

ICAI MSME Mahotsav

SESSION:
MSME Compliance under various Act

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◦ Presented by: CA. M R Ranjit Karthikeyan



Compliance as the Runway to MSME Takeoff

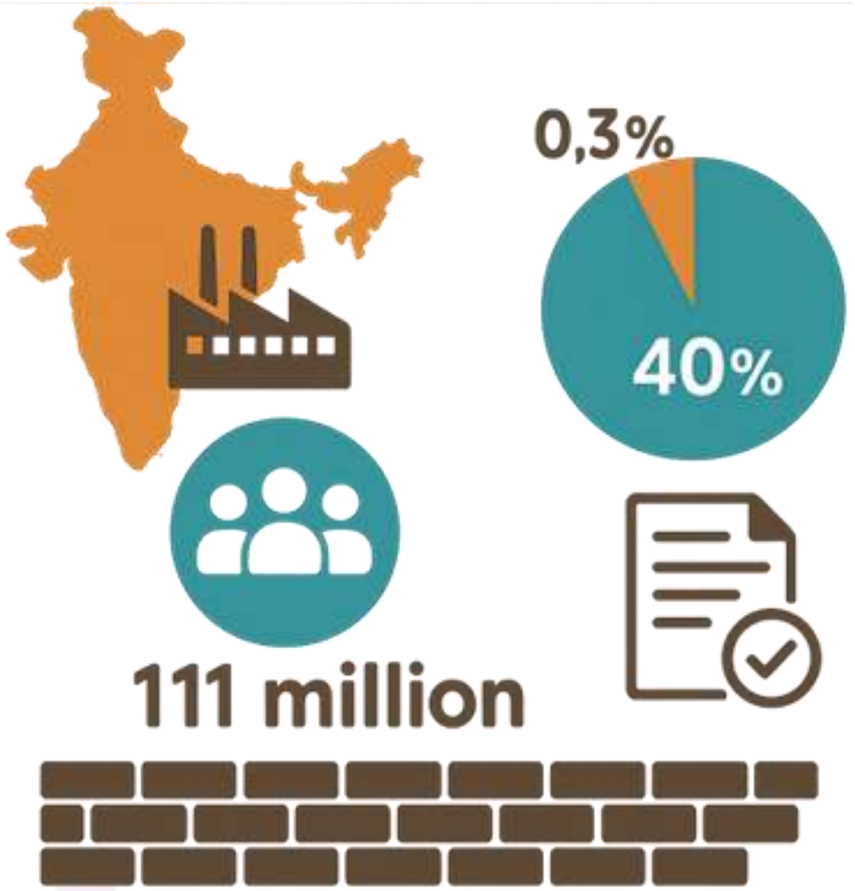
Compliance is no longer just a regulatory necessity — it is the foundation of growth, finance, and trust

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India's MSME Landscape



- 6.34 crore MSMEs; 11.1 crore jobs
- Only 0.3% are medium enterprises but contribute 40% of MSME exports
- Compliance is key to breaking informal barriers

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Global Context: MSMEs Worldwide



- 90%+ of all enterprises are MSMEs globally
- Contribute 50-60% to GDP in OECD countries
- Key focus in EU, ASEAN, Africa for innovation and job creation

