

Repositioning the NFRA: Strengthening Regulatory Effectiveness in India's Independent Audit Oversight System

*Swikruti Mohanty*¹

Declaration: AI tools have been used during the research process responsibly and ethically in accordance with the guidelines provided. The author has applied critical thinking and personal analysis so as to represent original work to the fullest extent possible.

AI Tools used: ChatGPT, Julius AI, Grammarly.

Purpose of AI use: Data analysis, Grammar Checking.

¹ Swikruti Mohanty is a law graduate from National Law University Odisha (2019-2024) with a strong interest in public policy, judicial reforms, and tech policy. She has experience working with organisations such as the Centre for Civil Society and DAKSH. Her work spans empirical research on penalty provisions of Indian business laws, financial regulation, and facilitating legal aid for street vendors. She is currently an NIST Fellow with DAKSH, working on the institutional design of the National Financial Reporting Authority.

TABLE OF CONTENTS

Chapter 1: Introduction	4
Chapter 2: Research Methodology	8
2.1 Research Questions	8
2.2 Methodology for Research Question 1	8
2.3 Methodology for Research Question 2	11
Chapter 3: Jurisdictional Inclusivity of NFRA with respect to NBFCs	12
3.1 Literature Review	12
3.1.1 Concept of PIE and Jurisdictional Differences	12
3.1.2 Regulatory Evolution and Systemic Risks in NBFCs in India	16
3.2 Empirical Findings	19
3.2.1 Aggregate Sample Analysis	19
3.2.2 Sub-Sample Analysis: Investment and Credit Companies	21
Chapter 4: NFRA's Funding Model Capacity Constraints	24
4.1 Literature Review	24
4.2 Analysis of NFRA Annual Reports	26
4.3 Comparative Analysis	32
4.3.1 Funding Models of Global Counterparts	32
4.3.1.1 United States: Public Company Accounting Oversight Board (PCAOB)	32
4.3.1.2 United Kingdom: Financial Reporting Council (FRC)	32
4.3.1.3 Canada: Canadian Public Accountability Board (CPAB)	33
4.3.1.4 Australia: Australian Securities and Investments Commission (ASIC)	33
4.3.1.5 Malaysia: Audit Oversight Body (AOB)	34
4.3.1.6 New Zealand: Financial Markets Authority (FMA)	34
4.3.1.7 South Africa: Independent Regulatory Board for Auditors (IRBA)	34
4.3.1.8 Singapore: Accounting and Corporate Regulatory Authority (ACRA)	35
4.3.2 Funding Models of Corresponding Regulators in the Domestic Financial Market	35
4.3.2.1 Reserve Bank of India	35

4.3.2.2 Securities and Exchange Board of India	35
4.3.2.3 Competition Commission of India	36
4.3.2.4 The Insurance Regulatory and Development Authority of India	37
4.3.2.5 Pension Fund Regulatory and Development Authority	37
4.3.3 Comparative Insights	37
Chapter 5: Policy Recommendations	39
5.1 Recommendation for Jurisdictional Scope	39
5.2 Recommendation for Funding Model	41
Chapter 6: Conclusion	44
Annexure	45

Chapter 1: Introduction

In 2018, the Ministry of Corporate Affairs (MCA) notified Section 132 of the Companies Act, 2013,² one of the last provisions to be enforced. Unlike other provisions, whose delayed implementation was a result of a phased rollout,³ this section remained contentious from its inception. Section 132 provides for the establishment of the National Financial Reporting Authority (NFRA), an independent audit oversight body tasked with recommending and enforcing compliance with accounting and auditing standards.⁴

The need for such a regulatory body emerged in the aftermath of the Satyam Scandal,⁵ much like the creation of the Public Company Accounting Oversight Board (PCAOB) in the United States following the Enron scandal. These developments reflect a broader shift from the Self-Regulatory Organisation (SRO) model to an independent regulatory framework.⁶ However, even after its inclusion in the Companies Act, the NFRA faced significant resistance from the Institute of Chartered Accountants of India (ICAI), which viewed this new regulator as a threat to its existence.⁷ Strong pushback from ICAI culminated in the Supreme Court recognising the need for an independent oversight mechanism, similar to that in the US, in its 2018 judgement.⁸ The contemporaneous exposure of the Punjab National Bank (PNB) scam in the same year further accelerated the government's decision to take prompt action and establish the NFRA, five long years after the idea was first floated.⁹

An independent regulator achieves optimal efficiency by aligning its jurisdictional scope with its institutional capacity. A regulator normatively entrusted with safeguarding the public interest must therefore be evaluated along two key dimensions: first, whether its legal design adequately

² The Companies Act 2013 (hereafter "CA 2013"), s 132.

³ "Welcome Aboard: New Companies Act in India Takes Off!," Nishith Desai Associates, April 22, 2014.

⁴ CA 2013, s 132(2).

⁵ Committee of Experts, *Findings and Recommendations on Regulating Audit Firms and the Networks* (Ministry of Corporate Affairs, Government of India, October 25, 2018), 12, https://www.icmai.in/upload/Report_RAFN.pdf

⁶ *Id.*

⁷ Jayashree P. Upadhyay, "ICAI May Lose Powers if Draft Rules to Set Up NFRA Are Approved," *Mint*, July 2, 2018,

<https://www.livemint.com/Industry/fPOiPDsXMof7rm5laO2vrO/ICAI-may-lose-powers-if-draft-rules-to-set-up-NFRA-are-appro.html>

⁸ *S. Sukumar v. Secretary, Institute of Chartered Accountants of India & Ors.*, Civil Appeal No. 2422 of 2018, para. 49. https://api.sci.gov.in/supremecourt/2013/35041/35041_2013_Judgement_23-Feb-2018.pdf

⁹ Rahul Srivastava, "PNB Scam Aftermath: Government Approves Formation of Regulating Body to Oversee Auditors," *India Today*, March 2, 2018.

captures entities whose economic footprint can have broader consequences beyond immediate impact; and second, whether its funding architecture enables it to function independently.

NFRA's charter demonstrates its commitment to the continuous improvement of financial reporting across all categories of Public Interest Entities (PIEs),¹⁰ which include all listed companies and large unlisted companies.¹¹ Identifying these PIEs is crucial as they are the entities that would fall under the jurisdiction of NFRA. This is based on the premise that audit failures can have consequences extending beyond individual firms or investors. However, while the concept of "public interest" is widely acknowledged in policy discourse,¹² it has received little recognition at the statutory and operational levels due to its inherent ambiguity and its openness to multitudes of interpretation in the accounting profession.¹³ The absence of a uniform definition of PIEs--given that audit oversight mechanisms vary across jurisdictions based on financial markets--creates interpretive ambiguity. Under the current framework, NFRA's jurisdiction is confined to entities specified under its Rules.¹⁴ This may result in regulatory blind spots as certain entities, whose public interest nature may not be conspicuous, could escape scrutiny.

This limitation becomes particularly evident in the case of certain Non-Banking Financial Companies (NBFCs), which have acquired systemic relevance in the Indian financial markets due to their interconnectedness with the formal banking system. Rapid growth and episodes of instability like the 2018 collapse of Infrastructure Leasing & Financial Services (IL&FS) and the liquidity stress at Dewan Housing Finance Ltd. (DHFL) illustrate how the failure of large NBFCs can threaten financial stability. While prudential supervision of NBFCs has evolved toward a scale-based and risk-sensitive approach under the Reserve Bank of India (RBI), audit oversight under the Companies Act, 2013, is confined to a statutorily defined list of entities.¹⁵

¹⁰ National Financial Reporting Authority, "NFRA Charter," <https://nfra.gov.in/nfra-charter/>

¹¹ Press Information Bureau, "Publication of Provisional Database for the Companies under the Regulatory Ambit of National Financial Reporting Authority," Government of India, May 7, 2021, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1716834®=3&lang=2>

¹² Gerhard Colm, "The Public Interest: Essential Key to Public Policy," *Nomos: American Society for Political and Legal Philosophy* 5 (1962): 115; Christoph Bezemek and Tomas Dumbrovsky, *The Concept of Public Interest*, Graz Law Working Paper No. 01-2020 (2020).

¹³ Steven Dellaportas and Laura Davenport, "Reflections on the Public Interest in Accounting," *Critical Perspectives on Accounting* 19 (2008): 1080-98, <https://doi.org/10.1016/j.cpa.2007.06.002>

¹⁴ National Financial Reporting Authority Rules 2018, r 3.

¹⁵ *Ibid.*

In addition to jurisdictional adequacy, a regulator's effectiveness can be assessed on the basis of its funding model.¹⁶ The relative lack of attention to funding structures in discussions of audit oversight regulators is striking, given that funding is not a peripheral administrative concern but constitutive of how regulatory power is exercised in practice. A regulator's ability to act decisively and consistently is inseparable from its financial autonomy. Independent audit regulation plays a critical role in maintaining trust in corporate financial reporting and market-based economies. Global experience shows that self-regulation by the audit profession often generates conflicts of interest, particularly under the user-fee model, where auditors are paid by the entities they audit.¹⁷

Many jurisdictions have created independent audit regulators to remedy these agency problems. The World Bank has emphasised that credible audit oversight bodies are necessary to mitigate information asymmetry and support capital formation.¹⁸ However, such bodies require stable and sufficient funding to function effectively. However, audit oversight bodies often rely on unstable government grants, resulting in underfunding and exposure to external influence in developing countries.¹⁹ A lack of secure funding may lead to a compromised board, which undermines the enforcement of the regulator and threatens financial stability. These concerns are particularly salient when a pre-existing self-regulatory professional body (The Institute of Chartered Accountants of India or ICAI, in this case) may have leverage and influence over government policy choices.²⁰

The factor that sets NFRA apart from ICAI is its envisioned capacity to function independently of any external pressure. Without this independence, NFRA risks becoming redundant, only adding to the regulatory burden of the business community. From an institutional design perspective, funding performs three interrelated functions: first, it ensures operational viability by providing predictable resources for daily and extraordinary regulatory activities; second, it

¹⁶ Shelley H. Metzenbaum & Gaurav Vasisht, "What Makes a Regulator Excellent? Mission, Funding, Information, and Judgement," Penn Program on Regulation, June 2015, <https://pennreg.org/regulatory-excellence/wp-content/uploads/sites/5/2023/01/metzenbaumvasisht.pdf>.

¹⁷ World Bank, *Audit Oversight to Enhance Trust and Transparency in Corporate Financial Statements: Challenges in Developing Countries* (2019), 9, <https://cfr.worldbank.org/sites/default/files/2019-11/Audit%20Oversight%20to%20Enhance%20Trust%20and%20Transparency%20in%20Corporate%20Financial%20Statements%20Challenges%20in%20Developing%20Countries%20%28%20APPROVED-FINAL%20129%29.pdf>

¹⁸ World Bank, *Audit Oversight to Enhance Trust and Transparency*, 8.

¹⁹ World Bank, *Audit Oversight to Enhance Trust and Transparency*, 26.

²⁰ World Bank, *Audit Oversight to Enhance Trust and Transparency*, 30.

sheds light on the accountability structure by determining who ultimately bears the cost of regulation and through what mechanisms oversight is exercised; and third, it signals the normative status of the regulator—whether as an autonomous guardian of public interest or an administrative unit subject to hierarchical control.

This study proceeds on the premise that these two dimensions, jurisdiction and funding, are structurally interdependent. Jurisdiction without capacity risks symbolic supervision, while capacity without calibrated jurisdiction may leave certain sensitive sectors of the financial system outside effective audit scrutiny. Although NFRA was conceived to treat audit quality as a matter of public concern rather than private contractual compliance, its functioning to date raises questions about whether this objective has been fully realised in practice.

As the financial market grows at warp speed, there is a need to reassess public interest using parameters that extend beyond stock exchange listings and public shareholding.²¹ These criteria could include systemic relevance and exposure to public resources. At the same time, NFRA's dependence on appropriated funding through the Ministry of Corporate Affairs (MCA) raises deeper questions about whether the authority's mandate, staffing strength, and enforcement intensity are aligned with its stated public-interest objectives.

By combining doctrinal analysis with empirical examination, the paper situates NFRA not merely as a post-crisis institutional response but as a dynamic regulator whose legitimacy depends on the alignment between mandate, coverage, and capacity. The objective is not to critique institutional intent, but to examine whether India's audit oversight design is sufficiently calibrated to contemporary financial realities.

²¹ It is worth noting that although public sector banks purportedly fall under NFRA's jurisdictions and are mentioned in the NFRA Rules, 2018, an inconsistency arises because these rules derive their authorities from Companies Act, 2013, and Section 1 of the Act does not extend its application to public sector banks. As delegated legislation cannot exceed or override the scope of its parent statute, this creates a legal incongruity between the Act and the Rules. Accordingly, a corresponding amendment to Section 1 of the Companies Act, 2013 would be necessary to expressly include public sector banks within its scope.

Chapter 2: Research Methodology

2.1 Research Questions

This study adopts a mixed-methods approach to assess the efficiency of NFRA's functioning through both doctrinal and empirical analysis. The methodology is structured around two interlinked research questions:

1. Does the current jurisdiction of NFRA sufficiently cover all “Public Interest Entities” within the NBFC sector, specifically in the context of middle-layer NBFCs (NBFC-ML) registered as private limited companies?
2. How does NFRA's funding model compare to international audit oversight bodies, and what reforms can be incorporated by the regulator?

