGITAL INDIA** plan is paving the way for India to make a mark in the global scenario using technology.

With efficient governance being a top priority, MCA21 and the Companies Act, 2013, were set in motion. Changes were made in the Companies Act, 2013, to promote e-governance via effective use of information technology. To regulate the same, Information Technology Act, 2000, was developed to give recognition and provide regulation to electronic data and e-governance.

The aim of these changes was to promote efficiency, transparency, accountability, fulfilling stakeholder expectations, effective company administration, better management practices, reduce corruption and prompt flow of information.

MCA 21

MCA 21 is the first of its kind which has ushered an era of technology usage for effective e-governance in India. The aim was to reduce paperwork, save time and serve as an information

repository for the corporates in the country. The said purpose has been fulfilled and this repository provides all the information in the digital form. MCA 21 and its harmonious integration with various departments and ministries to serve as a one stop destination for the issue of various identifiers like PAN, TAN etc. is a great step. This avoids practices of corruption and middlemen at various levels. This has facilitated effective data exchange among different regulators and authorities. E-filing, electronic service of documents and many more are a combination of technology, enterprise and pioneering vision. It has also facilitated easy fulfilment of legal obligations at the snap of a finger. In addition to the above, the problem of data duplication and repetition has been solved leading to faster resolution of confusion and disputes, if any. Lastly, any transaction can be done effectively and securely without any bar of time and place.

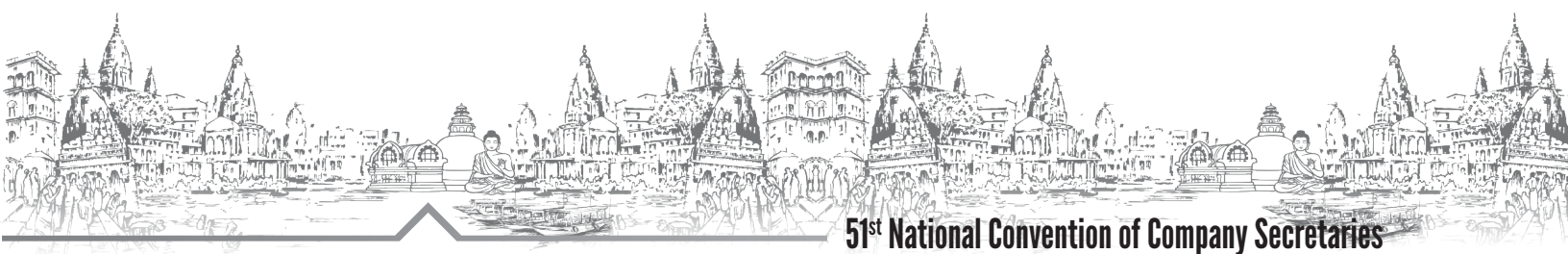
The purpose of MCA 21 is to ensure effective access to the stakeholders. It also promotes transparency, security and certainty. To keep pace with the growing technology, MCA 21 uses AI and data analytics for its functioning. This involves chat bots, speedy ticket generation and resolution, virtual assistants and other e-modules for its users. Use of technology also ensures identification and follow up for non-compliant companies. Thus, MCA-21 is a unique initiative to provide speed, safety with security in compliance of statutory obligations.

Interrelationship - Companies Act, 2013 and Information Technology Act, 2000

With the advent of digitization and establishment of MCA-21, the Companies Act, 2013, was the next step to recognize the growing use of technology by corporates in their business operations. In other words, the act has adapted to the changing times and ensured that e-governance is carried to the optimum. One of the major changes in the Companies Act, 2013, was introducing the use of electronic means of communication, electronic records and their maintenance. This has reformed the way in which businesses are operating and interacting with the stakeholders.

The Companies Act, 2013, grants recognition to maintain documents, papers, books of accounts, registers and other communication in paper or electronic form under section 2(12) and section 2(36). This has led to many advantages such as maintaining them in a single location, easy access of information with no bar to location and time. Losing physical documents is not an excuse anymore. Access is easy but at the same it can be made restricted to only trustworthy people. This improves the general safety and security of the data and its alteration or manipulation is impossible since they are updated on real time basis. Duplication, confusion and unnecessary paperwork is reduced. This has paved way for a paperless system and helped promoting environmental wellbeing i.e. sustainability. Sections 108, 120, 128, 173, 175, 383 of the Companies Act, 2013, recognizes electronic forms of communication, electronic means of serving documents and electronic maintenance of mandatory information. In furtherance, the law in section 397 states that documents in electronic forms and electronic storage devices are acceptable as evidence in the court of law. Lastly, sections 398 and 402 of the Act lay down additional provisions for electronic records and connect the same to the Information Technology Act, 2000.