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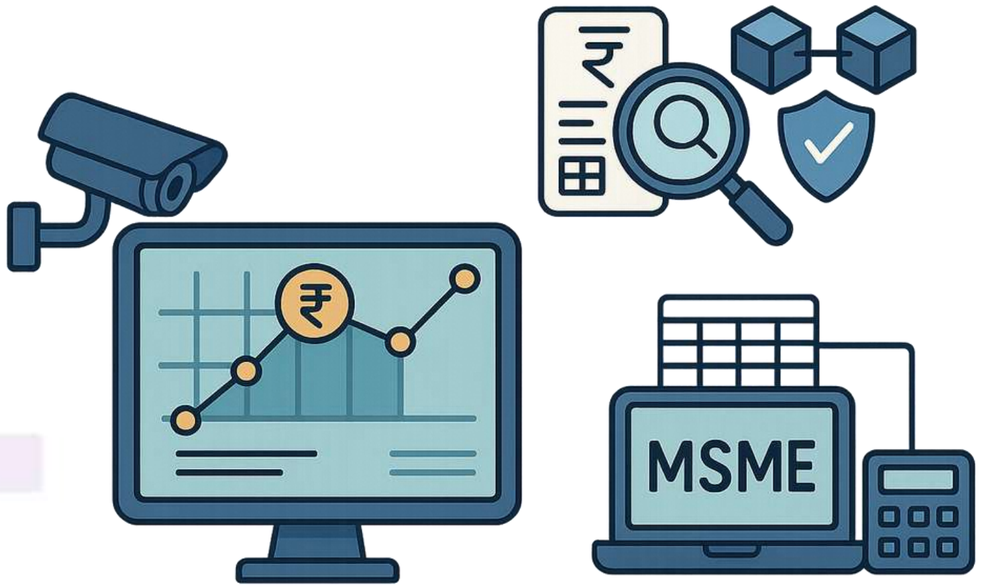
Compliance-Growth Disconnect in India



- Receivables average 9 months vs 30 days for large firms
- Credit gap: ₹20–25 trillion
- Most MSMEs lack formal records needed for finance

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How Digital is Disrupting Compliance



- Rise of real-time monitoring: GSTN, PF, ROC, Udyam filings tracked live
- Governments adopting e-invoicing, AI scrutiny, blockchain logs
- MSMEs need systems, not spreadsheets

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Compliance: The Missing Link to Scale



- Builds credit, investor confidence, export access
- GST/ROC returns = digital footprints
- Udyam + GSTN + DigiLocker + OCEN = trust infrastructure

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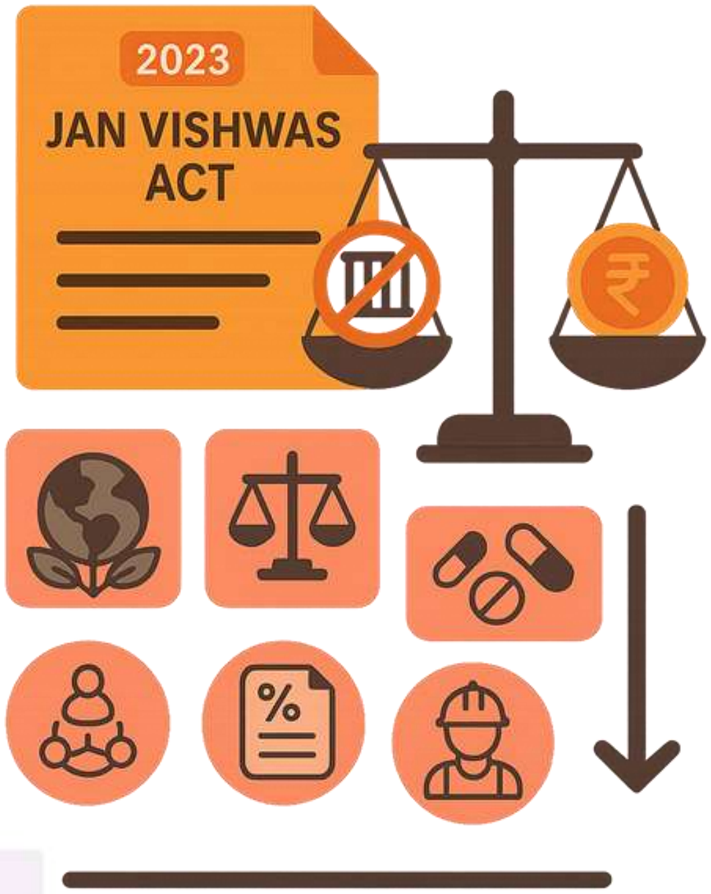
Regulatory Burden: Data That Matters



- 1,536 laws govern business in India
- 69,233 compliances; 26,134 carry jail terms (pre-Jan Vishwas)
- Labour laws = 68% of jail clauses

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Jan Vishwas Act 2023: What Changed?