2.2 Methodology for Research Question 1

Doctrinal and Regulatory Analysis:

A doctrinal examination of the Companies Act, 2013, NFRA Rules, 2018, and the RBI's scale-based regulatory framework for NBFCs is undertaken to highlight the exclusion of private limited NBFCs from NFRA's oversight.

Empirical Analysis:

- A. Sample Selection:** The study examines 30 private limited NBFCs from the middle layer (NBFC-ML), which accounts for an asset share of 64.6%.²² NBFC-ML is a category of NBFC based on RBI's scale-based regulation, consisting of all deposit-taking NBFCs (NBFC-D) and non-deposit-taking NBFCs (NBFC-ND) with assets greater than or equal to ₹1000 crore.²³ Purposive sampling is employed to test whether there is regulatory under-inclusiveness rather than to achieve statistical representativeness. The study covers seven financial years (2019–2025) to determine whether reliance on public funds is structural and persistent or episodic. Government-owned NBFCs and public NBFCs are

²² Reserve Bank of India, *Report on Trend and Progress of Banking in India 2024-25*, December 29, 2025, 119, <https://rbi.org.in/Scripts/AnnualPublications.aspx?head=Trend%20and%20Progress%20of%20Banking%20in%20India>

²³ Reserve Bank of India, *Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation Directions, 2025*, November 28, 2025, s 11, <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/339MD7166A79E96D64572B378949D3972DBD1.PDF>

excluded to isolate the regulatory blind spot hypothesis. The sample was selected randomly to mitigate selection bias arising from purposive sampling, subject to the availability of audited financial statements and disclosure of borrowings breakdown sufficient to compute exposure ratios.

- B. Data Source:** Primary data is extracted from annual financial statements, preferably consolidated statements, as they best reflect group-level audit responsibility. Standalone statements were relied upon where a consolidated document was not available. Notes from third-party credit rating agencies were also referred to.
- C. Public Fund Exposure Calculation:** Aligning with RBI's definition of public fund, the study aims to delineate the percentage of public fund exposure by examining the degree of reliance placed on bank finance. Even though the definition of public fund encompasses debentures and commercial papers,²⁴ they may involve private or unregulated sources, making it impossible to trace their sources.

The following data are extracted from the financial statements:

- Debt Securities (A)
- Total Borrowings (Other than Debt Securities) (B)
- Bank Borrowings (C) [part of Total Borrowings (B) but does not include other borrowings like related party borrowing, other parties]
- Total Borrowings (A) + (B) = (D)

The public-fund exposure ratio for each NBFC (per reporting year) is calculated as

$$\% \text{ of public fund exposure} = \text{Total Bank Borrowings (C)} / \text{Total Borrowings (D)} * 100$$

D. Variable Construction

- a. Primary Variable → Public Fund Exposure (PFE)

$$\text{PFE}_{it} = \text{Bank Borrowings (C)}_{it} / \text{Total Borrowings (D)}_{it}$$

²⁴ RBI, *Scale Based Regulation Directions, 2025*, s 6(18).

Where:

- i = firm
- t = year

The ratio measures the proportion of total borrowing funded through banks. The variable is bounded between 0 and 1.

b. Supporting Variable

The following additional metrics were computed:

- Mean PFE (pooled and year-wise)
- Median PFE (pooled and year-wise)
- Standard Deviation (pooled and year-wise)
- Coefficient of Variation (CV)
- Classification specific means (ICC)

E. Objective: This study evaluates whether there exists a degree of material public-fund exposure in NBFCs despite them being private entities. It does not seek to flag audit failure.

Limitations:

- Statistical generalisation cannot be done due to limited sampling. It is purposive and limited to 30 firms.
- Reliance on publicly disclosed financial data, which may not fully capture intra-group risk
- Proxy measurement of public interest exposure using borrowing patterns rather than a complete reflection of direct risk to depositors or taxpayers. Other forms of systemic intermediation may not be fully captured.
- Absence of outcome-based audit failure analysis, as the study does not link the exposure to actual audit failures or financial distress

- Causality cannot be inferred from the study, and the analysis remains strictly structurally descriptive.

2.3 Methodology for Research Question 2

Doctrinal Analysis: The second research question assesses the efficiency of funding design and traces its linkage to staffing, enforcement, and other functionalities. This is done through a longitudinal analysis of NFRA's annual reports.

Comparative Institutional Analysis: Funding models of selected international audit oversight bodies, like the Public Company Accounting Oversight Body (PCAOB) and the Financial Reporting Council (FRC), etc., are studied to examine sources of funding and the linkage between funding adequacy and enforcement capacity.

Limitations:

- Limited public access to budgetary and operational data: Analysis strictly relies on publicly available budget documents, annual reports, and parliamentary material.
- Comparative analysis constrained by institutional diversity: Audit regulators from other jurisdictions operate within different constitutional, fiscal and market contexts, while corresponding domestic regulators have different operational models altogether.

Chapter 3: Jurisdictional Inclusivity of NFRA with respect to NBFCs

NFRA's design reflects post-financial crisis reforms,²⁵ drawing upon its global counterparts such as the PCAOB.²⁶ These bodies emphasise independent audit regulation as a mechanism for investor protection and market integrity.²⁷ Even though the expression is not explicitly defined in the statute, the concept of PIE lies at the normative core of NFRA's jurisdiction, manifested through its charter.

Operationally, however, the contours of NFRA's authority are determined by Rule 3 of the NFRA Rules, 2018.²⁸ It covers all listed companies; unlisted public companies meeting specific thresholds of paid-up capital/turnover/outstanding loans, debentures, and deposits; and certain regulated entities such as banking companies, insurance companies, electricity companies, and body corporates referred by the Central Government in public interest. Rule 3 employs listing status and quantitative thresholds as the basis for determining public interest. This regulatory framework allows NFRA to oversee all listed corporations and publicly visible companies, as well as large unlisted companies.²⁹

However, this design produces regulatory blind spots. Entities like private limited non-deposit taking NBFCs, especially those classified in the Middle Layer under RBI's scale-based regulation, fall outside Rule 3 despite their deep integration with the banking system. These entities frequently mobilise public funds through bank borrowings, debentures, etc., and hence exhibit public interest characteristics. Yet they bypass the regulator's scrutiny since Rule 3 governs predetermined, enumerated categories rather than considering systemic exposure. This reveals a fundamental tension between the statutory objective of safeguarding public interest and the formal jurisdictional triggers embedded in Rule 3.

3.1 Literature Review

3.1.1 Concept of PIE and Jurisdictional Differences

²⁵ Rahul Shrivastava, *PNB Scam Aftermath*, 2018.

²⁶ Lewis H. Ferguson, "Investor Protection Through Audit Oversight," Pub. Co. Acct. Oversight Bd., September 21, 2012, https://pcaobus.org/news-events/speeches/speech-detail/investor-protection-through-audit-oversight_419.

²⁷ *Id.*

²⁸ National Financial Reporting Authority Rules 2018, r 3.

²⁹ PIB Press Release.

The modern audit-regulatory idea of a Public Interest Entity has evolved as a tiering mechanism to identify entities whose audits attract heightened public reliance and therefore warrant stringent independence rules, enhanced reporting and governance expectations.³⁰ The post-2000s cycle of audit failures and financial instability across the globe accelerated this move from generic public interest rhetoric to more operational criteria intended to address the systemic risks posed by entities whose financial failure could cause significant social and economic shocks.

Historically, the concept crystallised through major regulatory shifts such as the EU 2006 Statutory Audit Directive³¹ and the subsequent 2014 Audit Reform³², which were designed to restore market confidence following the global financial crisis. Under these reforms, PIE status became the trigger for a distinct bundle of audit obligations. At the international level, the International Ethics Standard Boards for Accountants (IESBA) issued a final pronouncement in April 2022 to refine the PIE definition within the International Code of Ethics, reflecting a public interest mandate that explicitly links the financial condition of these entities to stakeholder well-being.³³ As Hossfeld and Muller-Lagarde (2018) note, while terminology varies across jurisdictions—ranging from “public interest” in France to “European public good” in English versions of Regulation No. 1606/2002³⁴—the underlying objective is to align standards with broader political and economic considerations.³⁵

Statutory definitions of PIEs differ across jurisdictions, often combining formal legal criteria with functional public-impact criteria. In the European Union, the baseline definition includes publicly traded entities, credit institutions, and insurance undertakings, with Member States

³⁰ Accountancy Europe, *Definition of Public Interest Entities in Europe: State of Play after the Implementation of the 2014 Audit Reform* (November 2017),

https://www.accountancyeurope.eu/wp-content/uploads/171130-Publication-Definition-of-Public-Interest-Entities-in-Europe_1.pdf

³¹ Directive 2006/43/EC of the European Parliament and of the Council, May 17, 2006 on statutory audits of annual accounts and consolidated accounts, OJ L 157, (2006) 87-107, 90.

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006L0043>.

³² Directive 2014/56/EU of the European Parliament and of the Council, April 16, 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, OJ L 158, (2014) 196-226.

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0056>.

³³ International Ethics Standard Board for Accountants, “Global Ethics Board Expands Universe of Entities that are Public Interest Entities,” April 11, 2022,

<https://www.ethicsboard.org/news-events/2022-04/global-ethics-board-expands-universe-entities-are-public-interest-entities>

³⁴ Regulation (EC) No 1606/2002 of the European Parliament and of the Council, July 19, 2002 on the application of international accounting standard, OJ L 243,11 (2002) 1-4. <https://eur-lex.europa.eu/eli/reg/2002/1606/oj/eng>.

³⁵ Christopher Hossfeld, Yvonne Muller-Lagarde, European Public Interest, Working Papers, HAL 92018) <https://hal.science/hal-01936960/document>

retaining discretion to designate additional categories.³⁶ Germany, for instance, focuses on listed companies, credit institutions, and credit and insurance companies, whereas Romania extends the designation to national-state-owned companies and entities majority-owned by the state. In Australia, PIEs are defined by the Banking Act 1959 and Insurance Act 1973 to include authorised deposit-taking institutions (ADIs) and life insurance companies, with additional mandates for firms to determine if other entities meet size or nature-based criteria.³⁷ The United Kingdom (UK) is currently considering an expansion of its PIE definition to include large private companies meeting specific employee or turnover thresholds, a move aimed at restoring trust in the audit ecosystem following high-profile corporate collapses.³⁸ On the other hand, South Africa links audit obligations to a company's quantifiable public impact rather than merely its listing status. Through the Public Interest Score (PI Score) under Regulation 26 of the Companies Act,³⁹ it determines whether a company must be audited, independently reviewed, or may qualify for exemption.⁴⁰ The PI Score is calculated annually based on measurable factors such as the number of employees, third-party liabilities, annual turnover, and the number of stakeholders.

A useful illustration of the limitations of narrow PIE definitions is the Baglan Energy Park incident in the UK.⁴¹ The Baglan Group, which operated a private-wire electricity network that supplied power to the park and other local services, such as wastewater treatment, entered liquidation in 2021, threatening disruption to essential services and infrastructure, employment, and environmental safety. This prompted government intervention despite the group's non-PIE status. Despite its status as a systemically vital infrastructure provider, Baglan was not legally classified as a PIE due to its private status and was therefore not subjected to the transparency requirements and rigorous audit oversight mandated for listed companies. This regulatory omission left stakeholders vulnerable to a sudden corporate collapse that caused significant local

³⁶ Accountancy Europe, 30.

³⁷ Accounting Professional and Ethical Standard Board, *Amendment to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants* (2011), https://apesb.org.au/uploads/standards/apesb_standards/amendingt1.pdf.

³⁸ Department for Business, Energy and Industrial Strategy (UK), *Restoring Trust in Audit and Corporate Governance: Consultation on the Government's Proposals* (Command Paper 382, March 2021), 72, <https://assets.publishing.service.gov.uk/media/60523dc18fa8f55d39eef03a/restoring-trust-in-audit-and-corporate-governance-command-paper.pdf>.

³⁹ *Companies Act, 2008; Companies Regulations, 2011*, Government Notice 351 (South Africa), reg. 26.

⁴⁰ RSM South Africa, "Public Interest Score: What it is, What it Means and Why it's Important" (2023), <https://www.rsm.global/southafrica/insights/public-interest-score-what-it-what-does-it-mean-and-why-it-important>.

⁴¹ Centre for Public Interest Audit, "PIE Audit Reform: When Public Interest Entities Fall Outside UK Definitions" (August 28, 2025), <https://www.cpia.org.uk/news/public-interest-entity-uk-audit-reform/>

economic disruption. The UK's Department for Business, Energy and Industrial Strategy (BEIS) has proposed redefining PIEs based on economic significance rather than formal listing status.⁴² By extending PIE obligations to large private companies, regulators aim to mitigate the risk of “economic and social shocks” and ensure that audits of entities with a substantial public impact are subject to the highest levels of scrutiny and independence.

