

Quote by Nilaya Varma, Group CEO & Co-Founder, Primus Partners

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Centre Looking To Chart Norms For 'Made In India' Firms That Can Take On Big 4

While a large chunk of government consultancy business goes to the Big 4, the government is keen to reduce dependence on the Big 4, especially for advisory services pertaining to sensitive sectors

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Article Content:

Amid the rise in global uncertainties and threats, the Narendra Modi government is moving in a time-bound manner to create the necessary ecosystem to propel domestic consultancy and audit firms to acquire the scale of the global Big 4.

The Centre is keen to have 'Made In India' consultancy firms, especially for advisory services pertaining to sensitive sectors such as defence, which is directly linked to internal security, spreading its wings to cyber and data threats.

The Big 4, comprising PwC, Deloitte, EY, and KPMG, have quietly expanded their grip on Indian businesses pertaining to both public and private sectors. Not just that, a large part of their revenue comes from government assignments such as project advisory and management, along with policy planning for various sectors. The pie is expanding. Besides the Big 4, there are other global firms that also grab a sizeable chunk of business from the ministries and government departments, state as well as the centre.

The government is keen to reduce “excessive” dependence on the global Big 4, especially in sensitive sectors and projects, which somehow increase security risks.

Take the instance of China. The country has been wary of using the services of the global firms due to threats pertaining to data security. Beijing has been actively looking to reduce the audit and consultancy services of the Big 4. The reason is simple: to ensure that critical and sensitive information does not leak out or be accessed by other countries.

How To Define A Domestic Firm

While there are several Indian consultancy and audit firms, they lack the scale and expertise.

Most Big 4 and other such firms have their Indian arms that have expanded their operations, though they are headquartered in the West.

“The main problem lies in the definition itself. A large part of the business is done by their Indian arms, but somewhere this oversteps boundaries and leads to conflict of interest,” a senior government official said. The ‘Made In India’ firms need to be incorporated in the country, he said.

The government is keen to create mega firms that can spread their wings outside India, but for that, the structure, including the shareholding pattern of these homegrown firms, needs to be carefully chalked out.

“To promote domestic Big 4, it is important to carve out ‘Make in India’ specific norms for consultancy. That is critical but missing, and that needs to be taken up,” Nilaya Varma, Group CEO & Co-Founder, Primus Partners Pvt Ltd, told The Secretariat.

Varma added that the conversation on Big 4 typically revolves around audit. “It is not just about audit, we cannot have Big 4 conversations revolving only around audit. It is important to segregate audit and consultancy,” Varma said.

“Audit has to be a graded system,” he pointed out.

A report published by The Secretariat last year noted that PwC, Deloitte, EY, and KPMG won at least 305 consulting assignments worth nearly Rs 500 crore from various government ministries, departments, etc, in the five-year period between 2017 to 2022.

Primus Partners pegs the Indian consulting business at \$7.8 billion. It has projected the business to grow to more than \$24 billion by 2026.

Work Culture Of The Big 4

Last year, the tragic death of the 26-year-old Anna Sebastian Perayil, an employee of EY, Pune, who could not cope with the work pressure, brought out the dark side of the Big 4 work culture. The incident not only reflected EY's work environment but prompted other consultancy firms as well to wake up and smell the coffee. "The work atmosphere is pathetic; one out of every 5 employees wants to quit due to the toxic work culture," said an employee working with one of the Big 4.

Union Labour Minister Mansukh Mandaviya sought an investigation and said that strict action will be taken based on the findings.

These biggies have been under the scanner from time to time. After the ₹7,000 crore Satyam Computers Services scam in 2009, one of the biggest in Indian corporate history, put the spotlight on its auditor, PricewaterhouseCoopers. The scam prompted the government to re-establish the corporate governance norms to fix accountability.

"The Big Four firms typically manage to win most of the government floated tenders and once they do that, it becomes much easier for them to grab the consultancy projects as well," Amarjit Chopra, former president, the Institute of Chartered Accountants of India (ICAI), told The Secretariat.

Government Looking Into The Matter

In June, Shaktikanta Das, Principal Secretary to Prime Minister Narendra Modi, held a meeting in his office to discuss ways that could propel domestic firms to acquire the scale of the global Big 4. Das will be spearheading this mission.

While since 2017, the Modi government has been underlining the need to create Indian consultancy and audit firms that could enter the big league and even cater to global clients, there has been no major breakthrough so far.

Sources told The Secretariat that the Centre has now taken up the issue on a "war footing." However, it will not be easy to discontinue the services of the global firms; the process will have to be gradual and without any disruption.

"The idea is not to apply brakes on any global firm but to enable Indian firms to acquire the size and scale so that they can be globally competitive," the government official added.