- Decriminalised 183 provisions across 42 laws
- Shifted minor offences from jail to monetary penalties
- Acts impacted: Environmental, Legal Metrology, Drugs Act
- Key gaps: Companies Act, GST, Taxation, Labour Codes remain untouched

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Post-JVA Reality Check



- Less than 1% of jail clauses actually repealed
- Real-time filing burden remains
- Risk of prosecution still high in areas like PF, ESI, CSR, tax

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Real-Time Compliance Systems Globally



- EU, Australia: e-invoicing + SBR (Standard Business Reporting)
- Singapore: Accountants central to SME digitisation
- Philippines, Indonesia: Real-time tax and payroll filings

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How Other Countries Leverage Public Accountants



- NZ, Netherlands: Accountants drive digital compliance submissions
- UK CPAs advise on automation, ESG, data assurance
- Public accountants positioned as value advisors, not just auditors

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India's Opportunity: CA-Led MSME Transformation



- CAs as enablers of tech adoption
- Risk management and digital filings
- Strategic partner: From survival to scale

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Case Studies:
Good and Bad Compliance Stories



- BYJU’s: Poor governance = investor erosion
- Zoho: Ethical filings = global brand trust
- Infosys: Strong early internal controls = investor magnet

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The CA Advantage: From Scrutiny to Strategy



- Risk assessment, process automation
- Digital integration with ERPs and filing portals
- Monthly dashboards, proactive alerts

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Sector-Specific Insights



- Manufacturing: EHS, labour filings
- Food & Pharma: FSSAI, drug safety, traceability
- Services: TDS, contracts, digital proof of delivery

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Tools for Real-Time MSME Compliance



- e-Invoicing APIs
- Integrated PF/ESI payment gateways
- Cloud accounting + AI-driven alerts

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Building MSME Compliance Culture



- Compliance literacy workshops
- Board-level compliance scorecards
- Embed incentives for discipline

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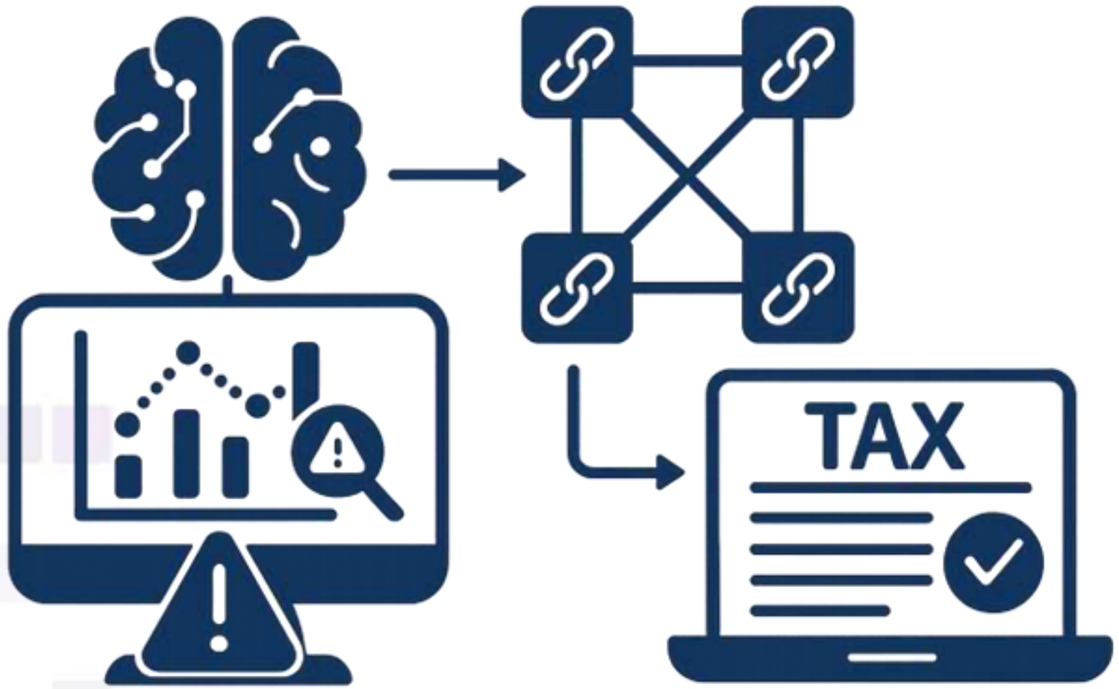
The Business Case for Compliance