The primary policy rationale underlying PIE classification includes enhancing auditor independence, mandating auditor rotation, and increasing transparency. Van der Elst (2014) highlights that the PIE designation under the EU reforms imposes new procedural obligations on audit committees.⁴³ PIE auditors face stricter long association rules, including mandatory key audit partner rotation every seven cumulative years and extensive cooling-off periods to mitigate familiarity threats. Despite these frameworks, significant tensions, ambiguities, and inconsistencies persist in how PIE is operationalised. Kňazková and Ondrušová (2020) identify a conflict of interest in jurisdictions like Slovakia, where accounting and auditing legislations define PIEs differently, leading to confusion over which entities must prepare separate financial statements under International Financial Reporting Standards (IFRS).⁴⁴ The term public interest remains a polysemic notion with no single universal definition in European law, often acting as a “floating signifier” used by regulators to maintain technocratic power.⁴⁵ Dellasportas and Davenport (2008) argue that while accounting codes of ethics frequently invoke the public interest, the lack of a detailed narrative often leaves the principle open to a self-interest interpretation by the profession, where it is used as a rhetorical costume for private interests.⁴⁶

Overall, the literature demonstrates that the PIE framework remains jurisdictionally fragmented and conceptually blurry despite its central role in the auditing oversight mechanism. The challenge in defining public interest entities persists, which is also aligned with the ground reality of the financial ecosystem.

⁴² Command Paper 382, 33.

⁴³ Christopher Van der Elst, *Audit Committees of Public Interest Entities in Europe* (ECGI Working Paper Series in Law No 276/2014), https://www.ecgi.global/sites/default/files/working_papers/documents/SSRN-id2533341.pdf.

⁴⁴ Veronika Kňazková and Lucia Ondrušová, “Public Interest Entities in the Context of Accounting and Auditing Legislation in the Wake of the Globalization Process,” *SHS Web of Conferences* (2020), https://www.shs-conferences.org/articles/shsconf/pdf/2020/02/shsconf_glob2020_01013.pdf.

⁴⁵ David Carter, and Rebecca Warren, “Metonyms and Metaphor: The Rhetorical Redescription of Public Interest for the International Accounting Standards Board,” *Critical Policy Studies* (2019): 280-305, https://repository.essex.ac.uk/22004/1/Metonyms%20and%20Metaphor_The%20Rhetorical%20Redescription%20of%20Public%20Interest%20for%20the%20International%20Accounting%20Standards%20Board_Final.pdf.

⁴⁶ Steven D.

3.1.2 Regulatory Evolution and Systemic Risks in NBFCs in India

NBFCs were initially envisioned as niche intermediaries intended to extend credit to underserved sectors like MSMEs and the informal economy. Over time, however, the sector has undergone a significant transformation, marked by a shift from entity-based supervision toward an activity-based regulatory model.⁴⁷ A key inflection point in this regulatory transition was the collapse of Infrastructure Leasing & Financial Services (IL&FS) in 2018. The crisis exposed deep structural flaws, including severe asset-liability mismatches (ALM), overreliance on short-term borrowings, rating downgrades triggering funding withdrawal, opaque complex subsidiary structures, and contagion effects across housing finance companies and debt mutual funds. The subsequent collapse of Dewan Housing Finance Ltd. (DHFL) further highlighted issues of corporate governance breakdown, loan diversions, related-party transactions, and audit lapses. Together, these incidents revealed a pattern of governance and financial reporting failures in large NBFCs with system-wide implications.

In response to these systemic failures, the RBI in October 2022 introduced the Scale-Based Regulation (SBR) framework,⁴⁸ categorising NBFCs into four layers based on asset size, activity, and systemic risk: Base (NBFC-BL), middle (NBFC-ML), upper (NBFC-UL), and top (NBFC-TL). Under this regime, regulatory scrutiny increases progressively, with entities in the NBFC-UL subjected to the most stringent governance and capital standards; as of today, no NBFC has been classified as NBFC-TL.⁴⁹ Notably, NBFCs may oscillate from one layer to another depending on the RBI's credit point-based analysis, changes in economic conditions, and business challenges.

The literature remains divided on the positioning of “shadow banking” systems.⁵⁰ While legally distinct from banks and prohibited from accepting demand deposits, they increasingly perform quasi-banking functions through credit intermediation. The flexibility with which NBFCs

⁴⁷ Reserve Bank of India, “Statement on Developmental and Regulatory Policies,” February 7, 2019, https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46237

⁴⁸ Reserve Bank of India, *Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs*, October 22, 2021, <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12179&Mode=0>

⁴⁹ Reserve Bank of India, *RBI Bulletin* (September 2025), Vol LXXIX, 67-78. <https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/SEPTEMBERBULLETIN2025E638BFD9100941B1BCD414EF37FC7A52.PDF>.

⁵⁰ Stjin Claessens and Lev Ratnovski, “What is Shadow Banking?” International Monetary Fund Working Paper No. WP/14/25 (2014), 3. <https://www.imf.org/external/pubs/ft/wp/2014/wp1425.pdf>

operate induces regulatory arbitrage, where activities shift to less-regulated entities to avoid stringent capital and liquidity requirements.⁵¹

NBFCs are no longer peripheral intermediaries but have become systemically important actors whose stability or lack thereof heavily affects the broader financial ecosystem. After the RBI tightened the regulatory norms for this sector, NBFCs have become heavily dependent on short-term funding via instruments like commercial papers (CPs) and non-convertible debentures (NCDs), to reduce their reliance on bank borrowings⁵². As of September 2025, NBFCs' borrowing from banks accounted for 32.3% of total funding, down from 41.2% in September 2024, although they remained the largest funding source.⁵³ Market borrowing in the form of debentures, inter-corporate borrowings, borrowings from financial instruments and commercial papers collectively accounted for 23.8%.⁵⁴

This funding profile demonstrates that NBFC operations materially involve public funds, whether directly through deposits or indirectly through capital market instruments and institutional borrowings. The RBI defines “public funds” broadly to include not just public deposits but also all funds mobilised directly or indirectly from external sources, such as funds received by raising corporate deposits, bank borrowings, commercial papers, debentures, etc.⁵⁵ Regulatory measures such as adjustments in risk weights have played a key role in shaping NBFC funding patterns. In November 2023, the RBI increased the risk weights on bank lending to NBFCs specifically to reduce their dependency on bank borrowings and curb potential systemic risks.⁵⁶ However, by April 2025, these risk weights were reversed to support NBFCs expand their operation in a more stabilised credit environment.⁵⁷ While the restoration of lower risk weights benefits sector growth, NBFCs must stay careful in the areas of asset-liability management and the build-up of stress in certain sensitive sectors.

⁵¹ Nirupama Kulkarni, K. M. Neelima, and Sonalika Sinha, “Anatomy of a Liquidity Shock on Non-Banks,” (CAFRAL Working Paper, 2023),

<https://www.cafral.org.in/sfControl/content/Speech/8292023110732AMNirupamaAnatomyNBFC.pdf>

⁵² ETBFSI Research, “NBFCs Diversifying Funding Sources Amid Rising Borrowing Costs,” *Economic Times*, September 30, 2024.

⁵³ Anupreksha Jain, “Growing External Borrowings Make NBFCs More Vulnerable to Rupee Swings: RBI,” *Business Standard*, December 31, 2025.

https://www.business-standard.com/finance/news/nbfc-external-funding-exchange-rate-volatility-rbi-fsr-125123101069_1.html

⁵⁴ *Id.*

⁵⁵ RBI, *Scale Based Regulation Directions 2025*.

⁵⁶ Report on Trend.

⁵⁷ *Id.*

Empirical studies further highlight structural characteristics of the sector. Rao and Tadi (2024), in their analysis of listed NBFC-Ds, observe that while the number of NBFCs dealing with public deposits declined between 2012 and 2022, aggregate borrowing and lending volumes rose significantly, especially during the 2018-19 period. This indicates growing concentration and scale within middle- and upper-layer entities.⁵⁸ NBFC-ML alone accounted for 64.6% of the total sector assets as of March 2025. Although government-owned entities dominate the asset share in this category (51.5%), private limited NBFCs also hold a significant share (36.4%).⁵⁹ The study has also contributed to micro-level insights into the factors governing NBFC-Ds' profitability. Analysis of six NBFC-Ds between 2011 and 2022 reveals a decline in the borrowings in the initial years, an extreme rise in 2018-19 during the credit default crisis period, followed by a sharp fall.⁶⁰ The study identifies operating revenue, cash flow from financing activities, debt-equity ratio, and lending rates as key determinants of profitability. Notably, debt-equity ratio exhibits a negative impact on profitability, indicating structural vulnerability arising from debt dependence. Given that NBFC funding structures heavily rely on borrowed funds, high leverage also magnifies systemic exposure.

Within this regulatory framework, the RBI's focus remains on prudential oversight, including capital adequacy, liquidity, exposure norms, and systemic stability. However, audit oversight operates under a distinct statutory mandate. Under the Companies Act, 2013, the NFRA supervises auditors of entities listed under Rule 3 of the NFRA Rules, 2018. The trigger for such oversight is not systemic importance per se but formal inclusion within the enumerated entities. Existing literature on NBFC performance, liquidity shocks, and governance failures does not examine whether this formal classification adequately captures auditors of those entities that demonstrate significant public fund intermediation. In particular, private limited non-deposit-taking NBFCs within the middle layer may exhibit substantial market borrowing exposure without falling within the statutory scope of NFRA.

This points to a regulatory design gap rather than a structural malfunction. Prudential supervision and audit oversight are governed by distinct statutory triggers: while the RBI takes a scale-based

⁵⁸ K P Venugopala Rao and Mani Sree Tadi, "Evaluation of Factors Affecting Profitability – A Study on Listed NBFC-Ds in India," *Pacific Business Review International* 17, no. 1 (2024): 86. https://www.researchgate.net/publication/382799734_Evaluation_of_Factors_Affecting_Profitability_-_A_Study_on_Listed_NBFC-Ds_in_India.

⁵⁹ Report on Trend.

⁶⁰ K P Venugopala Rao, 58.

approach, NFRA has an exhaustive list of entities defined by statutory thresholds that it governs, grounded in the principle of public interest. The current literature covers liquidity risk, profitability determinants, and governance failures, but fails to address whether the scope of audit oversight should correspond more closely with substantive public fund exposure. It is this unexamined interface between prudential classification and audit jurisdiction that constitutes the regulatory gap evaluated in this study, particularly in the context of private limited NBFCs in the middle layer.

3.2 Empirical Findings

The study is based on a dataset comprising 30 private limited NBFCs in India classified within the middle layer. The sample period extends from fiscal year FY 2019 through FY 2025, yielding 210 firm-year observations. Each observation captures both the absolute value of borrowings, split into debt securities and other borrowings, and the ratio of bank borrowings to total borrowings.

3.2.1 Aggregate Sample Analysis

Table 1: Pooled Statistics (All firms - All Years)

Mean	Median	Standard Deviation	CV
0.333	0.226	0.339	1.016

$$\text{Coefficient of Variation (CV)} = 33.9/33.3 \approx 1.02 \text{ (102\%)}$$

Pooling all firm-year observations, the mean public fund exposure (PFE across the sample is 33.3%, with a standard deviation of 33.9%. This indicates that, on average, one-third of total borrowings among sampled middle-layer NBFCs originate from banks. The high standard deviation relative to the mean reflects significant cross-sectional dispersion: some companies operate almost entirely on private capital, while others fund most of their balance sheet through bank loans. A coefficient of variation (CV) over 100% suggests extreme heterogeneity and the presence of both zero-exposure and fully exposed firms.

Table 2: Year-by-Year Dynamics

Year	Mean PFE (%)	Median PFE (%)	Std. dev. (%)
2019	24.2	2.84	31.00
2020	27.7	9.60	30.77
2021	34.6	29.36	32.60
2022	37.3	28.89	34.10
2023	36.7	35.89	37.43
2024	36.9	18.49	36.67
2025	35.04	18.54	34.97

The data shows an increase in mean PFE rises over the sample period, rising from 24.2% in 2019 to 37.3% in 2022. It has stabilised around 35-37% though FY 2025. The median PFE shows an even sharper shift, rising from 2.8% in 2019 to 29.3% in 2021. The standard deviation also increases over time, peaking at 37.4% in 2023. These patterns suggest three distinct phases:

- (1) A low-exposure period in 2019-2020, characterised either by limited borrowing or heavy reliance on private capital.
- (2) A structural shift in 2021-2022 marked by rising dependence on bank finance.
- (3) A stabilisation phase from 2023 onwards, where elevated exposure levels persist.

Two insights emerge from this longitudinal analysis. First, the large gap between the mean and median in the early years indicates a high level of exposure among a few NBFCs, with most

firms maintaining very low PFE. The NBFCs were structurally bifurcated. During 2021-23, the median rises dramatically and nearly converges with the mean, implying that exposure becomes widespread across firms indicating structural persistence rather than episodic spikes. Since the mean remains above ~35% from 2021 onwards, PFE is clearly structurally embedded and not cyclical. However, in the last couple of years, the distribution becomes skewed again, as the mean remains constant while the median drops sharply.

Second, persistent and rising deviation indicates continued heterogeneity: some NBFCs remain minimally exposed to public funds while others show deep reliance. This variation calls for graduated regulation rather than a one-size-fits-all approach.

