Message

I am happy to introduce the Strategy Document of the Ministry of Corporate Affairs (MCA), which lays down a roadmap for the Ministry to achieve its objectives while constantly adapting to the dynamic ecosystem. The document broadly includes: Vision for 2030, Strategy up to 2023-24 and a Three Year Action Document to help MCA in attaining its vision and mission.

The Ministry is primarily tasked with the administration of Companies Act and other allied statutes for providing an enabling business environment for the Corporates. In its constant endeavor towards streamlining and improving the environment for ease of doing business, the Ministry has taken several initiatives such as: setting up of Central Registration Centre (CRC) at Manesar (Haryana) launching of Simplified Proforma for Incorporating Companies electronically (SPICE), initiating expeditious implementation of IBC, 2016, one of effort to clean the registry of the companies, setting up of statutory bodies viz., NCLT, NCLAT, IBBI, IEPF authority.

While it is our responsibility to continuously strive towards innovating processes for simplifying legal procedures, ensuring real time response to the stakeholders, achieving excellence in service delivery, it is equally important to strengthen the institutions which provide the legal and intellectual capital for facilitating and supporting the corporate growth.

I am thankful to all the officers in the Ministry for extending their continuous support while preparing this document. I look forward to successful implementation of the action points included herewith and further revisit this document by bringing in 'innovation and change'.

(Tapan Ray)
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LIST OF ABBREVIATIONS

AS  -  Accounting Standard
CAF  -  Common Application Form
CBDT  -  Central Board of Direct Taxes
CCC  -  Client and Citizen Charter
CCI  -  Competition Commission of India
CDM  -  Corporate Data Management
CoI  -  Certificate of Incorporation
COMPAT  -  Competition Appellate Tribunal
CRC  -  Central Registration Centre
CSR  -  Corporate Social Responsibility
DIN  -  Directors Identification Number
DIPP  -  Department of Industrial Policy and Promotion
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>HQ</td>
<td>Head Quarter</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GPR</td>
<td>Government Process Re-engineering</td>
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<tr>
<td>IBC</td>
<td>Insolvency and Bankruptcy Code</td>
</tr>
<tr>
<td>IBBI</td>
<td>Insolvency and Bankruptcy Board of India</td>
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<tr>
<td>ICAI</td>
<td>Institute of Chartered Accountants of India</td>
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<tr>
<td>ICai</td>
<td>Institute of Cost Accountants of India</td>
</tr>
<tr>
<td>ICSI</td>
<td>Institute of Company Secretaries of India</td>
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<tr>
<td>ICCLS</td>
<td>Indian Corporate Law Service</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IEPFA</td>
<td>Investors Education and Protection Fund Authority</td>
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<tr>
<td>IICA</td>
<td>Indian Institute of Corporate Affairs</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRDAI</td>
<td>Insurance Regulatory and Development Authority of India</td>
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<td>KMP</td>
<td>Key Managerial Personnel</td>
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<td>LLP</td>
<td>Limited Liability Partnership</td>
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<td>MCA</td>
<td>Ministry of Corporate Affairs</td>
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<td>MNC</td>
<td>Multinational Company</td>
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<td>MSME</td>
<td>Micro Small and Medium Enterprise</td>
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<td>NACAS</td>
<td>National Advisory Committee on Accounting Standards</td>
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<tr>
<td>NCLT/ NCLAT</td>
<td>National Company Law (Appellate) Tribunal</td>
</tr>
<tr>
<td>NFCG</td>
<td>National Foundation for Corporate Governance</td>
</tr>
<tr>
<td>NFRA</td>
<td>National Financial Reporting Authority</td>
</tr>
<tr>
<td>NITI</td>
<td>National Institution for Transforming India</td>
</tr>
<tr>
<td>NVG</td>
<td>National Voluntary Guidelines</td>
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<tr>
<td>OPC</td>
<td>One Person Company</td>
</tr>
<tr>
<td>PAN</td>
<td>Permanent Account Number</td>
</tr>
<tr>
<td>RBI</td>
<td>Reserve Bank of India</td>
</tr>
<tr>
<td>RD</td>
<td>Regional Directors</td>
</tr>
<tr>
<td>RFD</td>
<td>Result Framework Document</td>
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<tr>
<td>RoC</td>
<td>Registrar of Companies</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SEBI</td>
<td>Securities and Exchange Board of India</td>
</tr>
<tr>
<td>SFIO</td>
<td>Serious Fraud Investigation Office</td>
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<tr>
<td>SPICe</td>
<td>Simplified Proforma for Incorporating Company Electronically</td>
</tr>
<tr>
<td>WEO</td>
<td>World Economy Outlook</td>
</tr>
</tbody>
</table>
1 CONTEXTUAL OVERVIEW
1.1 Global Economic Scenario

1.1.1 The focus of world economic outlook has now shifted from developed to developing nations. The macro-economic, social, technological and business environment have experienced a swing towards the emerging economies. In the year 2015, the world output grew by 3.2% backed by 4% growth in output of emerging market and developing economies. During this period advanced economies grew by 2.1% while India and China grew by 7.6% and 6.9% respectively.

1.1.2 India has become one of the major growth centres globally and has developed cross border synergies in terms of resources such as human, technology, finance, entrepreneurship etc. With the rise of entrepreneurship and better facilitation provided by government, India is now one of the fastest growing economies in the world. Today, India is the 7th largest economy in nominal terms and 3rd largest in terms of purchasing power parity (PPP). India’s contribution to world’s GDP growth in PPP terms increased from an average of 8.3% during 2001-07 to 14.4% in 2014 that is 2.7 percentage points higher than that of United States of America, underlying India’s growing importance in the world economic landscape.

1.2 Indian Economy

1.2.1 Amidst global economic uncertainties in terms of declining commodity prices, turbulent financial markets and volatile exchange rates, India’s growth story has largely remained positive on the strength of domestic absorption. There are important developments in other macro-economic parameters such as sustainable fiscal deficit, healthy current account balance and an inflation within control.

1.2.2 The transition to the market driven economy with substantial focus on privatization has helped the Indian corporates to emerge as one of the major drivers of economic growth. The private corporate sector and public sector together constitute about 55.3% of the Indian economy in terms of Gross Value Added (GVA). “One conspicuous change over the four-year period from 2011-12 to 2014-15 was the decline in the shares of

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1IMF, 2015, “World Economic Outlook”
2Economic Survey 2015-16 Volume-2, page 3
3Economic Survey 2015-16 Volume-2, page 1
the public and household sectors in total GVA, which was fully taken over by the private corporate sector"  

as can be seen in (table 1.1):

### 1.2.3

An economy transits through different stages of development as it matures from an agrarian economy to a services oriented economy. In India, the share of agriculture in GDP has consistently declined over the past six decades, but is nevertheless high by global standards (Graph 1.1). The high growth trajectory that India has experienced during the last decade has been mostly driven by growth in service sector, with significant contribution by the corporate sector.