- Cost of non-compliance: penalties, lost tenders, reputation
- Benefits: low-interest credit, JV eligibility, buyer confidence

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Tech-Driven Governance: Role of AI/Blockchain



- AI to flag risk; ML for predictive audit
- Blockchain for audit trails (e.g., invoice chains)
- Case: Estonia’s real-time tax interface

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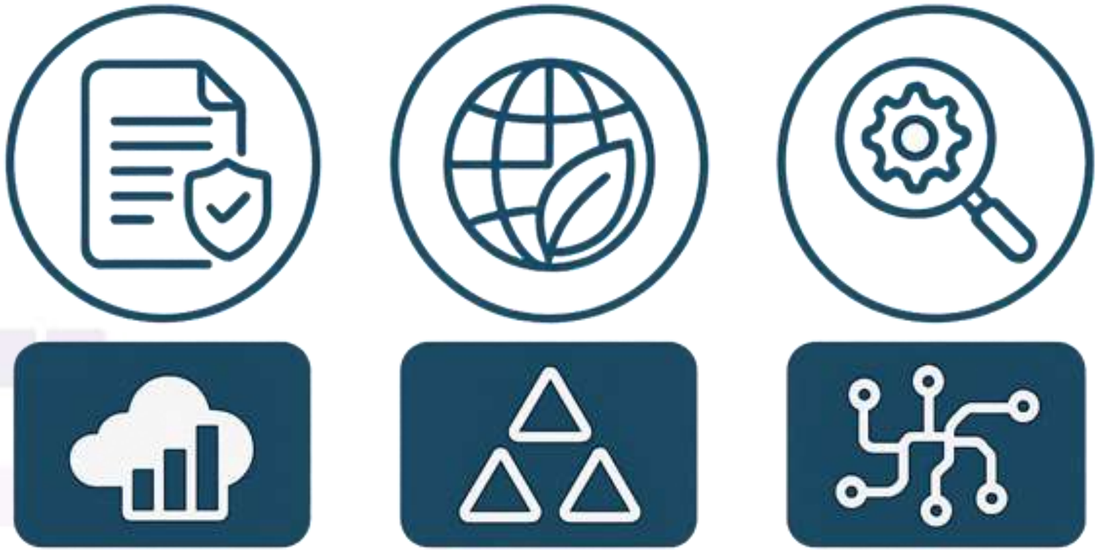
The Indian CA's New Toolkit



- Skillsets: Tech fluency, ESG fluency, regulatory foresight
- Tools: XBRL filings, ERP mapping, sectoral dashboards

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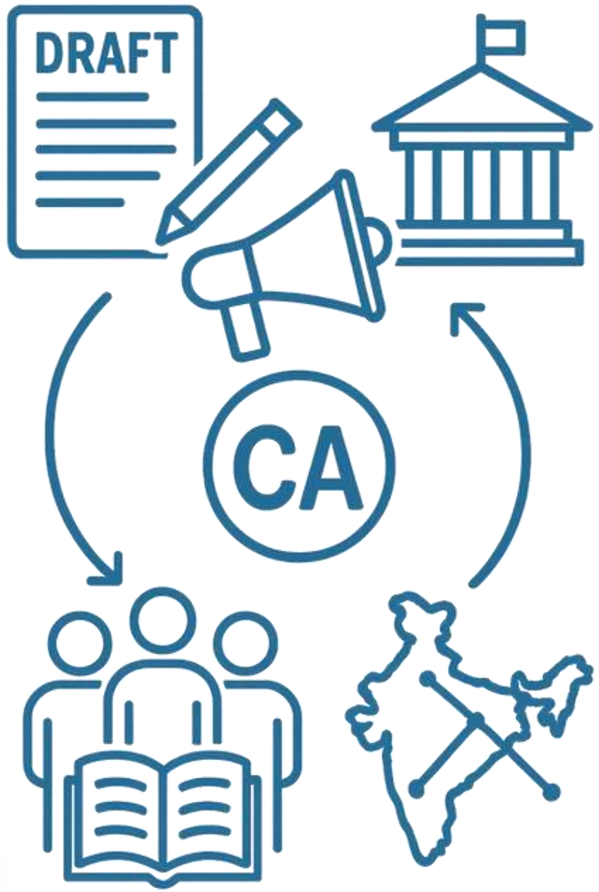
How CAs Can Offer New Services