3.2.2 Sub-Sample Analysis: Investment and Credit Companies

Out of the 30 NBFCs in the sample, 24 are Investment and Credit Companies (ICC), three are Core Investment Companies, and one each is a Microfinance Institution (MFI), Primary Dealer (PD), and Factoring NBFC. Although the selection was done randomly to combat the selection bias arising from purposive sampling and subject to data availability and disclosure sufficiency, the predominance of ICCs reflects the structural composition of the middle-layer NBFCs. The ICC-heavy dataset is therefore not a methodological over-weighting but a mirror of sectoral reality. A separate ICC-only analysis is conducted since the pooled statistics may be influenced by this classification.

Table 3: Pooled Statistics (NBFC-ICC only)

Mean	Median	Std. Dev.	CV
0.352	0.332	0.336	0.955

On average, NBFC-ICCs finance 35% of their total borrowings through banks. The median is slightly below the mean, indicating moderate right-skewness but comparatively less extreme than in the aggregate dataset. This implies that most NBFCs maintain a borrowing closer to the median, i.e., 33%, while very few NBFCs rely heavily on bank borrowings. The distribution is fairly balanced. The standard deviation remains high, implying substantial variation across ICCs,

i.e., they rely on various funding sources and maintain a high level of heterogeneity. However, the CV being below 1 (≈ 0.96) indicates a relatively stable exposure structure within ICCs compared to the broader NBFC sample.

Table 4: Year-by-Year Dynamics (NBFC-ICC only)

Year	Mean PFE (%)	Median PFE (%)	Std. dev. (%)
2019	22.91	11.23	29.19
2020	26.28	14.73	27.78
2021	32.88	29.36	31.31
2022	36.18	33.23	34.27
2023	39.10	38.60	38.53
2024	41.37	52.46	37.93
2025	38.82	48.42	35.72

The data shows a similar trend as aggregate data, with the mean exposure being below 30% during the years 2019-20. High dispersion and low median values suggest concentration among a few private limited NBFC-MLs. After 2021, mean PFE increases materially, and median values rise sharply, indicating expansion across the sample. Mean PFE stabilises near 38% around a specific period from 2022 to 2025. Median exposure exceeds 45% in the later years, suggesting that public fund dependence is no longer confined to outliers but embedded across a substantial share of ICC entities. Unlike the broader dataset, there is no reversion to pre-2021 exposure levels, indicating a structural shift in borrowings rather than a cyclic one.

While the reliance on bank borrowings across the NBFC sector has reduced over the years, a contradictory pattern emerges within private limited NBFC-MLs. Both the aggregate and ICC-specific sample show a structural rise in the public fund exposure beginning around 2021, after which it stabilised at a higher level compared to the early years. The convergence of mean and median values during the middle years suggests that reliance on bank borrowing spread across firms rather than being concentrated.

At the same time, high dispersion across the sample indicates heterogeneity, with some entities relying mainly on other sources, and a few exhibiting heavy reliance on banks. These findings underscore the interconnectedness between banks and NBFC-MLs. Given that a significant proportion of NBFCs' liabilities originate from banks, vulnerabilities arising within the NBFC sector may transmit to the banking sector. The heterogeneity observed across firms supports the case for a tailored regulatory approach rather than a standardised one in addressing systemic risks arising from NBFC funding structures.

Chapter 4: NFRA’s Funding Model Capacity Constraints

4.1 Literature Review

The funding model plays a decisive role in distinguishing an oversight body from other regulators in the auditing field, as it indirectly shapes the degree of autonomy with which the regulator can operate. Despite its importance, this dimension remains unexplored in the existing literature. Ramirez (2000) observes that regulatory reform typically focuses on legal mandates, while neglecting the source of funding, even though the latter plays an important role in determining the regulator’s ability to insulate itself from political cycles.⁶¹ While Schultz (2010) has listed self-funding as one indicator of independence,⁶² Kruly (2013) expands on this by noting that administrative law establishes a direct correlation between an agency’s funding source and its degree of political and operational independence.⁶³ It severs the regulator from the “power of the purse” typically exercised by the legislature. However, while self-funding reduces legislative control, it often increases executive influence by channelling political pressure into the appointment process. Financially autonomous agencies may incentivise the government to appoint officers who act as ideological proxies. Thus, true structural independence is achieved only when self-funding is complemented by safeguards such as for-cause removal protections and multi-member boards to neutralise such executive capture.

In the realm of audit oversight, Rashidi et al. (2024) argue that an optimal model requires a stable and reliable funding source that is not only independent of the government but also free from the influence of the auditors or firms being overseen.⁶⁴ The experience of the United Kingdom’s Financial Reporting Council (FRC) illustrates these challenges. Historically, the FRC has relied significantly on funding from the accounting profession, which raised concerns about compromised independence. In the Independent Review of the FRC, John Kingman (2018) highlighted that the voluntary levy that depends on the willingness of companies to contribute

⁶¹ Steven A. Ramirez, “Depoliticizing Financial Regulation,” *William and Mary Law Review* 41 (2000): 503, <https://lawecommons.luc.edu/cgi/viewcontent.cgi?article=1305&context=facpubs>.

⁶² Lisa Schultz Bressman and Robert B. Thompson, “The Future of Agency Independence,” *Vanderbilt Law Review* 63, no. 3 (2010), https://www.researchgate.net/publication/228194314_The_Future_of_Agency_Independence.

⁶³ Charles Kruly, “Self-Funding and Agency Independence,” *George Washington Law Review* 81, no. 5 (2013), <https://www.gwlr.org/wp-content/uploads/2018/04/81-Geo.-Wash.-L.-Rev.-1733.pdf>.

⁶⁴ Rashidi, Yadollah, Mohammad Ghasim Osmani, Ali Mohammadi, and Ali Bayat, “Designing the Optimal Model for Audit Oversight in the Country,” *Business, Marketing and Finance Open* 1, no. 2 (2024): 77–90.

creates a “danger of blunting the FRC’s incentive to bite the hand that feeds”.⁶⁵ The literature makes a distinction between *de jure* independence (via statutes) and *de facto* independence (in actual practice), noting that the latter is often undermined if the regulator remains financially dependent on the regulated profession.

The role of auditors further reinforces the need for independent oversight. The auditor functions as a delegated agent for investors who lack the resources and expertise to monitor companies directly. This principal-agent dynamic positions auditors as intermediaries responsible for enhancing confidence in financial reporting and ultimately guaranteeing stability in capital markets (Velte and Freidank, 2014).⁶⁶ Accordingly, auditors do not merely serve private contracting parties but also act in the public interest, necessitating robust and independent institutional supervision.

Comparative insights further emphasise the importance of financial capacity. Darwell and Guggenheim argue that inadequate funding imperils courts’ ability to oversee the executive branch.⁶⁷ By analogy, if the NFRA lacks the fiscal autonomy to hire its own specialised technical staff or conduct independent investigations, its essential attributes as an independent adjudicator are compromised. Bather and Burnaby (2006) similarly highlight competitive remuneration as critical to regulatory effectiveness.⁶⁸ However, there exists a key gap in the literature on how government-funded regulators like NFRA can compete for talent against a private sector that can pay twice as much as the government salary.

Although there is limited scholarship specifically addressing NFRA’s funding model, the broader Indian legal-economic discourse mirrors the global shift towards institutional isomorphism, where regulators are designed to meet international benchmarks such as those set by the International Forum of Independent Audit Regulators (IFIAR). Most discourse around NFRA

⁶⁵ Sir John Kingman, *Independent Review of the Financial Reporting Council* (Department for Business, Energy & Industrial Strategy, December 2018).

<https://assets.publishing.service.gov.uk/media/5c1bbe68ed915d7327b92162/frc-independent-review-final-report.pdf>

⁶⁶ Patrick Velte and Carl-Christian Freidank, “The Link between In- and External Rotation of the Auditor and the Quality of Financial Accounting and External Audit,” *European Journal of Law and Economics* 40, no. 2 (2015): 225-246, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2521055.

⁶⁷ Julian Darwall and Martin Guggenheim, “Funding the People’s Right,” (2012) *NYU Journal of Legislation and Public Policy* 15 (2012): 619, <https://www.nyujlpp.org/wp-content/uploads/2013/01/DarwallGuggenheim-Funding-the-Peoples-Right.pdf>

⁶⁸ Andrea Jane McLachlan (Bather), “The Public Company Accounting Oversight Board: National and International Implications,” *Managerial Auditing Journal* 21, no. 6 (2006).

has largely focused on its relationship with ICAI or its enforcement actions, with little debate on whether its budget is commensurate with its mandate, or how funding models of its global counterpart can provide lessons for India.

There is also a notable lack of empirical research linking specific funding models to staffing capacity and enforcement outcomes. Funding is commonly seen as a binary indicator (either present or absent) rather than a dynamic variable that dictates the core functionality of the regulator. This raises important questions about the long-term sustainability of NFRA’s funding model. In particular, concerns arise as to whether NFRA can still maintain fearless critique when its budget is subject to annual negotiations with the very department (MCA) that oversees the corporate sector NFRA regulates. At the same time, regulators dependent on industry levies may face revenue constraints during economic downturns, precisely when regulatory oversight is most needed. This tension highlights the need for a carefully balanced funding architecture that ensures both independence and stability.

4.2 Analysis of NFRA Annual Reports

The annual reports of NFRA from FY 2018 to FY 2025 are analysed in this section to assess whether the current funding model is producing optimal results as per the intention of the statute. Particular attention is paid to how financial allocations have been structured, utilised and reflected in the regulatory capacity. The analysis examines expenditure heads, staffing levels, and enforcement outputs across financial years to assess whether the distribution of funds is adequate to sustain investigative and supervisory functions.

Table 5: Budget, Staffing and Enforcement Output (FY 2018-19 to FY 2024-25)

Financial Year	Budget Estimate (Actual and Revised)	Actual Expenditure (in Rs)	Working Strength	Rent	Salaries	Key Enforcement Outputs
2018	A: 10.46	12.86 cr	4 (No	12.11 cr →	Nil → 0%	0 AQRs,

-19 ⁶⁹	cr R: 12.30 cr		sanctioned strength)	94.1%		SCNs, disciplinary orders
2019 -20 ⁷⁰	A: 19.03 cr R: 24.18 cr	21.3 cr	18 (No sanctioned strength)	17.53 cr → 82.2%	0.33 cr → 1.5%	1 AQR and 3 SCNs
2020 -21 ⁷¹	A: 33.80 cr R: 23.70 cr	22.8 cr	22 (No sanctioned strength)	17.07 cr → 74.8%	1.93 cr → 8.4%	2 AQRs, 4 SCNs, 3 Orders
2021 -22 ⁷²	A: 26.71 cr R: 23.86 cr	23.9 cr	26 (Sanctioned Strength: 69 → 62.3% vacancy rate)	15.72 cr → 65.9%	3.99 cr →16.7%	2 FQRs
2022 -23 ⁷³	A: 29.61 cr R: 36.49	35.2 cr	29 (Sanctioned Strength: 69 → 57.9%	18.84 cr → 53.5%	9.19 cr → 26.1%	5 orders, 74 cases pending

⁶⁹ NFRA, *Annual Report and Audited Accounts 2018-19* (NFRA, Government of India, 2019).

<https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2022/05/2022050621.pdf>

⁷⁰ NFRA, *Annual Report and Audited Accounts 2019-20* (NFRA, Government of India, 2020).

<https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2022/05/2022050633.pdf>

⁷¹ NFRA, *Annual Report and Audited Accounts 2020-21* (NFRA, Government of India, 2021) 33-36.

<https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2022/05/2022050694.pdf>

⁷² NFRA, *Annual Report and Audited Accounts 2021-22* (NFRA, Government of India, 2022).

<https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2023/02/2023020717.pdf>

⁷³ NFRA, *Annual Report and Audited Accounts 2022-23* (NFRA, Government of India, 2023).

<https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2024/01/202401051901137882.pdf>

	cr Grants-in Aid: 7.43 cr		vacancy rate)			
2023 -24 ⁷⁴	A: 38.50 cr	35.3 cr	30 (Sanctioned Strength: 69 → 56.5% vacancy rate)	16.79 cr → 47.6%	12.25 cr → 34.8%	70 disciplinary orders
2024 -25 ⁷⁵	A: 44 cr	44.0 cr	32 (Sanctioned Strength: 69 → 53.6% vacancy rate)	19.54 cr → 44.4%	15.50 cr → 35.2%	12 inspections, 23 orders

Findings

- Initial Phase (2018-2021): Rent remains a dominant expense, severe underinvestment in staff
- Recent Phase (2022-2025): 3.4x budget growth. Fund allocation for salary sees a gradual incline, but the vacancy rate remains above 50%
- Increase in overall budget and staffing links to enforcement scale-up
- The budget estimate has increased significantly over the years, reflecting the expansion in financial support for the organisation.

Further, the expenditure of NFRA for one annual year was compared against that of the RBI and Securities and Exchange Board of India (SEBI) to contextualise NFRA’s spending patterns in the

⁷⁴ NFRA, *Annual Report and Audited Accounts 2023-24* (NFRA, Government of India, 2024). <https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2025/02/202502131697810144.pdf>.