#### 1.2.4

With the prevailing macroeconomic stability and the government’s commitment for positive structural reforms, India can expect to achieve and maintain a higher GDP growth at the rate above 8 % in the coming years under normal conditions. Structural changes are expected in terms of significant increase in manufacturing activities, flow of foreign direct investment (FDI) and rapid emergence of new industrial clusters in smart cities and tier I-II cities among others. The key focus will be on the growth of MSMEs. Corporate sector is poised to play a significant role in this transition.

### Table 1.1: Contribution to GVA at Current Basic Prices (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011-12</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>20.6</td>
<td>19.4</td>
</tr>
<tr>
<td>Private Corporate Sector</td>
<td>33.9</td>
<td>35.9</td>
</tr>
<tr>
<td>Household Sector</td>
<td>45.5</td>
<td>44.8</td>
</tr>
</tbody>
</table>

### Graph 1.1 Sectoral Share of GDP (%)

(Source: World Development Indicators for the year 2015)

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5Economic Survey, 2015-16
1.3 India: Aligning with Global Perspectives

1.3.1 The attainment of growth requires strengthening of infrastructure, industry and services through adoption of changes and innovation in the eco-system. The key initiatives like ‘Make in India’, ‘Skill India’, ‘Digital India’ and ‘Start-up India’ are the formidable drives to push forward the objective of sustainable and inclusive growth. Make in India is an initiative of the Government of India to facilitate investment and foster innovation in multinational companies as well as national companies. The objective is to increase the share of manufacturing in the GDP of the country. The evolving skill development initiatives are going to complement the drive further, by exploiting the demographic dividend of a young workforce.

1.3.2 India has increased the pace of liberalization and integration with the global economy. This has provided opportunities for tremendous growth of business through cross border exchanges. The process has created certain challenges in form of increasing power of multinational corporations (MNCs), changing customer expectations, competitive challenges to domestic industry and increased sensitivity of the Indian capital market.

1.3.3 While, “India has made great strides in removing the barriers to the entry of firms, talent, and technology into the Indian economy, less progress has been made in relation to exit. Thus, over the course of six decades, the Indian economy moved from ‘socialism with limited entry to “marketism” without exit’. In order to sustain the growth of corporate India and its contribution, corporates need to be facilitated with removal of barriers to both entry and exit while balancing the interest of various stakeholders.

1.4 Ministry of Corporate Affairs (MCA):

1.4.1 Ministry of Corporate Affairs (MCA) provides the regulatory and administrative framework for corporates in order to make them effective contributors to the national development agenda. The Ministry envisions to be a facilitator of world class governance of corporates through administration of Companies Act, 2013 and other allied statutes.

(i) Companies Act, 2013
(ii) Companies Act, 1956
(iv) Competition Act, 2002 as amended by Competition (Amendment) Act, 2009
(v) Insolvency and Bankruptcy Code, 2016
(vi) Chartered Accountants Act, 1949
(vii) Cost and Works Accounts Act, 1959
(viii) Company Secretaries Act, 1980
(ix) Societies Registration Act, 1860 (in centrally administered areas)
(x) Indian Partnership Act, 1932 (in centrally administered areas)
(xi) Companies (Donations to National Funds) Act, 1951

Technology Revolution

1.4.2 There has been rapid proliferation of the Information and Communication Technology (ICT) across the sectors with increased density in the mobile and internet usage. This has revolutionized both business as well as public policy. These technological advancements have benefited the government, business entities and citizens at large. First, it provides tremendous opportunities for the corporates to achieve faster growth. Second, it facilitates consumer empowerment through the integration of knowledge. Third, it assists the governance in strengthening service delivery process. Fourth, Government can exercise better regulatory control while functioning efficiently across important sectors through the adoption of innovation and change. The implementation of Government Process Re-engineering (GPR), MCA-21 e-governance Project, integration of biometric enabled AADHAAR with registration function are the examples of some key initiatives for good governance with the use of technology.

Ease of Doing Business

1.4.3 India needs to align with the globally accepted best practices for attaining ‘ease of doing business’ and ‘ease of resolving insolvencies’. As per the World Bank’s 2016 Index, India ranks 130 out of 189 countries in the ease of doing business and 136 out of 189 countries in the ease of resolving insolvencies. India aims to achieve substantial improvement in its global rankings in the immediate future. The latest MCA initiatives such as the setting up of the Central Registration Centre (CRC), launching of Simplified Proforma for Incorporating Company Electronically (SPiCe) under the GPR initiatives and the effective implementation of Insolvency and Bankruptcy Code (IBC), 2016 are expected to bring about significant improvement in business ecosystem in India.

Transparency and Responsiveness

1.4.4 The good governance of corporates require an adequate emphasis on transparency and responsiveness in the operations of corporates and the MCA as well. With this objective, MCA provides for the adequate and responsible disclosures by the corporates under the provisions of the Companies Act, 2013. In its Client and Citizen Charter (CCC), MCA defines specific service standards. MCA also ensures its accountability to all the stakeholders in terms of achieving transparency and responsiveness across key areas of its administrative functioning. The key initiatives such as the GPR drive; MCA-21 e-governance project and its forward linkage in terms of Corporate Data Management (CDM) project are expected to increase transparency and responsiveness of MCA.

Strengthening Service Institutions

1.4.5 The central function of the MCA as the major corporate regulator, is to enforce compliance of the corporate functioning in accordance with the provisions of the Companies Act, 2013, 1956 and other allied statutes. For efficient functioning across the important functional verticals,
MCA operates through the Registrars of Companies (ROCs), Regional Directors (RDs), Director General of Corporate Affairs (DGCoA) and other key institutions like the Competition Commission of India (CCI), Competition Appellate Tribunal (COMPAT), Investors Education and Protection Fund Authority (IEPFA), Insolvency and Bankruptcy Board of India (IBBI), Serious Fraud Investigation Office (SFIO), Indian Institute of Corporate Affairs (IICA), Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT). MCA continuously strives towards strengthening the institutions for facilitating regulation and enforcing better compliance for promoting healthy competition while balancing competing and often conflicting interests of various stakeholders.

**Responsible Business**

1.4.6 MCA issued National Voluntary Guidelines (NVGs) for Social, Environmental and Economic Responsibilities of Business in 2011 for eliminating negative externalities of the business and for encouraging corporate contribution towards the social, economic and human wellbeing. Under SEBI

“India has made great strides in removing the barriers to the entry of firms, talent, and technology into the Indian economy, less progress has been made in relation to exit. Thus, over the course of six decades, the Indian economy moved from ‘socialism with limited entry to “marketism” without exit’.

Regulations top 500 listed companies report compliance of NVG on a mandatory basis. In a first, the Companies Act, 2013 has incorporated Corporate Social Responsibility (CSR) in the statute. Large and/or profitable companies (listed and unlisted) are required to spend 2 per cent of the average net profit of the preceding three years on CSR activities. Adoption of NVG and CSR provisions in the Companies Act have changed the rules of doing business by making business more responsible towards the society. Through the CSR mandate, corporates are required to play an important role in assisting public governance in attaining sustainable development goals (SDG’s).