The Companies Act, 2013, introduces digital methodologies indicating that corporate personnel and their core teams need to become tech savvy. This is a positive step but where there is good, bad will enter in. Thus, took birth the Information Technology Act, 2000. It is via this legislation that electronic records, electronic communications, electronic services, digital maintenance, protection of data, usage of digital signatures, electronic storage and cybercrimes are



acknowledged. While this legislation recognised electronic forms and records, it also introduced digital signature to authenticate and validate the electronic information submitted by a company similar to signing documents on a paper. When related the same to the Company Law, KMP and other officers of a company or any other person responsible to authenticate the electronic record, may need a digital signature. The act clearly states the provisions relating to retention (section 7) and audit (section 7A) of the Information Technology Act, 2000, shall apply to the electronic records till such time and to the such extent as provided in the Companies Act, 2013.

Readiness of Corporate Boards towards digital technology transformation

New digital technologies and data analytics are rapidly changing the expectations of customers, suppliers, regulators, employees, shareholders and all other stakeholders. The complexity and speed of change in digital technology can make it difficult for Board of Directors to focus on technology as a crucial strategic priority.

Though many of today's Boards are neither tech savvy nor digital natives, technology is critical to their ability to efficiently govern and ensure appropriate compliances, as well as to keep the business competitive and drive growth. Irrespective of the nature of industry or business one belongs to it is imperative to grasp and transform the organization to reap the full benefits of digital tools and data. This imperative often requires new levels of collaboration, new organizational structures and cultures and as a result, the Boards have to focus upon a new leadership model. However, the goal for the board isn't to understand the technology but, rather, to understand its effects and implications. One way to address this issue is to bring on new board members whose experience aligns with the digital technology transformation of the organisation.

Role of a Company Secretary

The Companies (Management and Administration) Rules, 2014, provides in Rule 28 that the Managing Director, Company Secretary or any other director or officer of the company as decided by the Board should be appointed for the security and maintenance of the electronic records of the company. Although the law grants freedom to appoint any such person as the company deems fit for the purpose but it is usually the Company Secretary who is responsible for the security and maintenance of the electronic records of the company. This implies that the Company Secretary should have a good insight into cyber laws, data protection, management information systems and the best practices in technological arena. The same insight will be needed in legal compliance of data protection and cyber laws and implementing protection policies. In addition, a company secretary who has a good understanding on the said subject can also be a part of a forensic audit which may involve investigating phishing scams, fraud or any other illegal activity in this respect.

Further, section 85 of the Information Technology Act, 2000, clearly states that when offences under this act are committed by the company then the person responsible for the conduct of the affairs of the company is responsible and is liable to be punished along with the company unless suitable due diligence was exercised. Where a Company Secretary is made liable for maintenance and security of the electronic records then any contravention or non-compliance under the Information Technology Act, 2000, will make him responsible for the offence.

Need for Security and Data Protection in India

Companies store a huge data in electronic format which is sensitive and confidential, hence valuable. It is this data which is the main target for all the cyber-crimes committed. The need for an act like Information Technology Act, 2000, is grave, seeing the statistics of the number of reported cybercrimes in India (2012-2021). Refer to the graph in Fig.2. below.

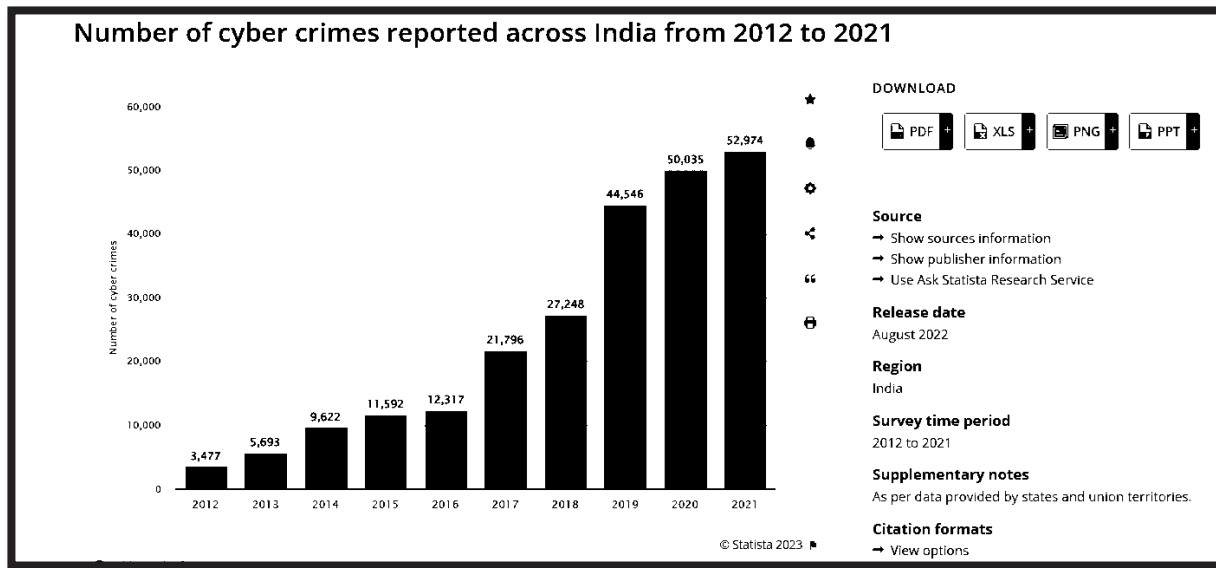


Fig.2. Source: Taken from <https://www.statista.com/statistics/309435/india-cyber-crime-it-act/>

The aforesaid statistics is alarming and so does the need for the companies to secure and protect their data.