⁷⁵ NFRA, *Annual Report and Audited Accounts 2024-25* (NFRA, Government of India, 2025). <https://cdnbbsr.s3waas.gov.in/s3e2ad76f2326fbc6b56a45a56c59fafdb/uploads/2025/12/20251209616878658.pdf>

same financial market. Given that the scale at which the three regulators operate varies, the comparison focuses on proportional allocation rather than absolute expenditure.

Table 6: Comparative Expenditure Breakdown of RBI, SEBI and NFRA (FY 2023-24)

Body	RBI ⁷⁶	SEBI ⁷⁷	NFRA
Total Expenditure	64,694.33 cr	1005.98 cr	44 cr
Employee Salaries	7,890.11 cr → 12.20%	696.43 cr → 69.23%	15.50 cr → 35.23%
Rent, Rates, and Taxes	254.14 cr → 0.39%	19.51 cr → 1.94%	19.54 cr → 44.41%

Findings

- NFRA spends 35.23% of its total expenditure on employee salaries, indicating a moderate dependence on human resources; SEBI allocates the highest proportion of its total expenditure on employee salaries, reflecting a manpower-driven regulatory structure; and RBI allocates only 12.20% of its total budget to salaries, although it has the highest absolute salary expenditure (7,890.11 cr).
- NFRA shows an unusually high allocation of its total expenditure on rents and taxes, indicating heavy reliance on administrative overheads, while RBI and SEBI allocate a meagre 0.39% and 1.94% respectively.

A systemic disjunction between budgetary allocation, staffing strength, and enforcement output is observable since the inception of NFRA. It cannot be chalked up to being episodic, as it has

⁷⁶ Reserve Bank of India, *The Reserve Bank's Accounts for 2023-24*, <https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/12THERESERVEBANKACCOUNTS87AC12CB35D24C80956B35B679DC809C.PDF>

⁷⁷ Securities and Exchange Board of India, *Annual Accounts 2023-24 (2025)*, https://www.sebi.gov.in/reports-and-statistics/annual-accounts/mar-2025/sebi-annual-accounts-financial-year-2023-24_92433.html

persisted to date. Although budgetary outlay has gradually increased over the years, this has not been matched by proportional progress in enforcement capacity. In its early years, all the financial allocations for the functioning of NFRA were administered through the MCA. Initially (FY 2018-19), the regulator operated with only two permanent officers and minimal support staff despite the total expenditure exceeding the revised estimates.⁷⁸ NFRA's operational priorities are shaped as much by administrative approvals and re-appropriation decisions as by regulatory needs, if not more.

A structural imbalance is evident in expenditure patterns. There has been a disproportionate allocation of NFRA's budget towards fixed administrative costs, particularly rent, across reporting periods. On the other hand, expenditure on human capital and technical enforcement capabilities has been considerably low. This can be inferred from the fact that expenditure under the "Rents, Rates and Taxes" head has accounted for between 40% and 75% of total expenditure, while salary utilisation fell behind its sanctioned estimates. Even in years where the overall budget utilisation exceeded 90%, expenditure was concentrated in fixed overheads rather than in a corresponding expansion of investigation or adjudicatory capacity. This suggests that high utilisation rates are not synonymous with regulatory effectiveness. Instead, they may mask a structurally low-capacity system in which funding is set just high enough to keep things running but not actually be able to enforce rules or create real impact.

Staffing deficits emerge as one of the most persistent constraints. Despite a sanctioned strength of 69 personnel, vacancy rates have consistently exceeded 50%. The vacancy rate was over 40% specifically within the office cadre responsible for inspections, investigations, and adjudication. Recruitment processes were repeatedly delayed, heavily reliant on deputation and short-term contractual appointments, and lacked a stable cadre of specialised regulatory expertise. Given that core regulatory functions—such as audit quality reviews, forensic investigations, and disciplinary proceedings—are labour-intensive, these staffing constraints directly limit operational capacity.

These structural constraints are reflected in NFRA's enforcement outputs. In the initial years, enforcement activity remained narrowly concentrated on a small number of high-profile corporate failures, most notably the IL&FS collapse and the DHFL bank fraud case. NFRA

⁷⁸ NFRA Annual Report (2018-19) 49.

completed only one and two Audit Quality Reviews (AQRs) during FY 2019-20⁷⁹ and FY 2020-21⁸⁰ respectively, despite being responsible for overseeing thousands of PIEs. Although enforcement output increased sharply in FY 2023-24 and FY 2024-25, with 70 disciplinary orders being issued in the former year,⁸¹ this expansion was highly targeted, focusing primarily on large audit firms and systemic corporate collapses.

This enforcement pattern suggests that NFRA presently operates as a crisis-responsive regulator rather than a continuous, risk-based supervisory authority. Enforcement intensifies primarily when failures are of the magnitude that renders regulatory inaction out of the question, rather than through routine, anticipatory oversight. This selective approach is not attributable solely to a lack of statutory powers, since the NFRA has authority over a wide range of PIEs, but is linked to a funding and staffing model that leaves the authority operating at roughly half of its intended human capacity.

NFRA was accorded grantee status by Parliament in FY 2022-23.⁸² However, this reform has not fundamentally altered the dynamic between the regulator and the government. While grantee status has nominally enhanced its fiscal autonomy, NFRA's receipts remain tied to government fiscal cycles, and basic operational bottlenecks relating to recruitment, specialist staffing, and enforcement scaling persist. As a result, NFRA's efficiency constraints can be best understood not as a transitional shortcoming but as stemming from a deeper misalignment between mandate, funding architecture and institutional capacity. The Parliamentary Standing Committee on Finance (2025-26) identified a persistent pattern of underutilisation of funds across financial years,⁸³ but contextualises this within chronic staffing shortages rather than attributing it solely to fiscal inefficiency. The MCA's reply with regards to this shortage provided explanations like complicated recruitment modes, promotion failing by deputation, and officer attrition. The evidence suggests that the rigid recruitment design constrains the development of a permanent enforcement cadre. Even where full budget allocations are utilised—as in FY 2024–25, when the entire ₹44 crore budget was used—vacancies remain unfilled, indicating that end-year financial

⁷⁹ NFRA Annual Report (2019-20) 31.

⁸⁰ NFRA Annual Report (2020-21) 33-36.

⁸¹ NFRA Annual Report (2023-24) 5.

⁸² NFRA Annual Report (2022-23).

⁸³ Standing Committee on Finance, *Twenty-First Report (Eighteenth Lok Sabha): Action Taken by Government on the Observations/Recommendations Contained in the Tenth Report on Demands for Grants (2025–26) of the Ministry of Corporate Affairs* (New Delhi: Lok Sabha Secretariat, 2025), 2, https://sansad.in/getFile/lsscommittee/Finance/18_Finance_21.pdf?source=loksabhadocs.

utilisation does not equate to functional regulatory capacity. More broadly, funding autonomy that is mediated through ministerial approvals, combined with deputation-dependent staffing models, limits the regulator’s ability to realise its full enforcement potential.

4.3 Comparative Analysis

4.3.1 Funding Models of Global Counterparts

4.3.1.1 United States: Public Company Accounting Oversight Board (PCAOB)

The PCAOB’s primary funding source is the accounting support fee mandated under Section 109 of the Sarbanes-Oxley Act.⁸⁴ The fee is collected from issuers and SEC-registered broker-dealers and covers the PCAOB’s annual budget after deducting registration and annual fees paid by accounting firms. Equity issuers with market capitalisation exceeding US \$75 million, investment companies with net asset values over US \$500 million, and broker-dealers with average quarterly net capital above US \$5 million contribute proportionally.⁸⁵ Non-payment constitutes a legal violation. Notably, the PCAOB does not receive congressional appropriations or funding from the audit profession. Its budget is approved by the Securities and Exchange Commission, designed to insulate it from short-term political interference and the “starve the agency” tactic used to neutralise regulatory mandates.

4.3.1.2 United Kingdom: Financial Reporting Council (FRC)

The FRC operates under a mixed funding model comprising levies and profession-based contributions. Funding is derived both from the audit profession and levies on entities that benefit from its regulatory activities. First, the Consultative Committee of Accountancy Bodies (CCAB) contributes under the provisions of the Companies Act, 2006.⁸⁶ Recognised Supervisory Bodies (RSB) like the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), the Association of Chartered Certified Accountants (ACCA) and the Chartered Accountants Ireland (CAI) (also the members of CCAB), are delegated certain audit regulatory tasks by FRC under a Delegation Agreement. These RSBs are obligated to fund tasks related to the regulation of auditors registered with the RSB that are performed by the FRC and are not delegated to such RSBs.

⁸⁴ Sarbanes-Oxley Act, 2002, § 109.

⁸⁵ Public Company Accounting Oversight Board, “Accounting Support Fee,” <https://pcaobus.org/about/accounting-support-fee#:~:text=Accounting%20Support%20Fee>.

⁸⁶ Companies Act, 2006 (UK).

Additionally, the FRC imposes a preparers' levy on entities such as companies listed on the London Stock Exchange with a premium or standard listing, large private entities with a turnover of £500 million or more, and certain public sector bodies. Sector-specific levies are also imposed, including an insurance levy on insurers and a pension levy on contribution schemes. This multi-levy model distributes costs across the audit profession and regulated sectors, reducing reliance on government funding. However, concerns persist that the voluntary levy system can lead to conflicts of interest.⁸⁷

4.3.1.3 Canada: Canadian Public Accountability Board (CPAB)

CPAB operates on a self-funding model that has evolved to address independence concerns. Revenue is derived from reporting issuers (public companies). Fees are invoiced to the participating audit firm, which passes these costs to its reporting issuer clients. Before 2018, the fees were calculated based on the percentage of audit fees retained by the participating audit firm.⁸⁸ This base, however, did not reflect the total cost or risk of audits. In 2018, CPAB revised its new model to base fees on total audit fees billed to the reporting issuer, regardless of how audit work was allocated across firms. These fees are publicly disclosed to strengthen transparency.

Criticism of the initial self-funding model centred on the risk of regulatory capture, as direct funding from accounting firms could compromise independence.⁸⁹ The new model addresses this concern by shifting the funding base to reporting issuers, thereby enhancing independence and aligning costs with entities benefitting from credible audits.

4.3.1.4 Australia: Australian Securities and Investments Commission (ASIC)

In Australia, audit oversight is not exercised by a standalone regulator but by the corporate regulator. ASIC operates under a hybrid funding structure and receives parliamentary appropriations as well as industry levies from regulated entities.

⁸⁷ The Investment Association, *Investment Association Response to Sir John Kingman's Independent Review of the Financial Reporting Council* (2018): 17.

⁸⁸ Canadian Public Accountability Board, *2023 Funding Model* (March, 2018), https://cpab-ccrc.ca/docs/default-source/registration/2023-funding-model-en.pdf?sfvrsn=4234cad8_38.

⁸⁹ Fraser Institute, *Regulation of Public Auditing* (2006), <https://www.fraserinstitute.org/sites/default/files/RegulationofPublicAuditing.pdf>.

Industry levy was introduced via the Industry Funding Model in 2017.⁹⁰ This funding model guarantees that the costs of ASIC’s regulatory activities are borne by the entities it regulates rather than taxpayers. It also creates price signals in the way resources are distributed within ASIC, and improves cost transparency and accountability to the industry. However, because ASIC’s mandate extends beyond audit oversight functions to the broader corporate sector, its funding is not exclusively directed towards audit regulation.

4.3.1.5 Malaysia: Audit Oversight Body (AOB)

Established under the Securities Commission Malaysia, AOB follows a self-funding design wherein registered auditors and audit firms are required to pay application and annual registration fees prescribed under securities regulations.⁹¹ Since the Securities Commission itself operates largely on a self-funding basis, supported by fees from capital market participants, AOB is similarly sustained without a reliance on government grants.

4.3.1.6 New Zealand: Financial Markets Authority (FMA)

FMA exercises oversight functions in New Zealand and operates under a mixed funding structure comprising Crown appropriations and industry levies. Licensed auditors and audit firms are subject to application, registration, and annual levies that cover the cost of supervision. Entities are categorised into different classes, with levy contributions determined based on classification.⁹²

4.3.1.7 South Africa: Independent Regulatory Board for Auditors (IRBA)

IRBA’s revenue is derived from exchange transactions and non-exchange transactions, including government grants.⁹³ Exchange transactions include funds received via registration, license, and training contract fees. Revenue from non-exchange transactions include sanctions for improper conduct, assurance fees, recoveries for investigation expenses, and government grants. The regulator has two contingent funds: one to protect the operating capacity of the body to cover the

⁹⁰ Australian Securities and Investments Commission, “ASIC Industry Funding: How the Industry Funding Model Works,” <https://www.asic.gov.au/about-asic/what-we-do/how-we-operate/asic-industry-funding/>.