1.5 MCA: The Way Forward

1.5.1 As India is poised for accelerated economic growth, corporates have a crucial role to play in the development of the Indian economy in its quest for inclusive and sustainable growth. MCA being a key corporate regulator has to play an important role for rationalising corporate regulations in line with the global best practices. In the forthcoming chapters the functions and the strategic actions of the Ministry are discussed in detail by taking stock of the present initiatives and the future imperatives.
MCA MANDATE
MCA: Background Brief

The Ministry of Corporate Affairs (MCA) has come a long way since its functional inception as a department in 1956, subsequent functioning as part of the Law and Finance Ministries and independently as well, up-gradation to Ministry of Company Affairs in 2004; and its final transition to the Ministry of Corporate Affairs in 2007. In its present role, as one of the main corporate regulators, MCA is continuously engaged in simplifying the procedures through changes and innovations, towards faster service delivery across its key functional objectives namely: (i) Regulating corporate functions for enforcing compliance of the Companies Act, 2013 and other statutes; (ii) Providing ease of doing business; (iii) Achieving transparency in all facets of its operational procedures; (iv) Ensuring protection for the investors; (v) Providing administrative support to the assisting institutions; (vi) Ensuring responsiveness; and (viii) Ensuring better value for stakeholders.

2.1 Organisational Structure

2.1.1 The MCA has a three tier organizational structure with the Headquarters at New Delhi, seven offices of Regional Directors (RDs) at Ahmedabad, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi and Shillong, fifteen Registrars of Companies (RoCs), fourteen Official Liquidators (OLs) and nine ROC-cum-OLs in States and Union Territories, and a Central Registration Centre (CRC) at Manesar, Haryana.

- Serious Fraud Investigation Office (SFIO), Investor Education and Protection Fund Authority (IEPF), National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) are bodies established under Companies Act, 2013
- Insolvency and Bankruptcy Board of India (IBBI), has been established as a statutory body under the Insolvency and Bankruptcy Code (IBC), 2016
- Competition Commission of India (CCI) and Competition Appellate Tribunal (COMPAT) are established under the Competition Act, 2002
- Indian Institute of Corporate Affairs (IICA) is an autonomous body under the MCA
### Functions of MCA

The Ministry broadly has two categories of functions:
- Policy functions
- Regulatory functions

Policy functions are directly addressed by MCA Officials at the Headquarters and regulatory functions are exercised by concerned RDs/RoCs under the overall supervision of Director General of Corporate Affairs (DGCoA).

#### Table 2.1: Policy Functions

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Policy Functions</th>
</tr>
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<tbody>
<tr>
<td>(i)</td>
<td>Provide simplified laws governing corporate sector and facilitate effective compliance and regulatory regime</td>
</tr>
<tr>
<td>(ii)</td>
<td>Effective administration of Companies Act and other allied Acts</td>
</tr>
<tr>
<td>(iii)</td>
<td>Undertake new policy initiatives for improving the legal framework for investment and corporate growth</td>
</tr>
<tr>
<td>(iv)</td>
<td>Government Process Re-engineering (GPR) with the specific objective of providing speedy incorporation related services within stipulated time frame which are in line with international best practices</td>
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#### Table 2.2: Regulatory Functions

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Regulatory Functions</th>
<th>Department/Division/Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Supervise the working of offices of Registrars of Companies and Official Liquidators in the country</td>
<td>Regional Directors (RDs)</td>
</tr>
<tr>
<td>(ii)</td>
<td>Inspection and Investigation function</td>
<td>Director General of Corporate Affairs (DG-CoA) through RDs/RoCs</td>
</tr>
<tr>
<td>(iii)</td>
<td>Building system for the early detection of the matters related to the non-compliance with Acts and Rules</td>
<td>MCA Head Quarters</td>
</tr>
<tr>
<td>(iv)</td>
<td>Compliance Enforcement under various provisions of Companies Act, 2013</td>
<td>Registrar of Companies (RoCs)</td>
</tr>
<tr>
<td>(v)</td>
<td>Collection and analysis of data for maintaining company statistics</td>
<td>MCA Head Quarters</td>
</tr>
<tr>
<td>(vi)</td>
<td>Reducing information asymmetry for stakeholders</td>
<td>MCA Head Quarters</td>
</tr>
</tbody>
</table>
Total Companies (a+b+c), of which 16,13,371
(a)  Total Active Companies 11,43,131
(b)  Total Non-Active Companies 1,72,025
(c)  Total Companies Closed 2,98,215
Total LLPs 79,586
Total DINs 32,52,356

Table 2.3: REGISTERED COMPANIES As on 31st December, 2016

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Regulatory Functions</th>
<th>Department/Division/Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>(vii)</td>
<td>Speedy, transparent and uniform delivery of all registry related services</td>
<td>Central Registration Centre (CRC), RoCs</td>
</tr>
<tr>
<td>(viii)</td>
<td>Promoting investor education and awareness for creation of appropriate business environment</td>
<td>Investor Education and Protection Fund Authority (IEPFA)</td>
</tr>
<tr>
<td>(ix)</td>
<td>Time-bound processes for insolvency resolution of companies and individuals</td>
<td>National Company Law (Appellate) Tribunal (NCLT/NCLAT), Insolvency and Bankruptcy Board of India (IBBI)</td>
</tr>
<tr>
<td>(x)</td>
<td>Investigation and effective enforcement for prevention of serious corporate frauds</td>
<td>Serious Fraud Investigation Office (SFIO)</td>
</tr>
<tr>
<td>(xi)</td>
<td>Administering Indian Corporate Law Service (ICLS)</td>
<td>MCA Head Quarters</td>
</tr>
<tr>
<td>(xii)</td>
<td>Enforcement of Competition Act with an object to curb anti-competitive practices</td>
<td>Competition Commission of India (CCI)</td>
</tr>
<tr>
<td>(xiii)</td>
<td>Framing accounting standards and monitoring the quality of corporate financial reporting and auditing</td>
<td>MCA Head Quarters in consultation with Institute of Chartered Accountants of India</td>
</tr>
<tr>
<td>(xiv)</td>
<td>Think Tank for policy research, capacity building and advocacy in various areas of corporate affairs</td>
<td>Indian Institute of Corporate Affairs (IICA)</td>
</tr>
<tr>
<td>(xv)</td>
<td>Corporate Dispute Resolution</td>
<td>National Company Law (Appellate) Tribunal (NCLT/NCLAT)</td>
</tr>
</tbody>
</table>

**NUMBER OF COMPANIES REGISTERED AND ACTIVE**

The following tables provides the details about the number of companies registered and active as on 31st December, 2016.


