

GOVT TO ROPE IN PVT AGENCIES TO MINE DATA FOR EFFECTIVE POLICING

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The ministry of corporate affairs will rope in outside agencies to mine the vast trove of data available from corporate filings to detect trends in the way businesses manage their affairs that might need regulators to step in.

Besides the performance of companies and profitability, the agencies hired will dive deep into critical areas of corporate governance including whether businesses have used the funds raised from public for their stated purpose, according to a notice from the ministry inviting bids for the project.

Other key areas identified for data analysis include the debt structure and extent of corporate leverage, ease of doing business, bankruptcy and fraud. The idea is to keep a close watch over the emerging trends in the industry and corporate behaviour to gather knowledge that will "eventually inform policy and facilitate decision making in a market driven economy," the ministry said about the corporate data management project.

Insights from it will also be used for making policies that drive "faster, sustainable and inclusive growth."

The ministry does not want to get caught on the wrong foot when stress gets built up in the system leading to failure of systemically important entities. The effort is to cut down the time lag in regulatory response to any worrying systemic trend.

One trigger for the research is the failure of the Infrastructure Leasing & Financial Services Ltd that forced the government to replace its board of directors with a state-appointed one in 2018. It has also led to adding a provision in the Companies Act to mandate unlisted entities to prepare financial statements more frequently than once in a year. The government is yet to give finer details about the size of unlisted companies to be covered under this.

"We are consulting other ministries and the capital market regulator on this," said a government official, who spoke on condition of anonymity.

The ministry is also scaling up its e-governance facility called MCA-21, currently maintained by L&T Infotech Ltd, for better compliance management. This will also enable it to quickly spot trends like statutory auditors quitting assignments in certain companies and take regulatory action.

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