Ethics in Technology – A must have

Apart from the legislative aspect, it is important to understand the ethics involved in the security and maintenance of the electronic data. Here, a non-living element (technology) is encountering a living element (human) which implies some ethical considerations in the process.

Higher the technological use, more the data and higher the need for digital ethics. New technological applications are exploring new facets of human advancement which is giving birth to new ethics and moral ideas. This makes it important for business leaders to ensure effective ethics application in their practices such that there is fairness, transparency, privacy, confidentiality, responsibility and accountability. This is the road to ethical leadership followed by effective governance. Technology also holds place in the legal landscape where there are laws which use technology in their implementation i.e. Companies Act, 2013 and there are laws which regulate the use of technology in business i.e. Information Technology Act, 2000. Here, a Company Secretary can play a vital role in providing digital protection to the company and ensure effective legal compliances otherwise technological breach can create chaos and lead to huge losses both at the individual and economy level.

Thus, with extensive use of technology in modern businesses, there is a need to follow ethics in their usage. It should also be noted that failure to follow ethics by leaders leads to application of law. But one should remember that the laws which guide us are also influenced by ethics.

Conclusion

Digital transformation governance extends far beyond technology. However, the board does not need to be filled with technology wizards. It must understand what can be accomplished at the intersection of business and technology and it must be prepared to help shape how technology can transform the organization to maintain or grow its competitiveness and sustainability.

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3. *Fig.2.* - <https://www.statista.com/statistics/309435/india-cyber-crime-it-act/>

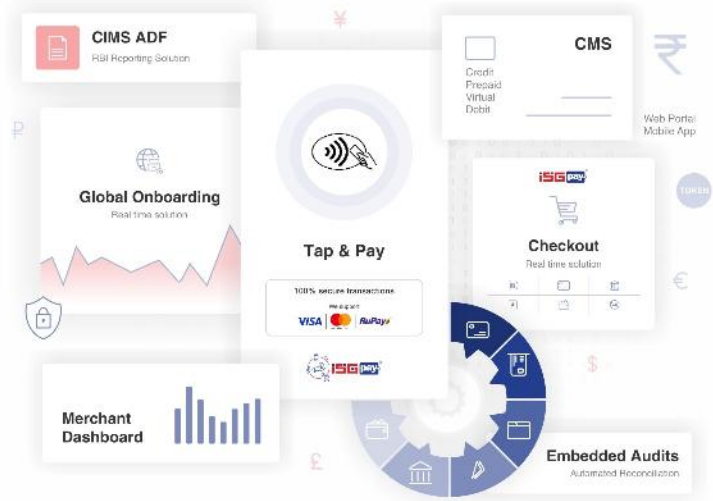




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Dematerialisation of Securities of Unlisted Public Companies

The Ministry of Corporate Affairs in its drive to enhance transparency, investor protection and corporate governance has notified Companies (Prospectus and Allotment of Securities), Third Amendment Rules, 2018 effective from October 02, 2018. Accordingly, unlisted public companies need to dematerialise its existing securities and ensure that future issues of securities and transfers are only in dematerialised form.

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Simple Steps to Join NSDL

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2 Tripartite agreement with NSDL and R & T Agent

3 Submission of Master Creation Form along with required documents and fee

4 Activation of ISIN by NSDL

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- Master Creation Form containing information of company.
- Networth certificate from a Chartered Accountant as per audited annual report for the last financial year.
- Certified true copy of Board Resolution mentioning signatories authorized by Board to execute documents and their specimen signature.
- Confirmation letter from Registrar & Transfer Agent.
- Certified true copies of Memorandum of Articles, Articles of Association along with Certificate of Incorporation.
- Certified true copy of audited annual report for the last financial year.
- An Undertaking from private limited company in a prescribed format.

For more information, you may contact any of the below officials :

Mr. Pratik Chaturvedi

9930966949

Pratik.Chaturvedi@nsdl.com

Ms. Aneri Shah

8452988508

Aneris@nsdl.com

Mr. Nileshkumar Mishra

8655541418

NileshM@nsdl.com

Ms. Dimple Shah

8655541418

DimpleS@nsdl.com

Mr. Amitosh Sinha

9936877307

AmitoshS@nsdl.com

Ms. Nirmiti Khanvilkar

9987374636

Nirmitik@nsdl.com

Issuer Admission Cell

issuer.admission@nsdl.co.in

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