2.3 Acts Administered by MCA

**Companies Act, 2013**

2.3.1 The Companies Act, 2013 is ‘modern’ in its true sense and has introduced globally accepted corporate governance practices. It has made a paradigm shift in corporate regulations. The changes in the 2013 Act have far-reaching implications that are set to significantly change the manner in which corporates operate in India.

2.3.2 From the originally enacted 470 sections of the Companies Act, 2013, 39 sections contained in Chapter XIX (Section 253 to 269) relating to Revival and Rehabilitation of sick companies and parts of Chapter XX (Sections 289, 304 – 323 & 325) relating to winding up have been repealed by the Insolvency & Bankruptcy Code, 2016. Of the remaining 431 sections, only 4 remain to be notified\(^7\). These relate to constitution of National Financial Reporting Authority (NFRA) and National Financial Reporting Appellate Authority (NFRAA) (Section 132), cross border mergers (Section 234), registered valuers (Section 247), and Repeal and Savings (Section 465).

2.3.3 The Companies Act, 2013 introduces significant changes in the provisions relating to governance, compliance and enforcement, accountability of Key Managerial Personnel (KMPs), Woman Directors and Independent Directors for prescribed class of companies, disclosure norms, auditors, and mergers and acquisitions etc. Also, new concepts such as one-person company, small company, dormant company, class action suits, registered valuers, corporate social responsibility as well as e-governance have been included. It has provisions for National Company Law Tribunal (NCLT) / National Company Law Appellate Tribunal (NCLAT), Investor Education and Protection Fund Authority (IEPFA) and National Financial Reporting Authority (NFRA). The new regulatory system is a combination of self-regulation, co-regulation and public regulation as the new Act has made the regulatory system simple and easy to comply, while protecting the interests of various stakeholders.

2.3.4 After the commencement of the provisions of Companies Act, 2013, several representations were received.

\(^7\) Section 234 and 247 of Companies Act, 2013 are new provisions and were not existing in the Companies Act, 1956. However for Section 132 (NFRA) and 465 (Repeal and Savings) of Companies Act, 2013, the corresponding provisions of Companies Act, 1956 are still in force.
from various stakeholders regarding difficulties in actual implementation of the provisions of the 2013 Act. These difficulties were addressed through enactment of Companies (Amendment) Act, 2015 notified on 26th May, 2015. In brief, the amendments made in the Act, inter alia, included:

♦ Omitting requirement for minimum paid up share capital at time of incorporation.

♦ Making common seal optional and consequential changes for authorization for execution of documents.

♦ Doing away with the requirement for filing a declaration by a company before commencement of business.

♦ Prescribing specific punishment for deposits accepted under the new Act to deal with defaults in repayment to depositor.

♦ Prohibiting public inspection of Board resolutions filed in the Registry.

♦ Including provision for setting off past losses/depreciation before declaring dividend for the year.

♦ Enabling provisions to prescribe thresholds beyond which fraud shall be reported to the Central Government (below the threshold, it will be reported to the Audit Committee/ Board. Disclosures for the latter category also to be made in the Board’s Report).

♦ Winding up cases to be heard by 2-member Bench instead of a 3-member Bench in NCLT.

♦ Special Courts to try only those offences carrying imprisonment of two years or more.

Companies Amendment Bill, 2016

2.3.5 The Companies Act, 2013 is considered to be one of the major legal reforms in India that aims to bring Indian Company Law in line with global standards and focuses on governance and ease of doing business in India. However, the Act may undergo further changes as proposed in the Companies (Amendment) Bill, 2016. The Bill proposes changes that are broadly aimed at addressing the difficulties in implementation and are expected to help with following objectives; (i) facilitate the ease of doing business in order to promote growth; (ii) harmonise with Accounting Standards, (iii) SEBI Act, 1992, (iv) RBI Act, 1934, (v) rectifying omissions and inconsistencies in the Companies Act, 2013.

2.3.6 The Companies Amendment Bill, 2016 seeks to relax the norms regarding managerial remuneration, ease the process of private placement of shares, constitution of National Company Law Tribunal (NCLT) in accordance with the directions of the Supreme Court, raising capital, accounts and audit and Corporate Social Responsibility among others. These proposals reflect MCA’s continuous endeavour to address practical challenges being faced by companies while implementing the Companies Act, 2013.
The Insolvency and Bankruptcy Code, 2016

2.3.7 The Insolvency and Bankruptcy Code, 2016 (IBC) was enacted on 28th May, 2016 to envisage large scale reforms to the prevailing corporate insolvency regime in India. The Code consolidates the laws relating to insolvency, reorganization and liquidation/ bankruptcy of all persons, including companies, individuals, partnership firms and Limited Liability Partnerships (LLPs) under one statutory umbrella and amending relevant laws. The Code allows proceedings to be initiated on the occurrence of any default (a debt which is due and payable but not repaid within the stipulated period), thus facilitating intervention by the stakeholders at the earliest opportunity. The Code also addresses the concerns of both domestic and foreign creditors by creating a level playing field and ensuring greater certainty around the bankruptcy process. This is expected to encourage cross border financing and unsecured lending to local borrowers, thereby reducing the pressure on credit institutions in India. The Code has introduced a new institution “The Insolvency and Bankruptcy Board of India” (IBBI) for regulating the working of Insolvency Professionals and Insolvency Professional Agencies.

Limited Liability Partnership (LLP) Act, 2008

2.3.8 The Limited Liability Partnership Act, 2008 was enacted to introduce and legally sanction the concept of LLP in India. Unlike the general partnerships in India, LLP is a body corporate and legal entity separate from its partners, having perpetual succession. Any change in the partners of an LLP shall not affect the existence, rights or liabilities of the LLP. Unlike corporate shareholders, the partners have the right to manage the business directly and any one partner is not responsible or liable for other partners’ misconduct or negligence. The LLP form of business organization enables entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles according to their requirements. Owing to flexibility in its structure and operations, the LLP is most suitable vehicle for small enterprises and for investment by venture capital.

Competition Act, 2002

2.3.9 The Competition Act, 2002 was enacted to govern competition law in India. It replaced the archaic Monopolies and Restrictive Trade Practices (MRTP) Act, 1969. The Competition Act, 2002 was replaced by the Competition (Amendment) Act, 2007 and again by the Competition (Amendment) Act, 2009.

Under this legislation, the Competition Commission of India (CCI) was established on 14.10.2003 and the Competition Appellate Tribunal (COMPAT) was established on 15.05.2009 to prevent activities that have an adverse effect on competition in India such as anti-competitive agreements and abuse of dominant position. The Act aims at promoting and sustaining competition,
preventing anti-competitive business practices, protecting the interests of consumers and ensuring freedom of trade in India.

Chartered Accountants Act, 1949

2.3.10 The Chartered Accountants Act, 1949 is a statute enacted by the Constituent Assembly of India, which was acting as the provisional Parliament of India in 1949. The Act provides for establishing an Institute of Chartered Accountants of India (ICAI) that was established to educate, register and regulate chartered accountancy profession in India. The Act prescribe ethical practices of Chartered Accountants and initiate disciplinary proceedings for breach of code of conduct.

