Statutory Regulatory Authorities (SRAs)

Why in news?

The recent allegations against the SEBI management board has brought to the fore the overall management issues in statutory bodies.

What are statutory regulatory authorities (SRAs)?

- **SRAs** - They are *government authorities* created under the *legislations of parliament and state legislatures.*
- **Powers** – They have the powers of
  - **The legislative** - Formulating regulations
  - **The executive** - Enforcing regulations
  - **The judiciary** - Quasi-judicial powers
- **Role** - It is to *regulate various economic and legal activities* in the country.
- They are created to ensure distance regulatory decisions from political considerations and efficient administration.
- **Apolitical administration** – It is *to ensure independence from "politics"* and to distance regulatory decisions from political considerations.
  - For instance, the interest rate set by RBI shall not be influenced by the electoral objectives of the incumbent political party.
- It is to make investigations and prosecution by investigation agencies at arm's length from politics.
  - Example: Central Bureau of Investigation (CBI)
- **Administrative Efficiency** - Technical expertise and subject matter knowledge of the regulated domain is integrated with civil administration through regulatory bodies.



What are the various SRA in India?

- In India – There are ***over 20 SRAs at the Union level***, spanning sectors such as finance, telecommunications, electricity, water, food safety etc.

Sectors	Regulatory Bodies
Banking	• Reserve Bank of India-RBI Act, 1934 • Small Industries Development Bank of India- SIDBI Act, 1990 • National Bank for Agriculture and Rural Development-NABARD Act, 1982
Capital Market	Securities and Exchange Board of India-SEBI Act 1992
Insurance	Insurance Regulatory and Development Authority of India-IRDA Act, 1999
Pension	Pension Fund Regulatory & Development Authority-PFRDA Act, 2013
Information, Communication and Technology	Telecom Regulatory Authority of India-TRAI Act , 1997
Quality Standards – Food, Pharmaceuticals	• Food Safety and Standards Authority of India-FSSAI Act, 2006 • Bureau of Indian Standards-BIS Act, 1986 • Central Drugs Standard Control Organisation-Drugs and Cosmetics Act, 1940

SRAs in India directly regulate over 75% of India's gross domestic product (GDP).

What are the issues in SRA management?

- **Lack of autonomy** – Appointment and Removal of Chairperson and members are done

by the executive government and the subordinates by SRA, with different degrees of government involvement.

CCI law is the only SRA legislation that requires an inquiry by a Supreme Court judge (like for UPSC members) before removal.

- Investigation of SRA members by executive investigation agencies like CBI and CVC affect their independent functioning.
- **Dominance of government officials** – The senior level people in almost all SRAs are largely former/serving government officials.
- In part, this is because the appointment process is dominated by the executive government with nominal external expert participation.
- **Inconsistency in service conditions** - The tenures and service conditions of many of the chairperson and board members are *varying and unpredictable*.
- **Wide discretion** – *Lack of specificity* in the provisions of statutory bodies.
    - *RBI Act* simply says that the governor of the RBI can be removed by the government.
    - Whole-time members & chairman of the *SEBI* can be removed by the government, if there is anything that renders their continuation detrimental to the public interest.
- **Inadequate provisions** - *Lack of process definition* in the statutory laws to deal with disciplinary matters and alleged misdemeanours of SRA functionaries.
- **Conflict of Interest** – Appointment of industrial person of same sector in the management of regulatory bodies often causes conflict of interest between their personal interest and activities of the body.

What are measures can be taken to improve the status of SRAs?

- *Institute oversight mechanisms* for regulators, who oversee markets, without compromising their autonomy.
- *Ensure autonomy* in the processes of appointment, discipline and removal of chairperson and member of the body.
- *Ensure security of tenure and service* conditions to the regulatory authorities.
- Form commissions like Financial Sector Legislative Reforms Commission to frame codes like Indian Financial code for other sectors also.
- Create *separate frameworks for discipline and integrity* of non-civilian board members but based on the same underlying principles of civil servant.
- Appoint more independent persons as board members.
- Ensure accountability through clarity of functions and role and ensure audit by the Comptroller and Auditor General of India.

References

1. Business Standard| Challenges with SRAs in India
2. Business Standard| Measures to be taken to reform SRAs



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