

CAG to conduct pan-India audit on ease of doing biz for MSMEs

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The Comptroller and Auditor General of India (CAG) has launched an integrated audit across 32 states and Union Territories to assess the ease of doing business for the micro, small and medium enterprise (MSME) sector. The move shifts the approach from vertical, deep-dive audits to a horizontal, pan-Indian review. The consolidated report is slated for presentation in the winter session of Parliament in 2026.

This “citizen-centric” audit is intended for “people who benefit from MSMEs, who use MSME services, and the MSME industry itself”, Additional Deputy Comptroller and Auditor General Pravir Pandey said. The exercise comes in the context of flagship government initiatives, including Make in India, Atmanirbhar Bharat, and the MSME (Udyam) Registration portal.

The audit will examine whether reforms on the ground are delivering efficient, timely, and more transparent services to small businesses, in line with the Viksit Bharat 2047 vision and the Business Reforms Action Plan 2024.

Key focus areas include decriminalising minor business offences, easing approval requirements, simplifying and digitising processes, improving MSME financial literacy, access to credit, and the timeliness of payments.

“We had interactions with the MSME secretary, the additional secretary and the development commissioner. We have also met chambers of commerce and various state government industries, labour and power departments, and urban local bodies. We have gone down to district-level coordination committees for MSMEs as well,” Pandey said.

He added that the report will also look at core themes such as research and development support, labour law com-



pliance, financial access and credit linkages, and the impact of climate-related disruptions on MSMEs. It will provide a comparative assessment across states, with the initial pilot in West Bengal serving as a learning model.

CAG has also directed the Union and all state governments to adopt a harmonised, common “object head” classification for expenditures at a disaggregated level by 2027-28.

Areas in focus

- Decriminalisation of minor business offences
- Deregulation of approvals
- Simplification and digitisation of processes
- Financial literacy for MSME
- Access to credit and timeliness of payments

“We have broadly looked at the finance ministry’s format of object heads and devised some additional ones to meet states’ requirements. For example, social security expenditure is very common in states, so we have added that,” Deputy Comptroller and Auditor General Jayant Sinha said.

This unification aims to eliminate discrepancies in Budget heads across states, enabling uniformity, transpar-

ency, and easier fiscal comparison.

Separately, CAG will set up a world-class centre of excellence in Hyderabad to advance accounting and auditing standards. The institution, expected to soft-launch later this month, will focus on innovation, research and professional development in financial auditing.

The Centre will host a comprehensive data hub aggregating accounting data from more than 300 central and state public sector undertakings (PSUs), over 1,300 autonomous bodies and key urban local bodies.

Deputy Comptroller and Auditor General Anand Mohan Bajaj observed an increased emphasis on auditing environmental, social and governance (ESG) criteria for top-listed PSUs, in line with global sustainability trends and regulatory developments. A CAG report on ESG is expected within the next four to five months.