⁹¹ Securities Commission Malaysia, “About Audit Oversight Board,” <https://www.sc.com.my/aob/about-audit-oversight-board>

⁹² Financial Markets Authority (Levies) Regulations 2012 (SR 2012/121). <https://www.legislation.govt.nz/regulation/public/2012/0121/latest/whole.html>

⁹³ Independent Regulatory Board for Auditors, *Annual Report 2025* (IRBA, October 29, 2025) 69, <https://www.irba.co.za/upload/IRBA%20Annual%20Report%202025.pdf>

cost of unforeseen and exceptional disciplinary cases, and another to cover short-term working capital requirements.⁹⁴

4.3.1.8 Singapore: Accounting and Corporate Regulatory Authority (ACRA)

ACRA was established via the merging of two bodies: the Registry of Companies and Businesses and the Public Accountant's Board, creating a single board under the Ministry of Finance of Singapore. ACRA administers its audit regulation through the Public Accountants Oversight Committee.⁹⁵ It predominantly receives its funds through company and business-related fees, information service fees, public accountant fees, agency fees, and valuer and appraiser-related fees.⁹⁶

4.3.2 Funding Models of Corresponding Regulators in the Domestic Financial Market

4.3.2.1 Reserve Bank of India

The RBI operates on a diversified income model derived from monetary operations and asset management. Its revenue includes a domestic interest component from holdings of rupee securities and loans, a foreign interest component, and profits from foreign exchange transactions.

Tensions have periodically arisen between the RBI and the government over the transfer of surplus reserves. Concerns regarding RBI's autonomy became particularly evident when the government demanded ₹1.75 lakh crore from RBI's reserves in order to handle economic crises.⁹⁷ Although initially opposed to the idea, RBI ultimately conceded in part.

4.3.2.2 Securities and Exchange Board of India

The securities market is largely regulated by the self-funded SEBI. Its revenues are generated through a variety of fees, including annual fees and subscriptions, listing-fee contributions from

⁹⁴ *ibid.*, 69

⁹⁵ Accounting and Corporate Regulatory Authority, "Audit Regulation in Singapore," <https://www.acra.gov.sg/accountancy/public-accountants/audit-regulation-in-singapore>

⁹⁶ Accounting and Corporate Regulatory Authority, *Annual Report 2024-25* (ACRA, 2025), 32, https://www.acra.gov.sg/docs/default-source/default-document-library/training-and-resources/publications/reports/acra-annual-reports/acra-fy2024-25-annual-report_high-res.pdf?sfvrsn=2221dec1_2.

⁹⁷ T.C.A. Sharad Raghavan, "Explained: What Does the ₹1.76 Lakh Crore Transfer Mean for RBI, Government," *The Hindu*, August 27, 2019, <https://www.thehindu.com/business/Economy/explained-what-does-the-176-lakh-crore-transfer-mean-for-rbi-government/article29268967.ece>.

stock exchanges, renewal fees, and registration fees from market intermediaries.⁹⁸ These revenues enable SEBI's operations.

Although subject to government oversight, SEBI's fee-based funding offers some degree of operational autonomy and scalability. However, its financial independence has also led to tensions with the government. The Comptroller and Auditor General (CAG), in its 2017 report,⁹⁹ observed that regulators like SEBI held substantial surplus funds outside the Consolidated Fund of India (CFI). Efforts by the government to require the transfer of surplus funds to the CFI have been met with resistance from SEBI.

The most recent attempt by the government has been through the new Securities Market Code, in which it has proposed that 25% of the annual surplus be set aside in a reserve fund of SEBI, with the remaining 75% transferred to the CFI.¹⁰⁰

4.3.2.3 Competition Commission of India

A Competition Fund has been established under the Competition Act, 2002, comprising government grants, fees received, and interest accrued on both.¹⁰¹ In practice, however, the CCI has faced persistent constraints due to insufficient grant-in-aid from the MCA, as noted by the Standing Committee on Finance. This has compelled the CCI to use its internal resources, i.e., fees earned from regulatory filings and accrued interest, to cover the shortfall.¹⁰² While CCI's funding structure thus combines both government funds and revenue generated through its own operations, it relies significantly on the government to discharge its mandate. The Financial Committee has therefore recommended expanded budgetary support by MCA in line with the regulator's projected requirements.

⁹⁸ Securities and Exchange Board of India, *Annual Report 2023-24* (SEBI, Government of India, 2023), 11, https://www.sebi.gov.in/reports-and-statistics/annual-accounts/mar-2025/sebi-annual-accounts-financial-year-2023-24_92433.html.

⁹⁹ Comptroller and Auditor General of India, *Report No. 44 of 2017 - Financial Audit on Accounts of the Union Government* (Government of India, 2017), 172, https://cag.gov.in/webroot/uploads/download_audit_report/2017/Report_No.44_of_2017_-_Financial_Audit_on_Accounts_of_the_Union_Government.pdf.

¹⁰⁰ *The Securities Markets Code, 2025* (Bill No 200 of 2025), s 124(5). https://prsindia.org/files/bills_acts/bills_parliament/2025/Securities_Markets_Code,2025.pdf.

¹⁰¹ *The Competition Act, 2002* (No. 12 of 2003), s 51(1).

¹⁰² Standing Committee on Finance, *Evolving Role of Competition Commission of India in the Economy, Particularly the Digital Landscape: Twenty-Fifth Report*, 18th Lok Sabha (August 2025), 87, https://sansad.in/getFile/lsscommittee/Finance/18_Finance_25.pdf

4.3.2.4 The Insurance Regulatory and Development Authority of India

An IRDA fund is constituted under Section 16 of the Act.¹⁰³ Its revenues include grants from the central government following parliamentary appropriation, penalties, and charges (processing fee, registration fee, renewal fee) collected from insurers, third-party administrators, surveyors, loss assessors, brokers, corporate agents, web aggregators, insurance marketing firms, and insurance repositories. As per publicly available annual accounts, the regulator received no grants from the government in FY 2021-22 and FY 2022-23,¹⁰⁴ and operated solely on the fund generated by its activities.

4.3.2.5 Pension Fund Regulatory and Development Authority

Section 39 of The Pension Fund Regulatory and Development Authority Act, 2013 provides for grants approved by the government,¹⁰⁵ while Section 40 authorises the establishment of the Pension Regulatory and Development Fund (PFRD), which is credited with the government grants, fees, and charges received by the PFRDA.¹⁰⁶ PFRDA is also funded by income from investments, royalties, publications, and interest earned. In 2021, PFRDA gained financial independence and has since operated on regulatory fees. As per the Chairperson of PFRDA, this financial autonomy has enabled greater flexibility in recruitment without any constraints.¹⁰⁷

4.3.3 Comparative Insights

A clear trend emerges across both international and domestic regulators towards self-sustaining funding frameworks, with regulators limiting reliance on government grants. Oversight bodies like PCAOB, CPAB, and Malaysia's AOB operate predominantly through levies and fees imposed on regulated entities. Hybrid models, as followed by FMA, ASIC, and IRBA, as well as domestic regulators like IRDAI and PFRDA, increasingly rely on regulatory fees and revenue generated from their own activities, enabling greater operational flexibility. By contrast, heavy dependence on government grants, as in the case of CCI, can constrain institutional capacity and autonomy.

¹⁰³ *The Insurance Regulatory and Development Authority Act, 1999* (No. 41 of 1999), s 16(1).

¹⁰⁴ The Insurance Regulatory and Development Authority of India, *Annual Report 2022-23* (IRDAI, Government of India, 2023), 20.

¹⁰⁵ *The Pension Fund Regulatory and Development Authority Act* (No. 23 of 2013), s 39.

¹⁰⁶ *ibid.*, s 40

¹⁰⁷ Centre for Policy Research, “‘Know Your Regulator’: Mr. Supratim Bandyopadhyay, Chairperson, PFRDA,” January 21, 2022,

<https://cprindia.org/know-your-regulator-mr-supratim-bandyopadhyay-chairperson-pension-fund-regulatory-and-development-authority-pfrda/>

The Confederation of Asian and Pacific Accountants (CAPA) recognise funding as a key challenge for audit-quality systems, and outlines multiple possible sources, including direct government funding, a levy on audited companies, a license fee paid by audit firms, and external donor funding. CAPA cautions that each source involves trade-offs: government funding poses the risk of curtailing independence, charging audited companies may be perceived as an additional burden on top of the audit fee, and levies on audit firms may face resistance if they find it difficult to pass on the cost to their clients.¹⁰⁸ This comparative analysis suggests that the most efficient design for NFRA funding would be a predominantly industry-based levy structure with minimum reliance on the government.

¹⁰⁸ Confederation of Asian and Pacific Accountants (CAPA), *Quality Assurance for Audit - A Good Practice Guide* (2017), https://www.capa-apac.org/wp-content/uploads/2017/11/CAPA_MM_Guidance_QAAuditGPG_2017_FINAL.pdf.

Chapter 5: Policy Recommendations

The previous section illustrates some of the jurisdictional and structural gaps in the NFRA. The concept of Public Interest Entity (PIE) is applied without a clear statutory definition, resulting in regulatory blind spots. Some entities with systemic relevance remain outside NFRA's scrutiny due to their "private limited" status. Further, while budgetary allocations may appear adequate, visible constraints in staffing capacity and enforcement output limit NFRA's operational effectiveness. These findings necessitate targeted reforms.

The recommendations put forth in the coming sub-section are consistent with India's broader policy objective of deregulation and ease of doing business. Ease of doing business should not be equated with regulatory minimalism, but with regulatory coherence and proportionality. A framework that excludes entities posing systemic risk does not reduce compliance burden, rather, it shifts the regulatory costs to ex post crisis management, litigation, and market instability. Accordingly, these recommendations call for a risk-based and tiered framework in which smaller private entities with relatively less exposure remain outside the scope of oversight, while entities crossing objective thresholds are brought within NFRA's jurisdiction. Such an approach will enhance regulatory symmetry with other regulators like RBI, without resulting in bureaucratic overreach.

5.1 Recommendation for Jurisdictional Scope

Recommendation 1: Revision of the statutory definition of "Public Interest Entities" to capture systemically significant entities

The immediate analytical focus on the NBFC sector is purposive, given its scale, interconnectedness, and public-fund exposure as demonstrated in this study. However, the underlying principle is sector-agnostic: any entity performing activities of comparable systemic relevance or generating public impact should fall within NFRA's oversight, regardless of listing status. For instance, housing finance companies have previously triggered systemic stress, as evidenced by the DHFL collapse. Furthermore, pension fund management companies, such as SBI Pension Funds Private Limited, constitute approximately 35% of the market share with

around ₹5.70 lakh crore assets under management.¹⁰⁹ This reflects the large volume of public retirement savings mediated through pension funds. Failures in reporting and governance could generate significant spillover risks across the broader system. NFRA should therefore codify the definition of PIEs using criteria that extend beyond stock-exchange listing to include indicators such as public fund exposure and risk presented by an entity’s activities.

Recommendation 2: Adoption of a risk-based, scale-based regulatory model instead of a fixed statutory list.

In addition to broadening its jurisdiction to capture priority sectors (as suggested in Recommendation 1), NFRA’s oversight framework should be dynamic with thresholds that trigger oversight when entities cross certain size or risk parameters. Rule-based regulation applies uniform requirements regardless of risk, whereas risk-based regulation tailors oversight to the potential impact on financial stability. This risk-based regulation approach is similar to RBI’s scale-based regulation for NBFCs. Within the same regulatory layer, entities may exhibit significant variation in public fund exposure and risk profile, rendering a “one-size-fits-all” approach to monitoring and regulation inefficient.

Instead, NFRA could employ a tiered system dividing entities into high-risk PIEs, medium-risk PIEs and non-PIEs, with inspection frequency and reporting obligations tailored accordingly. This would ensure that resources are directed to entities whose audit failures have potentially broader consequences. Such a system would allow NFRA to bring large NBFCs and other significant private unlisted entities under its oversight without unduly expanding the scope of its jurisdiction to small private firms and unnecessarily increasing their compliance costs.

Recommendation 3: Coordination with sectoral regulators to avoid overlaps and regulatory arbitrage.

The financial ecosystem is deeply intertwined, with entities often falling under multiple regulators while complying with financial reporting. RBI requires regulated financial institutions like NBFCs to make detailed disclosures in their financial statements, such as exposures to the real estate sector, capital market, intra-group exposure, sectoral exposure, related party

¹⁰⁹ SBI Pension Funds, “Company Overview,” January 2026, <https://www.sbipensionfunds.co.in/about-us/company-overview/>

disclosures, complaints from customers, etc.¹¹⁰ To avoid the potential overlap between RBI's prudential disclosure mandates, NFRA's audit oversight jurisdiction must be harmonised with these existing frameworks. This may be achieved through institutional mechanisms such as information-sharing protocols, and joint inspection mechanisms and technical working groups with regulators like RBI, SEBI and IRDAI, thus ensuring consistency and minimising regulatory arbitrage. Clear demarcation of regulatory responsibilities is essential: prudential compliance should stay within the domain of the sectoral regulator, while audit quality review and disciplinary jurisdiction over auditors remain exclusively with NFRA. Memoranda of Understanding may be developed to determine the lead regulator in cases involving parallel inquiries.

5.2 Recommendation for Funding Model

Recommendation 4: Transition from full government appropriation to a multi-source levy model.

At present, the NFRA receives governmental grants-in-aid, introduced with the aim to ensure financial autonomy. However, persistent issues—relating to fund underutilisation, staffing vacancy, and enforcement output—indicate that the challenge lies not in the adequacy of funding, but in its design. NFRA should therefore design a funding structure combining (a) auditor levies based on the number of audit partners and PIE clients (to ensure proportionate contribution); (b) issuer levies based on the size or market capitalisation of audited entities similar to PCAOB's accounting support fees; and (c) sector specific levies for regulated industries like NBFCs, insurance, etc. Fees can be calibrated according to risk and complexity, ensuring that larger or riskier entities pay higher levies while small firms or entities under the threshold receive discounted rates or exemptions. Government grants should continue for public interest activities like the oversight of small entities, but only as a minority component. This would enable NFRA to develop more predictable and stable revenue streams independent of government allocations.