- Compliance-as-a-service (CaaS)
- ESG and Sustainability Reporting
- Together: Drive the next wave of formal growth

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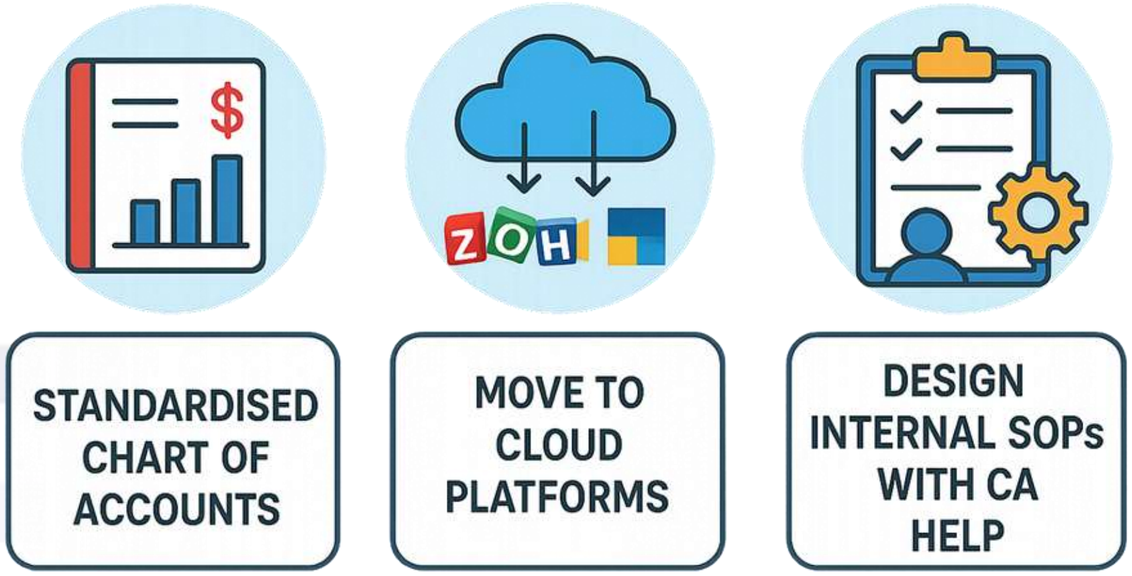
Public Policy Role of CAs



- Input into simplification (e.g., draft codes)
- Feedback loops to MSME Ministry, MCA
- Regional CA associations as compliance educators

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Strategic Action for MSMEs



- Adopt standardised chart of accounts
- Move to cloud platforms (Zoho, Tally Prime)
- Design internal SOPs with CA help

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Roadmap:
MSME Compliance Maturity Journey



- Level 0: Informal, unregistered
- Level 1: Basic tax filings
- Level 2: Digital books, certifications
- Level 3: Real-time dashboards, investor readiness

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Strategic Advice to MSMEs from CAs



- Formalise processes now, not during crisis
- Review entity structure (OPC/LLP/Private Ltd)
- Plan for compliance like planning cash flow

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Closing Message:
Compliance is the New Growth



- Bharat’s small enterprises need trusted navigators
- CAs must lead MSMEs from unorganised to unstoppable
- Compliance is not the end—it’s the runway

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Call to Action



- CAs: Offer diagnostic compliance check-ups
- MSMEs: Treat compliance as an investment
- Together: Drive the next wave of formal growth

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