Cost and Work Accountants Act, 1959

2.3.11 The Institute of Cost Accountants of India (erstwhile Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On 28th May, 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act, 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy. The main objective of the Act is to develop the Cost and Management Accountancy function as a powerful tool of management control in all spheres of economic activities.

Company Secretaries Act, 1980

2.3.12 The Company Secretaries Act, 1980 is an Act to make provision for the regulation and development of the profession of Company Secretaries. The Institute of Company Secretaries of India (ICSI) is constituted under this Act and is the only recognized professional body in India to develop and regulate the profession of Company Secretaries in India. ICSI awards the certificate of bestowing the designation of Company Secretary (CS) to a candidate qualifying for the membership of the Institute.

Partnership Act, 1932

2.3.13 The Indian Partnership Act, 1932 is an Act to regulate partnership firms in India. Partnership refers to an agreement between persons to share their profits or losses arising on account of actions carried by all or one of them acting on behalf of all. The persons who have entered such an agreement are called partners and give their collective business a name, which is necessarily their firm-name. MCA administers the Act only in centrally administered territories.

Companies (Donation to National Fund) Act 1951

2.3.14 The Act enables any company, notwithstanding anything contained in the Companies Act or any other law, and also notwithstanding the contents of Memorandum and Articles of Association of any company, to make donations to any fund established for a charitable purpose as approved by the Central Government.
Societies Registration Act, 1860

2.3.15 The Act provides for registration of literary, scientific and charitable societies, so as to improve the legal status of such societies. The Act requires that societies established for promotion of literature, science or fine arts for diffusion of useful knowledge or for charitable purposes, register themselves by filing their Memorandum of Association (MoA) with officers specified in the Act. This Act is administered only in the union territories while states have their own Societies Registration Act.

2.4 Administering Institutions

2.4.1 In order to manage efficiency across its key service areas, MCA has established various institutions for achieving excellence in service delivery as per the stakeholders’ expectations. The following table summarises the key institutions and their services.

### Table 2.5: Key Services of Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Key Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICLS Academy</td>
<td>Induction training and capacity building training of ICLS Officers, mandatory training for MCA Officials</td>
</tr>
<tr>
<td>Indian Institute of Corporate Affairs (IICA)</td>
<td>Think Tank, Capacity Building, Advocacy, Research, Service Delivery Institution</td>
</tr>
<tr>
<td>Professional Institutes- ICAI, ICSI, ICoAI</td>
<td>Define Professional Standards, maintain quality of professional services and ethics,</td>
</tr>
<tr>
<td>Competition Commission of India (CCI)</td>
<td>Promote and sustain competition, protect the interest of consumers</td>
</tr>
<tr>
<td>Serious Fraud Investigation Office (SFIO)</td>
<td>Investigate serious frauds</td>
</tr>
<tr>
<td>National Company Law (Appellate) Tribunal (NCLT &amp; NCLAT)</td>
<td>Speedy and Efficient resolution of corporate disputes</td>
</tr>
<tr>
<td>Insolvency and Bankruptcy Board of India (IBBI)</td>
<td>Regulatory oversight over insolvency professionals/agencies and information utilities in India</td>
</tr>
<tr>
<td>Investor Education and Protection Fund Authority (IEPFA)</td>
<td>Promotion of investors’ awareness and protection of the interests of investors, refund of unpaid and unclaimed amount.</td>
</tr>
<tr>
<td>National Financial Reporting (Appellate) Authority (NFRA &amp; NFRAA) (to be constituted)</td>
<td>Oversight body</td>
</tr>
</tbody>
</table>
2.5 Rationale for Strategy Document

2.5.1 The strategy document can be defined as an anticipation of possible future situations, the selection of desirable situations to be achieved (objectives) and the determination of relevant actions that need to be taken in order to reach those objectives at a reasonable cost. This will help the MCA to develop a culture of achievement and excellence by promoting an efficient and effective corporate sector that is inclusive and integrated, comprehensive and holistic.

2.5.2 Policy formulation is not a straightforward technical exercise but a complex process, which should start with a review of existing policies. This implies intensive interaction between the stakeholders and the regulators for designing the ever evolving dynamic policies. Thus, this Strategic Document will assist the MCA in facilitating effective legislations for ensuring efficient corporate regulations in terms of motivating the corporates and various stakeholders including the implementing agencies in assisting the MCA’s functioning towards achievement of congruence with the global best practices. The Strategy Document will provide a road map for capitalising on the strengths and to build further by addressing the challenges of ongoing changes in the overall eco-system.

2.5.3 The Ministry of Corporate Affairs has identified the following key thrust areas:
- Effective and Simplified Legislation
- Transparency and Accountability
- Ensuring Speed in Compliance
- Integration with Other Regulators
- Capacity Building and research

“As one of the main corporate regulators, MCA is continuously engaged in simplifying the procedures through changes and innovations, towards faster service delivery across its key functional objectives”.

3

KEY

STAKEHOLDERS
KEY STAKEHOLDERS

The stakeholder group of MCA includes all the individuals, professionals, professional bodies and institutions those come under the regulatory framework of the MCA. It also includes all the institutions that assist in the functioning of MCA. The MCA and its stakeholders are engaged in mutual value exchange through mutual accountability and performance efficiency in meeting the strategic objectives.

The following (Figure 3.1) diagram represents the primary stakeholders of MCA:

MCA ensures value delivery to all the stakeholders by functioning efficiently across the key deliverables in relation to the stakeholders expectations.
<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Interest Level</th>
<th>Power</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies regulated by Companies Act, 2013</td>
<td>High</td>
<td>Medium</td>
<td>Clarification and simplification of the provisions under the Companies Act, 2013, and reduction of the cost of compliance</td>
</tr>
<tr>
<td>Industry Associations and other Enterprises regulated by Acts, other than Companies Act, 2013</td>
<td>Medium</td>
<td>Low</td>
<td>Compliance to be made easier</td>
</tr>
<tr>
<td>Professions regulated by Acts administered by MCA</td>
<td>Medium</td>
<td>Medium</td>
<td>Proactive support from MCA to strengthen the professions; MCA’s direct intervention should be kept to a minimum</td>
</tr>
<tr>
<td>Investors and capital market participants</td>
<td>Medium</td>
<td>Medium</td>
<td>Effective implementation of the provisions of Companies Act, 2013 and other allied Acts with suitable amendments to protect investors’ interests and, promotion of investors’ awareness through education and enforcement of investors’ protection through focused regulation</td>
</tr>
<tr>
<td>SEBI and other regulators</td>
<td>Medium</td>
<td>Low</td>
<td>Effective coordination with regulators for synchronising various regulations and provisions</td>
</tr>
<tr>
<td>Other Government Ministries and departments</td>
<td>Low</td>
<td>Low</td>
<td>Effective coordination and support for achieving the objectives of respective ministries/departments</td>
</tr>
<tr>
<td>IICA and its stakeholders</td>
<td>High</td>
<td>Low</td>
<td>Continuous support and financial assistance to IICA for resource utilisation in the matters such as research, policy inputs, review of the law etc., impact assessment, capability building and advocacy</td>
</tr>
<tr>
<td>Staff members of MCA</td>
<td>High</td>
<td>Medium</td>
<td>Empowering the staff members through the integration of new knowledge learning culture and capacity building to deliver the expected stakeholders’ value</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Interest Level</td>
<td>Power</td>
<td>Expectations</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------</td>
<td>-------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Institutions and researchers</td>
<td>High</td>
<td>Low</td>
<td>Providing free corporate data accessibility to the researchers and institutions for seeking assistance for key policy inputs and policy review</td>
</tr>
<tr>
<td>Political Parties</td>
<td>High</td>
<td>Medium</td>
<td>Focus on national priorities and establishment of effective consultative process to understand community expectations and socio-cultural changes</td>
</tr>
</tbody>
</table>

