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## Rewarding compliance: Why ease of doing business goes beyond easing regulations

*As India strives to achieve its ambitious Viksit Bharat vision by 2047, rewarding compliance could play a pivotal role in building a robust, investor-friendly economy.*

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The compliance rating mechanism could have a particularly transformative impact on the MSME sector. (Image: freepik)

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### Article Content:

Over the past decade, the Government of [India](#) has made remarkable strides in improving the country's business environment through initiatives such as [Make in India](#), Ease of Doing Business (EoDB), Business Reform Action Plan (BRAP), and the Jan Vishwas Acts. These reforms have simplified procedures, digitized regulatory processes, eliminated redundant laws, decriminalized minor civil offences, and significantly improved the government-business interface.

However, fostering a truly conducive business ecosystem goes beyond easing regulations—it depends on the industries' consistent compliance with those regulations. While businesses have diligently implemented these reforms, it is high time the government acknowledged their efforts and introduced a mechanism to reward compliance.

## **Introducing a Compliance Rating Mechanism**

One promising approach is the launch of a Compliance Rating Mechanism, where industries are evaluated and rated based on their adherence to regulatory requirements. This mechanism could function similarly to credit rating systems used by financial institutions or the [GST](#) compliance rating score. Such a rating system would recognize and reward industries for their good practices, encouraging other businesses to follow suit. It creates a win-win situation: industries benefit from incentives, and governments foster a culture of compliance that strengthens the overall regulatory ecosystem.

The proposed rating could be based on four key criteria (i) Timely Compliance: A track record of timely adherence to various regulatory laws. (ii) Penalty History: An evaluation of past penalties or violations (iii) Disputes and Litigations: A history of legal disputes with regulatory bodies, and (iv) Internal Record Strength: The robustness of the company's internal compliance systems.

## **Incentives for High Ratings**

Industries with a High Compliance rating could be rewarded with benefits such as Reduced renewal fees for licenses, and Extended validity periods for mandatory renewals. Acknowledging and incentivizing compliance efforts will not only build goodwill but also motivate businesses to improve their practices.

To implement this system, the government could establish a dedicated task force to gather and analyze compliance data, assigning ratings based on transparent and objective criteria. Additionally, this initiative could enhance India's standing in international indices like BREADY, which assesses regulatory frameworks globally.

The compliance rating mechanism could have a particularly transformative impact on the [MSME](#) sector. A higher rating could improve their access to finance and bolster their export capabilities, thereby contributing to their growth and competitiveness. By incentivizing businesses with strong compliance track records, the government can foster a culture of trust-based governance and voluntary compliance.

This shift towards a reward-oriented compliance system aligns with India's broader goal of creating a business-friendly environment that encourages innovation and growth. As India strives to achieve its ambitious Viksit Bharat vision by 2047, rewarding compliance could play a pivotal role in building a robust, investor-friendly [economy](#).

***Kanishk Maheshwari is the Co-Founder of Primus Partners. Views expressed are personal. Reproducing this content without permission is prohibited***