An enforcement reserve fund should also be established, funded partly by annual levy and partly by monetary penalties collected. This fund can be used in the case of large-scale forensic

¹¹⁰ Reserve Bank of India, "Annex: Disclosure Requirements under Scale Based Regulation for NBFCs," RBI/2022-23/26 (April 19, 2022), https://rbidocs.rbi.org.in/rdocs/content/pdfs/NOTI26_AN.pdf

investigations, crisis responses (in cases like IL&FS), and rapid hiring during systemic risk episodes. At present, NFRA acts as a crisis-responsive model whose enforcement has intensified after systemic failures (e.g., IL&FS and DHFL cases). To realise its statutory mandate, NFRA should adopt a multiyear rolling budget framework based on enforcement metrics such as minimum annual AQRs, risk-based inspections target coverage, and case disposal timelines. Institutional practices such as those of the FRC—which publishes a three-year strategy along with an annual plan and budget—may serve as useful models. Aligning annual plans with the multiyear strategy report could enable systematic workforce planning, including multi-year recruitment of specialised personnel.

Recommendation 5: Adoption of legal safeguards for funding mechanisms to protect independence.

Levy-based funding drawn directly from the accounting profession can create conflicts and allow the industry to control the regulator. This risk can be mitigated by legally ring-fencing this power through statutory provisions that empower it to collect levies independently and prevent diversion of funds for unrelated uses. A mandatory budget composition threshold can be introduced, in which a minimum of 50-60% of the annual budget is earmarked for investigation staff, forensic experts, audit quality review teams, data analytics, and IT infrastructure, and administrative overhead should be capped at 30% of total expenditure.

The funding structure should be a reflection of the statutory purpose of the regulator, which in the current case is investigative, supervisory and adjudicatory rather than administrative. The levy rates should be determined via a statutory formula, developed following stakeholder consultations, rather than solely through negotiations with the regulated entities. This reduces the potential for outside influence and enhances independence. NFRA should also enhance transparency by disclosing levy calculations, use of funds, and outcomes of inspections in its annual report. It should be published in a structured matrix comprising metrics such as cost per case and cost per Audit Quality Review.

Institutional governance must further reinforce independence. NFRA's board composition should include representation from investors and civil society to prevent conflicts of interest when funding is derived from regulated entities. CAPA's good practice principles recommend that at least 50% of the board members come from outside the profession, with clearly defined powers

relating to licensing, imposing conditions, and referring matters for disciplinary action.¹¹¹ Comparative models such as Singapore's ACRA, where the majority of accounting committee members are not public accountants, illustrate the effectiveness of this approach. NFRA's members should be appointed along similar lines to enhance accountability, strengthen public confidence, and reduce the risk of undue influence.

¹¹¹ CAPA Practice Guide.

Chapter 6: Conclusion

The objective of this study was to evaluate whether the current capacity of the independent audit oversight body is adequately aligned with the evolving contours of India's financial system. The assessment was undertaken along two dimensions: jurisdictional sufficiency and fiscal autonomy.

The empirical findings on private limited NBFC-MLs demonstrate that reliance on bank borrowings is neither incidental nor restricted to a few outliers. Longitudinal analysis reveals a structural shift around FY 2021, when the mean exposure stabilised at an elevated level. Further, the ICC sub-sample shows convergence of mean and median values, implying that exposure is spread out rather than being concentrated among a few entities. While these findings do not establish audit failure or regulatory breakdown, they highlight a misalignment between existing statutory triggers and actual public-interest concerns. Where audit oversight is tethered to enumerated entities, privately incorporated entities with material exposure to public funds may fall outside the regulatory purview.

Parallel to this jurisdictional analysis, the examination of NFRA's funding model reveals a tension between expenditure patterns, staffing strength, and enforcement output. Disproportionate allocation towards overhead costs, combined with persistent vacancy levels, constrains NFRA's ability to undertake sustained, risk-based supervision. The utilisation of funds cannot be conflated with regulatory capacity; it must be assessed in conjunction with human capital deployment and enforcement intensity. Comparative analysis with international and domestic counterparts further demonstrates that models that have adopted a hybrid approach—combining statutory levies with government grants, alongside proper ring-fencing mechanisms—tend to enjoy more operational autonomy. As an authority tasked with safeguarding public confidence in financial reporting, NFRA's legitimacy depends upon coherence between its mandate and the resources available to realise the mandate.

The policy recommendations advanced in this study aim to address two interconnected concerns: first, the recalibration of jurisdictional triggers to ensure that entities with substantial public-fund exposure do not fall outside the scope of oversight; and second, the strengthening of the fiscal structure of the regulator so as to support this suggested recalibration. The recommendations are not aimed at advocating for institutional expansion as the end goal, but at identifying areas where recalibration of scope and resources may strengthen accountability and regulatory effectiveness.

Annexure

1. Tyger Capital Private Limited (ICC)

Annual Report	Debt (A)	Securities	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	8,715,207,966		23238332573	19,034,817,479	31,953,540,539	59.60%
2024	7,389,830,413		20,067,116,435	18,457,757,014	27,456,946,848	67.20%
2023	1,74,40,80,183		20,281,081,214	19,377,248,426	22,025,061,397	88%
2022	2,51,16,92,556		16,11,63,68,212	14,93,36,53,807	18,62,80,60,768	80.17%
2021	2,51,67,05,859		7,28,40,46,096	6,78,37,97,805	9,80,07,51,955	69.22%
2020	98,45,17,031		7,49,23,42,208	6,00,21,47,328	8,47,68,59,239	70.81%
2019	0		1,83,19,11,880	1,80,83,33,333	1,83,19,11,880	98.71%

2. Clix Capital Services Private Limited (ICC)

Annual Report	Debt (A)	Securities	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	5,17,99,00,000		40,10,73,00,000	24,83,09,00,000	45,28,72,00,000	54.83%
2024	4,97,43,00,000		36,74,03,00,000	20,05,36,00,000	41,71,46,00,000	48.06%
2023	4,76,01,00,000		28,30,07,00,000	12,08,20,00,000	33,06,08,00,000	36.54%
2022	7,86,25,00,000		19,72,86,00,000	9,07,67,00,000	27,59,11,00,000	32.90%
2021	13,83,81,00,000		16,97,36,00,000	9,20,80,00,000	30,81,17,00,000	29.88%
2020	15,93,00,00,000		18,95,00,00,000	16,99,33,00,000	34,88,00,00,000	48.72%
2019	20,15,48,00,000		21,38,26,00,000	18,32,00,00,000	41,53,74,00,000	44.10%

3. Ambuja Neotia Holdings Pvt. Ltd. (CIC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	22,96,47,11,000	1,71,13,12,000	22,96,47,11,000	7.45%
2024	0	18,86,37,11,000	1,19,20,83,000	18,86,37,11,000	6.32%
2023	Consolidated Financial statement not readable				
2022	0	11,50,54,99,362	9,74,19,18,542	11,50,54,99,362	84.67%
2021	0	8,93,15,20,485	8,76,24,19,485	8,93,15,20,485	98.11%
2020	0	9,32,16,74,102	8,52,24,36,566	9,32,16,74,102	91.43%
2019	0	8,05,80,62,296	7,03,81,92,905	8,05,80,62,296	87.34%

4. Birla Group Holdings Pvt Ltd (ICC applied for CIC classification)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	Consolidated Financial Statement not uploaded Company in the process of reclassifying as CIC				
2024	47,24,36,95,000	1,05,47,65,82,000	6,45,52,18,000	15,27,202,77,000	4.23%
2023	57,53,10,82,000	1,14,98,66,61,000	4,80,63,98,000	1,72,51,77,43,000	2.79%
2022	39,71,51,62,000	46,10,30,59,329	12,98,95,990	85,81,82,21,329	0.15%
2021	31,56,14,75,000	51,05,71,56,066	16,40,43,000	82,61,86,31,066	0.19%
2020	15,63,78,80,442	54,11,09,15,591	3,11,04,15,591	69,74,87,96,033	4.46%
2019	39,14,39,89,852	65,43,66,78,198	2,96,61,88,346	1,04,58,06,68,050	2.84%

5. BMW India Financial Services Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that
---------------	---------------------	---	---------------------------	----------------------------------	---------------------

		Securities (B)			has public funds exposure (C)/(D) * 100
2025	0	44,64,94,60,000	21,62,00,00,000	44,64,94,60,000	48.42%
2024	0	27,84,96,80,000	21,80,75,50,000	27,84,96,80,000	78.33%
2023	0	17,34,97,90,000	13,38,00,00,000	17,34,97,90,000	77.12%
2022	0	17,62,39,70,000	11,34,40,00,000	17,62,39,70,000	64.37%
2021	0	22,57,18,60,000	14,19,40,00,000	22,57,18,60,000	62.88%
2020	1,06,05,00,000	27,09,36,90,000	17,90,00,00,000	28,15,41,90,000	63.58%
2019	7,56,40,50,000	14,65,00,00,000	8,15,00,00,000	22,21,40,50,000	36.69%

6. Cars24 Financial Services Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	8,29,29,51,000	81,70,75,533	8,29,29,51,000	9.85%
2024	0	10,451,633,000	40,09,34,613	10,451,633,000	3.84%
2023	0	7,73,87,26,753.99	14,05,31,643.42	7,73,87,26,753.99	1.81%
2022	0	2,46,92,54,000	52,15,45,000	2,46,92,54,000	21.12%
2021	0	1,17,22,33,000	14,16,67,000	1,17,22,33,000	12.09%
2020	0	34,67,43,000	0	34,67,43,000	0%
2019	0	0	0	0	0%

7. UBS Finance India Pvt Ltd (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
---------------	---------------------	---	---------------------------	----------------------------------	---

2025	0	0	0	0	0%
2024	0	0	0	0	0%
2023	0	0	0	0	0%
2022	2,52,34,43,000	0	0	2,52,34,43,000	0%
2021	0	65,08,83,000	0	65,08,83,000	0%
2020	1,94,64,11,033	2,50,05,36,300	0	4,44,69,47,333	0%
2019	53,00,25,685	2,50,19,52,055	0	3,03,19,77,740	0%

8. Finova Capital (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2019	0	1,42,99,46,109	82,08,94,223	1,42,99,46,109	57.41%
2020	0	2,31,25,66,013	1,13,76,92,947	2,31,25,66,013	49.20%
2021	84,51,28,703.91	4,39,08,02,455.79	2,80,23,10,226.93	5,23,59,31,159.7	53.52%
2022	64,65,33,517.64	5,79,62,42,781.91	4,47,21,45,197.33	6,44,27,76,299.55	69.41%
2023	49,33,04,537	9,72,90,51,106.11	8,00,84,26,825	10,22,23,55,643	78.34%
2024	4,68,82,252.31	19,00,30,90,449.52	14,97,60,32,304.33	19,04,99,72,702	78.61%
2025	0	23,53,35,09,029.47	17,19,61,72,148.61	23,53,35,09,029.47	73.05%

9. J.P. Morgan International Finance Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	0	0	0	0%

2024	0	0	0	0	0%
2023	0	1,51,73,75,023	0	1,51,73,75,023	0%
2022	0	1,43,10,00,000	0	1,43,10,00,000	0%
2021	0	1,35,00,00,000	0	1,35,00,00,000	0%
2020	10,36,19,00,000	1,27,40,00,000	0	11,63,59,00,000	0%
2019	10,35,78,00,000	1,20,26,00,000	0	11,56,04,00,000	0%

10. Mercedes-Benz (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2019	36,47,97,21,000	27,72,40,61,000	24,72,40,61,000	64,20,37,82,000	38.51%
2020	17,85,32,25,638	44,23,83,58,000	39,73,83,58,000	62,09,15,83,638	63.99%
2021	11,22,73,24,260	36,68,55,92,904	35,18,52,53,863	47,91,29,17,164	73.44%
2022	4,18,59,35,000	32,11,09,11,347	30,60,76,96,575	36,29,68,46,347	84.33%
2023	0	43,43,37,67,007	43,43,37,67,007	43,43,37,67,007	100%
2024	0	63,73,20,61,496	63,321,614,496.0 0	63,73,20,61,496	99.36%
2025	0	83,57,47,21,392	79,07,41,21,392	83,57,47,21,392	94.61%

11. Mintifi (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	15,77,65,10,890.16	8,82,24,18,000	15,77,65,10,890.16	55.92%
2024	0	11,09,55,36,163.65	8,91,17,56,942	11,09,55,36,163.65	80.32%

2023	61,87,45,936.52	4,58,61,17,551.25	3,75,70,91,425.44	5,20,48,63,487.5	72.18%
2022	52,25,00,000	11,04,53,800	54,58,32,000	1,62,70,39,000	33.55%
2021	0	68,38,12,000	34,02,74,000	68,38,12,000	49.76%
2020	0	36,51,59,617	16,66,66,661	36,51,59,617	45.64%
2019	0	4,43,39,330	1,50,00,000	4,43,39,330	33.83%