“MCA ensures value delivery to all the stakeholders by functioning efficiently across the key deliverables in relation to the stakeholder expectation”
<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Interest Level</th>
<th>Power</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community</td>
<td>High</td>
<td>Medium</td>
<td>Enforcement of responsible business practices.</td>
</tr>
<tr>
<td>Media</td>
<td>Medium</td>
<td>Low</td>
<td>Assisting and supporting Media for bringing transparency in business operations in accordance with best global practices and strengthening voluntary compliance.</td>
</tr>
</tbody>
</table>
To be a facilitator of world class governance of corporates.

CONTINUOUSLY STRIVE TO:
- Transform regulatory environment for easy compliance
- Balance competing interests of various stakeholders and
- Build and strengthen institutions for achieving excellence in service delivery.

The deeply ingrained principles and fabric that will guide the behaviour, decisions and actions of the MCA in pursuing the mission and vision are assimilated as the core values.
Figure 4.2: Strategic Road Map

**VISION**
TO BE A FACILITATOR OF WORLD CLASS GOVERNANCE OF CORPORATES

**MISSION**
To transform regulatory environment for easy compliance
To balance competing interests of various stakeholders
To build and strengthen institutions for achieving excellence in service delivery

**CORE VALUES**

**TRANSFORMATION**
- POLICY INITIATIVES
  - REGULATORY FRAMEWORK
  - E-GOVERNANCE
  - INSTITUTIONAL CAPACITY BUILDING

**STRATEGIC ACTION POINT**

**RESPONSIVENESS**

**EXCELLENCE**

**GOALS**
To promote eco system of global standards in India for governance of corporates
To take initiatives for increasing ease of doing business in India
To develop regulations for effective monitoring and facilitation
To register impact on public policy leading to self-governance
To integrate with the stakeholders using information technology
To build capabilities for excellent service delivery
Table 4.1: Strategic Objectives of MCA

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Strategic Action Points</th>
<th>Strategic Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Policy Initiatives</td>
<td>♦ Simplify and rationalize the Companies Act, 2013 and other allied laws in order to achieve the objectives of ‘ease of doing business’ without diluting corporate governance standards</td>
</tr>
<tr>
<td>(ii)</td>
<td>Regulatory Framework</td>
<td>♦ Speed up the process of identifying non-compliance of the Companies Act, 2013 and other laws and prosecution for non-compliance. Expediting fraud investigations. ♦ Promote LLP and one-person company among small and mid-sized enterprises and start-ups ♦ Promote fair competition ♦ Expedite resolution of Insolvency</td>
</tr>
<tr>
<td>(iii)</td>
<td>e-Governance</td>
<td>♦ Strengthen e-Governance in order to improve efficiency and transparency in service delivery ♦ Disseminate corporate data to public, including researchers and analysts</td>
</tr>
<tr>
<td>(iv)</td>
<td>Institutional Capacity Building</td>
<td>♦ Strengthen Institutions (NCLT/NCLAT, CCI, IEPFA, IBBI, SFIO, IICA)</td>
</tr>
</tbody>
</table>

4.1 Aligning Strategy

4.1.1 It is critical to link the structure and resources of the organisation with its strategy and external environment involving the regulatory and other socio-economic aspects. This shall enable higher performance by optimizing the contributions of institutions, people, processes, and inputs to the realization of measurable objectives (KPIs) and, thus, minimizing direction less efforts and resources. It brings in a more focused approach from designing the strategy to its effective execution taking all constituents of the organisation along. In today’s dynamic environment when the thrust is on achieving sustainable and accelerated economic growth, an approach with due participation of stakeholders and their respective interests and expectations is the greatest imperative (discussed in Chapter -3). 

4.2 Key Performance Indicators

4.2.1 Key Performance Indicators (KPIs) are performance measures that indicate progress toward a desirable outcome that is supported by measurable indicators.
<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Measures</th>
</tr>
</thead>
</table>
| 1. Ease of starting business               | ◆ Number and nature of GPR initiatives  
◆ Monthly, quarterly and yearly recordings of the numbers of new incorporations  
◆ Rate of fulfilment in Client and Citizen Charter (CCC)  
◆ Reduction in processing time for CRC activities |
| 2. Compliance Coverage                     | ◆ Relative increment in companies fulfilling the compliance requirements against target.  
◆ Relative increment in filing. |
| 3. Investor Protection & Education         | ◆ Grievance redressal ratio (IEPFA)  
◆ Unclaimed to claimed fund ratio (unclaimed and unpaid investors’ funds transferred to IEPFA)  
◆ Percentage increment in Investor Awareness Programmes |
| 4. Insolvency and Bankruptcy Resolution    | ◆ Number of cases referred, processed, and resolved  
◆ Speed of insolvencies and bankruptcy resolutions |
| 5. Regulation of Market and Competition    | ◆ Number of combination cases filed and processed  
◆ Number of antitrust cases identified and prosecuted  
◆ Number of stakeholder engagements and consultations organized |
| 6. Responsive Governance                   | ◆ Corporate Governance Index  
◆ Number of Directors/Executives/Compliance Officers/Ministry Officials trained  
◆ Level of data integration with other regulators  
◆ Level of data dissemination to stakeholders. |
5 MCA: SWOT ANALYSIS
MCA: SWOT ANALYSIS

STRENGTHS

- MCA is one of the main corporate regulators in India.
- The Ministry has pan India presence with Headquarters at New Delhi, seven offices of Regional Directors (RDs) at Ahmedabad, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi and Shillong, fifteen Registrars of Companies (RoCs), fourteen Official Liquidators (OLs) and nine RoC-cum-OLs in States and Union Territories, and a Central Registration Centre at Manesar, Haryana.
- Ministry's ongoing MCA-21 e-governance platform is a major step towards providing ease of doing business in terms of faster service delivery across the major registration functions and data dissemination.
- Constitution of NCLT and NCLAT are expected to facilitate faster resolution of corporate disputes, thus improving the ease of doing business in India
- Ministry’s implementation of CSR Mandate has assisted the sustainable development drive of the nation through the value contribution of the responsible corporates.
- Ministry is contributing towards the ‘Make in India’ drive through suitable reforms in existing legislation and through introduction of new provisions as well

WEAKNESSES

- Shortage of skilled man power resources.
- Inadequate enforcement system for the unlisted companies.
- Unavailability of the Regulatory Impact Assessment Mechanism
Opportunities

♦ India’s target of achieving and maintaining a GDP growth of 8% and above.
♦ Faster integration with world economy through liberalization led policy reforms and regulatory transformations.
♦ ‘Make in India’ Drive encourages the growth of the industries and the corporates as well.
♦ Digital India Campaign
♦ Single window concept of approving the scheme of mergers and acquisitions in an effective time bound manner.
♦ Government’s commitment to Sustainable Development Goals.

