

ENFORCEMENT OF PRIVATE SECURITY AGENCIES (REGULATION) ACT, 2005 AND FDI IN THE SECTOR OF PRIVATE SECURITY AGENCIES

The private security industry is a crucial component of security and safety in the modern governance. With the expanse of trade and commerce, need for private security has increased manifold. Growth of this industry is mainly due to workplace crimes, a fear of crime, and an increasing awareness about the effectiveness of private security measures. Also, the industry is crucial from the point of view of employment generation and providing security for various purposes.

2. While “Public Order” and “Police” are State subjects, “internal security” is the responsibility of the Central Government. Therefore, in order to regulate the functioning of the private security agencies, Private Security Agencies (Regulation) Act, 2005 (PSAR Act) has been enacted by the Government of India. The Act came in force on 15.03.2006.

Objectives

3. As per Statement of Objects and Reasons of PSAR Act, the objectives of enacting the Act were-
- I. To address concern about the manner of functioning of these agencies as many agencies were conducting their operations without due care for verifying the antecedents of the personnel employed as private security guards and supervisors.
 - II. To regulate private multi-national security agencies, which may otherwise have serious security implications.
 - III. To regulate these agencies so that these agencies do not encroach upon the duties of the police, use weapons in an illegal manner, involve in criminal activities and wear uniforms which resembles those of the police.

Rules under the PSAR Act, 2005

4. (A) The Central Government has notified the following model rules under the Act:

- Private Security Agencies Central Model Rules, 2020 (in supersession of earlier model rules of 2006).
- Private Security Agencies (Private Security to Cash Transportation Activities) Rules, 2018 to regulate the private security services provided to cash transportation activities.

(B) Adopting the above model rules, the States/UTs have framed their own rules in terms of Section 25 of the Act.

Salient features

5. The salient features of the Act are:

- It is administered by MHA.
- It regulates the Private Security Agencies through a mandatory license issued by the State Governments after verifying their antecedents.
- No person shall carry on the business of private security agency unless he holds a license issued under this Act.
- Section 6 (2) of the Act provides that “a company, firm or an association of persons shall not be considered for issue of a licence under this Act, if, it is not registered in India, or having a proprietor or a majority shareholder, partner or director, who is not a citizen of India”, As such, Foreign Direct Investment (FDI) is permissible up to 49%.

FDI in Private Security Agencies Sector

- Foreign investment in Private Security Agencies Sector is permitted only up to 49% and requires ‘Government Approval’ as per the extant FDI policy.
- Police Modernisation Division, Ministry of Home Affairs is the administrative Division for grant of approval for foreign investment in this sector.