12. Moneywise (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	51,29,03,000	7,59,97,03,000	6,41,19,55,000	8,11,26,06,000	79.04%
2024	81,07,64,000	7,36,02,99,000	5,78,25,10,000	8,17,10,63,000	70.77%
2023	78,60,07,000	4,94,30,77,000	4,45,08,99,000	5,72,90,84,000	77.69%
2022	1,00,71,19,000	2,69,27,53,000	1,81,83,34,000	3,69,98,72,000	49.15%
2021	1,00,46,20,000	1,23,52,22,000	93,51,98,000	2,23,98,42,000	41.75%
2020	50,00,00,000	74,98,10,000	61,27,95,000	1,24,98,10,000	49.03%
2019	0	3,07,67,29,000	70,36,30,000	3,07,67,29,000	22.87%

13. Morgan Stanley (PD)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	37,40,85,07,098	1,89,02,77,01,197	21,45,00,00,000	2,26,43,62,08,295	9.47%
2024	32,24,10,93,840	2,11,21,82,03,660	9,90,00,00,000	2,43,45,92,97,500	4.06%
2023	22,99,39,12,329	97,50,19,09,325	4,90,00,00,000	1,20,49,58,21,654	4.06%
2022	23,06,49,01,339	1,17,99,43,71,42	0	1,41,05,92,72,760	0%

		1			
2021	16,19,72,87,911	93,25,69,91,022	0	1,09,45,42,78,933	0%
2020	6,38,75,75,688	98,46,08,89,715	0	1,04,84,84,65,403	0%
2019	6,38,78,81,481	86,83,70,29,737	0	93,22,49,11,218	0%

14. Nissan Renault (ICC)

Annual Report	Debt (A)	Securities	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0		20,86,64,76,000	6,76,19,17,000	20,86,64,76,000	32.40%
2024	0		24,81,29,08,000	10,37,34,15,000	24,81,29,08,000	41.80%
2023	0		28,68,13,22,000	12,28,42,18,000	28,68,13,22,000	42.83%
2022	24,84,97,000		23,16,49,43,000	5,75,00,00,000	23,41,34,40,000	24.56%
2021	0		23,40,87,84,000	6,75,10,36,000	23,40,87,84,000	28.84%
2020	4,11,00,67,990		17,66,15,53,233	3,20,79,86,000	21,77,16,21,223	14.73%
2019	4,10,93,83,058		15,04,47,52,319	2,15,12,35,069	19,15,41,35,377	11.23%

15. Poonawalla Finance (ICC)

Annual Report	Debt (A)	Securities	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0		70,33,14,641	0	70,33,14,641	0%
2024	0		64,28,57,612	0	64,28,57,612	0%
2023	0		601762000	0	601762000	0%
2022	0		1,32,90,86,000	0	1,32,90,86,000	0%
2021	0		8,85,17,67,000	6,01,47,52,000	8,85,17,67,000	67.95%
2020	0		4,99,98,41,780	0	4,99,98,41,780	0%

2019	0	0	0	0	0%
------	---	---	---	---	----

16. Reliance Industries Holding Private Limited (CIC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	4,36,46,71,323	0	0	4,36,46,71,323	0%
2024	3,96,78,83,020	0	0	3,96,78,83,020	0%
2023	0	0	0	0	0%
2022	0	84,32,11,53,833	0	84,32,11,53,833	0%
2021	0	84,16,46,53,833	0	84,16,46,53,833	0%
2020	NA	NA	NA	NA	NA
2019	NA	NA	NA	NA	NA

17. Siemens Factoring (Factor)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	1,57,32,82,000	4,61,54,000	1,57,32,82,000	3%
2024	0	2,37,82,46,000	25,00,00,000	2,37,82,46,000	10.50%
2023	0	3,16,86,59,000	1,55,76,92,000	3,16,86,59,000	49.15%
2022	0	1,73,58,08,925	1215384615	1,73,58,08,925	70.02%
2021	0	1,73,44,08,228	938461538	1,73,44,08,228	54.11%
2020	0	1,20,11,88,837	3,11,88,837	1,20,11,88,837	2.60%
2019	NA	NA	NA	NA	NA

18. Siemens Finance (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	57,389,220,000	6,95,35,60,000	57,389,220,000	12.12%
2024	0	47,260,770,000.00	10,70,43,40,000	47,260,770,000.00	22.65%
2023	0	38,91,27,99,094	15,02,25,59,094	38,91,27,99,094	38.60%
2022	0	31,38,99,81,358.9	7,81,10,76,946.76	31,38,99,81,358.9	24.88%
2021	0	29,41,15,66,716	6,62,96,36,339	29,41,15,66,716	22.54%
2020	0	29,70,83,52,089	6,23,97,67,759	29,70,83,52,089	21%
2019	NA	NA	NA	NA	NA

19. Yes Capital (CIC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	2,30,33,55,336	42,70,71,992	2,30,33,55,336	18.54%
2024	0	2,05,86,19,869	29,48,46,557	2,05,86,19,869	14.32%
2023	0	3,36,94,20,000	0	3,36,94,20,000	0%
2022	0	91,71,65,189	19,97,32,928	91,71,65,189	21.78%
2021	0	1,65,89,13,563	34,92,32,303	1,65,89,13,563	21.05%
2020	0	3,19,64,00,000	0	3,19,64,00,000	0%
2019	5,18,56,75,778.66	2,12,50,00,000	0	7,31,06,75,779	0%

20. Ambit Finvest (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
----------------------	----------------------------	--	----------------------------------	---	--

					funds exposure (C)/(D) * 100
2025	3,17,42,66,000	22,10,04,59,000	18,12,48,78,000	25,27,47,25,000	71.71%
2024	3,23,77,79,000	20,43,46,69,000	16,21,08,26,000	23,67,24,48,000	68.48%
2023	2,99,51,62,000	14,91,90,90,000	11,54,21,30,000	17,91,42,52,000	64.43%
2022	1,70,24,54,049.98	8,91,00,79,619.88	7,44,06,86,305.12	10,61,25,33,669.9	70.11%
2021	1,25,87,97,610	3,80,22,40,070	3,66,33,13,980	5,06,10,37,680	72.38%
2020	42,03,60,178.28	3,85,48,64,485	2,65,48,05,055	4,27,52,24,663.28	62.09%
2019	0	4,01,10,46,371.53	3,51,98,33,281	4,01,10,46,371.53	87.75%

21. Apac Financial Services Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	12,45,58,85,515.46	11,12,23,61,432.56	12,45,58,85,515.46	89.29%
2024	0	10,43,90,27,884.42	9,20,24,54,312.42	10,43,90,27,884.42	88.15%
2023	0	6,74,59,61,296.91	5,46,91,03,894.46	6,74,59,61,296.91	81.07%
2022	0	1,68,76,67,010.29	1,34,47,65,100.82	1,68,76,67,010.29	79.68%
2021	0	50,12,73,980.92	49,12,73,980.92	50,12,73,980.92	98%
2020	0	0	0	0	0%
2019	0	0	0	0	0%

22. Aptus Finance India Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure
----------------------	----------------------------	--	----------------------------------	---	--

					(C)/(D) * 100
2025	1,92,04,49,000	21,66,13,10,000	10,94,58,34,000	23,58,17,59,000	46.42%
2024	0	14,86,95,04,000	8,45,42,31,000	14,86,95,04,000	56.86%
2023	7,32,64,000	5,87,65,26,000	2,09,58,31,000	5,94,97,90,000	35.23%
2022	28,13,37,000	3,58,57,33,000	2,49,28,29,000	3,86,70,70,000	64.46%
2021	48,74,26,000	3,09,86,29,000	1,66,96,49,000	3,58,60,55,000	46.56%
2020	40,03,67,850	2,02,77,89,429	1,06,81,16,137	2,42,81,57,279	43.99%
2019	0	1,14,64,36,002	38,31,10,148	1,14,64,36,002	33.42%

23. Deutsche Investments India Pvt. Ltd. (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	13,98,07,40,000	6,47,62,20,000	0	20,45,69,60,000	0%
2024	13,80,85,50,000	4,91,40,30,000	75,40,10,000	18,72,25,80,000	4.03%
2023	12,87,94,20,000	0	0	12,87,94,20,000	0%
2022	11,56,48,00,000	1,00,00,000	1,00,00,000	11,57,48,00,000	0.09%
2021	11,09,47,60,000	66,00,000	66,00,000	11,10,13,60,000	0.06%
2020	6,89,27,50,000	0	0	6,89,27,50,000	0%
2019	0	0	0	0	0%

24. Neogrowth Credit Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	5,69,37,10,535	15,73,06,90,356	1,17,56,13,463	21,42,44,00,891	5.48%
2024	4,62,90,55,348	16,76,04,59,662	2,03,38,74,163	21,38,95,15,010.2	9.51%

2023	5,33,01,05,482	8,67,14,18,103	41,06,31,175	14,00,15,23,585	2.93%
2022	7,92,97,94,194	5,00,79,58,638.25	1,03,41,79,061	12,93,77,52,832.3	7.99%
2021	8,88,42,98,270	4,12,85,73,399	65,41,52,078	13,01,28,71,669	5.03%
2020	7,33,02,22,225.84	3,43,17,76,768.89	48,02,62,084.14	10,76,19,98,994.7	4.46%
2019	0	7,72,93,38,411	0	7,72,93,38,411	0%

25. Ratna Commercial Enterprises Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	39,13,255	1,63,64,000	0	2,02,77,255	0%
2024	7,70,15,000	0	0	7,70,15,000	0%
2023	13,69,05,000	13,58,93,000	34,38,000	27,27,98,000	1%
2022	0	13,25,77,000	12,05,000	13,25,77,000	0.91%
2021	0	15,48,21,000	25,96,000	15,48,21,000	1.68%
2020	0	1,04,20,86,000	0	1,04,20,86,000	0%
2019	0	58,37,92,361	1,60,10,430	58,37,92,361	2.74%

26. J. M. Assets Management Private Ltd. (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	3,45,45,805	0	0	3,45,45,805	0%
2024	3,44,07,622	0	0	3,44,07,622	0%
2023	0	0	0	0	0%
2022	5,26,52,790	0	0	5,26,52,790	0%

2021	10,68,50,471	0	0	10,68,50,471	0%
2020	10,68,50,471	0	0	10,68,50,471	0%
2019	0	0	0	0	0%

27. Kisetu Saison Finance (India) Private Limited (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	9,07,07,86,179	1,48,23,22,09,023	1,39,69,11,28,008	1,57,30,29,95,202	88.80%
2024	4,07,60,48,445	87,42,16,99,958	81,16,37,75,634	91,49,77,48,403	88.71%
2023	0	49,07,50,61,775	48,51,16,31,912	49,07,50,61,775	98.85%
2022	0	12,19,12,28,000	11,46,08,35,000	12,19,12,28,000	94.01%
2021	0	0	0	0	0%
2020	0	0	0	0	0%
2019	0	0	0	0	0%

28. Canberra Traders (P) Ltd (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	0	0	0	0	0%
2024	0	0	0	0	0%
2023	0	0	0	0	0%
2022	0	0	0	0	0%
2021	0	0	0	0	0%
2020	0	0	0	0	0%

2019	0	0	0	0	0%
------	---	---	---	---	----

29. Vistaar Financial Services Private Ltd (ICC)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	2,94,94,39,415	27,31,54,66,031	21,29,28,62,918	30,26,49,05,446	70.35%
2024	1,92,66,02,740	26,89,28,55,083	23,63,50,42,544	28,81,94,57,823	82.01%
2023	No Financial Statement was uploaded				
2022	1,71,50,00,002	17,41,96,68,124	12,89,06,71,669	19,13,46,68,126	67.37%
2021	1,77,33,33,334	12,97,09,91,736	8,01,53,43,154	14,74,43,25,070	54.36%
2020	1,99,00,00,000	11,06,45,40,967	8,19,46,52,989	13,05,45,40,967	62.77%
2019	1,99,00,00,000	7,05,95,00,000	5,05,61,00,000	9,04,95,00,000	55.87%

30. Svantra Microfin Private Limited (MFI)

Annual Report	Debt Securities (A)	Borrowings other than Debt Securities (B)	Total Bank Borrowings (C)	Total Borrowings (A) + (B) = (D)	% of borrowing that has public funds exposure (C)/(D) * 100
2025	2,60,14,87,381	91,69,54,42,781	80,80,66,96,313	94,29,69,30,162	85.70%
2024	3,70,57,27,249	1,01,97,03,72,582	84,58,34,77,919	1,05,67,60,99,831	80.04%
2023	2,19,29,71,573	55,63,07,45,219	43,44,57,45,641	57,82,37,16,792	75.13%
2022	2,14,44,39,173	41,61,77,94,875	31,43,05,19,004	43,76,22,34,048	71.82%
2021	4,56,64,94,578	26,08,31,34,727	22,70,54,45,589	30,64,96,29,305	74.08%
2020	87,64,84,928	21,18,88,15,608	16,71,95,58,937	22,06,53,00,536	75.77%
2019	72,67,49,119	10,16,63,05,726	4,38,63,50,155	10,89,30,54,845	40.27%