Threats/Challenges

♦ Keeping pace with the emerging markets and the technological changes.
♦ Imperfections in market competition.
♦ Unscrupulous business practices
♦ Non-compliance of the corporate regulations by the companies.
6 STRATEGIC ACTIONS
SECTION-1: RECENT INITIATIVES

In line with the National Development Agenda for achieving inclusive and sustainable growth, MCA aspires to implement best Corporate Governance Practices by achieving congruence with global best practices. It sets its goals and values to facilitate easy compliance through continuous change and innovation in provisioning ease of doing business; rationalise corporate regulations for balancing the competing interests of the stakeholders; strengthening institutions for achieving excellence in service delivery through continuous monitoring and appraisal. By setting the objectives, MCA defines specific tasks for generating efficient performance across the key performance indicators for ensuring value delivery to all the stakeholders.

MCA’s strategic action points comprises; Policy Initiatives, Regulatory Framework, e-Governance and Institutional Capacity Building.

6.1 Policy Initiatives

Simplification of the legal procedures for facilitating easy compliance and effective governance

6.1.1 The Ministry has successfully implemented the Companies Act, 2013. Under this Act, the corporate sector has been given more flexibility in regulating their own affairs, subject to full disclosure and accountability of their actions, with minimal government interference by the process of approvals. The Act provides more opportunities for new entrepreneurs and enables wide application of information technology for the required compliances by corporates. The Companies Act, 2013 was amended through the Companies (Amendment) Act, 2015 to facilitate business and address certain immediate concerns in relation to ease of doing business. To further facilitate ease of doing business Companies Amendment Bill, 2016 has been introduced in Lok Sabha.

6.1.2 The MSME sector is the major driver for economic growth. It contributes 8 percent of the country’s GDP and it has 40 per cent and 45 per cent share in the overall exports and manufacturing output, respectively. In order to encourage the entrepreneurs and facilitate easy compliance of the corporate regulations by MSME sector, the Govt. has reduced the income tax for smaller companies with annual turnover upto INR 50 crore to 25%.

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9 Budget 2017-2018 Speech of Shri Arun Jaitley, Minister of Finance, P-31
6.1.3 LLP as a business model, introduced under LLP Act, 2008 encourages small and medium business entities to come under corporate regulations enabling them to have higher access to credit market. As on 31st December, 2016, 79,586 LLPs were registered. Of which 77,895 LLPs were active with the major distribution of 39% under business services.

6.1.4 The introduction of One Person Company (OPC) under the provision of the Companies Act, 2013 is also considered as a key step to foster innovation through individual entrepreneurship. OPC is expected to be the most favoured structure for the micro industry sector as OPC could facilitate easier access to funding sources for entrepreneurs. As on 31st December, 2016, 4605 OPCs have been registered of these 61% were registered under business services.
6.1.5 The enactment of Insolvency and Bankruptcy Code (IBC), 2016 on 28th May 2016 is considered as one of the major initiatives for facilitating ease of doing business in terms of simplifying the exit process through faster resolution of insolvencies and liquidation under single platform. It is expected to strengthen the credit market by maximizing the asset value of insolvent firms. It is also expected to increase India’s global ranking on the ‘ease of resolving insolvencies’. The Code aims at consolidating all existing insolvency related laws as well as amending multiple legislations and it would have an overriding effect on all other laws relating to insolvency and bankruptcy. The IBC, 2016 will function through NCLT/NCLAT. The Code also has provisions to address cross border insolvency through bilateral agreements and reciprocal arrangements with other countries.

Government Process Re-engineering (GPR)

6.1.6 Under its Government Process Re-engineering (GPR) drive, MCA has set up Centralised Registration Centre (CRC) at Manesar, Haryana for processing of “Name Availability” (INC-01) and “Incorporation”. The Ministry subsequently launched the ‘Simplified Proforma for Incorporating Company Electronically (SPICe) e-Form’, on the occasion of Gandhi Jayanti 2016. This GPR exercise is in pursuance of the MCA’s objective of providing greater “Ease of Doing Business” to corporations and is expected to result in speedy processing of incorporation related applications, uniformity in application of rules, removal of discretion to the extent possible. It is being supplemented by intensive monitoring, aimed at processing of the e-Forms within 1 to 2 working days. This falls in line with the international best practices.

Initiatives for Responsible Corporates

6.1.7 For the first time, India has mandated Corporate Social Responsibility (CSR) for the companies through legislation under the Section 135 of the Companies Act, 2013 with effect from 1st April 2014. Section 135 of the Companies Act, 2013 requires companies having a net worth of Rs. 500 Crore or more, or turnover of Rs. 1,000 Crore or more, or having a net profit of Rs. 5 Crore or more to constitute a CSR Committee, to formulate a CSR Policy and spend at least 2% of the average net profits earned during the three preceding years on CSR activities. The CSR mandate is expected to assist the nation’s sustainable drive for ensuring social, economic and environmental well-being for all, through the responsible contributions from the corporations. To facilitate and incentivize corporates for complying with CSR provisions in the true spirit, MCA has set-up National CSR Award.

6.2 Regulatory Reforms

MCA balances conflicting stakeholders’ interests interalia through adequate disclosure by the corporates, investor protection and preventing practices having adverse effect on competition. MCA has incorporated and simplified various regulations under the Companies Act, 2013 and other allied statutes; such as provisions related to incorporation, dormant company, faster mergers and
acquisitions, disclosure, faster dispute resolution through NCLT, whistle-blower mechanism, and class action suits etc. to usher in a healthy environment for investment and increasing ease of doing business.

**Responsible Financial Disclosures and Professional Ethics**

6.2.1 Perfect flow of information is one of the necessary conditions for markets to function optimally. Towards this goal, Companies Act, 2013 mandates filing of annual financial statements by companies in the prescribed format that present the true and fair financial position of the companies. The Act also prescribes the auditing standards to ensure adequate and responsible financial disclosures. While independence of auditors is enforced through provisions like rotation of auditors, stricter disqualification norms for auditors and restrictions on auditors to render non auditing services to companies, audit quality and standards are envisaged to be maintained, interalia by setting up a fair and transparent disclosure mechanism.

