

## **Evolution of a Regulatory Framework in India**

### **What is the issue?**

\n\n

\n

- Transparent regulators are a must for evolution of mature markets.
- In India, political considerations have time and again forced distortions in regulatory frameworks.

\n

\n\n

### **What is a Regulatory Regime?**

\n\n

\n

- Liberalisation of economies and unleashing of market forces gives birth to regulators and regulatory regimes.

\n

- Economists described this as the transition of a government's role from positive intervention to arm's length superintendence.

\n

- But the manner in which the regulatory system has been established and 'Regulatory obstructionism' to development of businesses is a debatable issue.

\n

- Lack of transparency and accountability of the regulators in India has been flagged by many economic observers.

\n

\n\n

### **Currently how does the regulatory framework in India look?**

\n\n

\n

- Over a period of time, a number of regulatory bodies, ranging from RBI, SEBI, IRDA, PFRDA to TRAI, electricity regulators, CCI, FDA have been set up in India.

- \n
- There is a proposal to create a regulator for the aviation and rail traffic business as well and many more may follow.
- \n
- These regulators have been empowered to set the policy agenda, outline regulations, punish non-compliance and garner resources to manage their affairs.
- \n
- The policy direction pursued by every regulator has to support the development of the market of the allocated jurisdiction.
- \n
- However, in Indian democracy, social and political populism has proven to often overtake the economic agenda.
- \n

\n\n

### **What are the issues concerning regulatory sector?**

\n\n

- \n
- **Politicisation** - As economic agents inherently intend to maximise profits, market misconduct happens in every domain.
- \n
- Whenever such incidences occur, they have to be dealt with pragmatically but due to political pressures, policy makers go overdrive and frame restrictive policies and denounce regulators.
- \n
- The politicisation of such events has made the regulators in India overcautious & frightened in order to dodge any blame game.
- \n

\n\n

- \n
- **Performance** - In many cases, non-experts are selected to lead the regulatory bodies thereby affecting technical aspects.
- \n
- Second, the review mechanism for the functioning of the regulatory bodies is not very robust.
- \n
- In particular, it does not include the role of regulators in the development of the market.
- \n
- **Upgrading** - The inventions and innovations in the sector and the society at large influence the direction of the market.

\n

- Hence, regulatory mechanisms need to update in consonance with the above mentioned changes without much delay.

\n

- If these issues aren't addressed, the development of the mature and well regulated markets will take a serious beating.

\n

\n\n

## **What are the larger questions doing the rounds?**

\n\n

\n

- A regulatory state was conceived as a fast and flexible alternative to the cumbersome and bureaucratic frames of the replaced era.

\n

- However, questions about the democratic governance and accountability of regulators are being raised around the world.

\n

- This is because substantial power to make laws has shifted from elected representatives to technocrats sitting in regulatory bodies.

\n

- The Government should consider appointing a high-level task force immediately to delve deep into these issues.

\n

\n\n

\n\n

**Source: Businessline**

\n