6.2.2 The Act mandates establishment of a statutory body namely National Financial Reporting Authority (NFRA) which would make recommendations to the Government w.r.t. accounting standards, auditing standards, quality of audit by auditors as well as would exercise regulatory oversight over the functions of the auditors of the companies. NFRA is envisaged to replace the existing National Advisory Committee on Accounting Standards (NACAS) and is considered to be an important step to further strengthen the audit independence and accountability. The Act also provides that the Central Government by notification may constitute an appellate authority (NFRAA) to hear appeals arising out of the orders of NFRA. Notification and operationalization of these two bodies are priority in the government’s agenda.

**Protection of Investors**

6.2.3 Investors are the backbone of the securities market and investor confidence is imperative for smooth and efficient functioning of the markets. Protection of investors is crucial both for effective financial inclusion and acceleration of corporate growth. One of the underlying principle in Companies Act, 2013 is protection of interest of investors. The Act recognizes various rights of the shareholders such as right to receive timely information w.r.t. financials of a company, right to participate/vote in the general meeting or through postal ballot/e-voting and the right to approach National Company Law Tribunal (NCLT) in cases of oppression and mismanagement in the company. Investor’s rights are further protected through inclusion of provisions like stringent norms for acceptance of deposits from public, recognition of class action suits and listed companies to have a director to represent small shareholders.

6.2.4 In addition the Companies Act, 2013 also provides for establishment of Investor Education and Protection Fund (IEPF) and IEPF Authority for protecting the interests of the investors by promoting investor awareness and education and make refund of unpaid/unclaimed amounts to
eligible stakeholders. Besides Ministry of Corporate Affairs (MCA), regulatory agencies such as Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA) etc. are also responsible for safeguarding investor's interests. What is required is a coordinated approach on part of various agencies for streamlining and strengthening investor's awareness and protection. MCA plays a pivotal role in this regard.

Resolution of Frauds

6.2.5 The Serious Fraud Investigation Office (SFIO) is a multi-disciplinary investigating agency set up in the Ministry of Corporate Affairs through a resolution dated 02.07.2003 with the objective to investigate corporate frauds. Under its balancing provisions, SFIO takes up investigation of frauds characterized by complexity, and having inter-departmental and multi-disciplinary ramifications. It investigates matters related to conflicts involving substantial public interest either in terms of monetary appropriation or in terms of number of persons affected and; where there is possibility of investigations leading to, or contributing towards a clear improvement in systems, laws or procedures.

6.2.6 The Companies Act, 2013, interalia, has accorded statutory status to SFIO, its functions and powers have been enhanced substantially with number of enabling provisions in the Act. The new Recruitment Rules for SFIO are being notified, paving the way for creation of a permanent cadre over a period of time.

Resolution of Corporate Disputes, Mergers and Insolvencies

6.2.7 With the constitution of National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) vide notification dated 1st June, 2016, the Company Law Board constituted under the Companies Act, 1956 stands dissolved. NCLT and NCLAT are quasi-judicial bodies in India that adjudicate issues relating to corporate disputes, mergers and insolvency of companies in India. The setting up of the NCLT and NCLAT are part of the efforts to move to a regime of faster resolution of corporate disputes, thus improving the ease of doing business in India.

Promotion of Healthy Competition

6.2.8 Competition promotes innovation, technology upgradation, reduction in costs, improves allocative and managerial efficiency and, hence, shifts the production possibility frontier upward. As the country moves towards a higher growth trajectory, competition becomes an integral part of the economic development strategy. The Competition Commission of India (CCI) constituted in March, 2009 under Competition Act, 2002 has the mandate to enforce provisions (under the Competition Act, 2002) for eliminating anti-competitive practices, promoting free trade and protecting interests of the customers. CCI also undertakes competition advocacy, creates public awareness and imparts training on competition issues.
6.3 e-Governance

6.3.1 MCA has operated an end-to-end e-Governance project called ‘MCA21’ which has provided stakeholders an easy, secure and speedy access to all MCA services with certainty. The services of LLP, e-Governance and portal services of IEPF haven been integrated with MCA 21 to consolidate independent services of MCA to single platform. The implementation of MCA21 has brought about transparency, speed and efficiency in the functioning of MCA. This initiative has enabled the ministry to achieve high standards of service delivery, besides providing the Government with a comprehensive National Corporate Information Database. This service affords an opportunity to professionals and general public to have access to a variety of information concerning Indian companies which has brought in considerable regulation and oversight in the country.

6.3.2 MCA21 facilitates system integration for easy compliance relating to registration and data dissemination services of the MCA. The key functioning of the initiatives such as CRC and Simplified Proforma for Incorporating Company Electronically (SPICe) e-Form are delivered through the system assistance of MCA-21. It provides faster service delivery in the important functional areas such as ‘easy start up’, ‘ease in doing business’ and centralised corporate data sharing for the researchers and other institutions. The following diagram represents the key service offerings of MCA 21.
6.3.3 The e-governance initiative allows the integration of MCA 21 with CBDT for allotment of PAN at the time of incorporation. In line with the Ministry's efforts towards promoting greater Ease of Doing Business to stakeholders, the functionality of applying for Company PAN and TAN (allotted by Income Tax Dept.) has been included in the SPICe (eForm for Company Incorporation) form itself and is affixed on the CoI issued at the time of Incorporation.

6.3.4 The e-governance initiative includes the development of Official Liquidator module. MCA-OL project aims at bringing the current offline/manual processes related to liquidation of companies to an online system. The project is in its final stages of launch.

6.4 Institutional Capacity Building

MCA has established various institutions that strengthens the implementation of corporate regulations and provide capability building and training. Strengthening governance and management in the institutions will improve the delivery of services and support MCA efforts to effectively implement public policies. Establishment and strengthening of these institutions are essential for the Nation to sustain progress towards economic growth and shared prosperity.

Empowering Institutions for Faster and Efficient Services Delivery

6.4.1 Indian Corporate Law Services (ICLS) Academy - The Academy fulfills the training needs of the officers of the Indian Corporate Law Service (ICLS), and other officials working for the MCA. ICLS Academy, has the responsibility for conducting the Induction & Advanced Training for Probationary Officers (POs) belonging to the Indian Corporate Law Service recruited through the Combined Civil Services Examination conducted by UPSC. It also imparts online training through workshops to the Officers/Officials of the MCA working in the Field Offices. It is envisaged to develop this Academy as a world class institution for ICLS Cadre.

6.4.2 Indian Institute of Corporate Affairs (IICA) – IICA has been set up as an autonomous body to serve as a ‘Holistic Think-Tank’, and a ‘Capacity Building, Service Delivery Institution’ in various subjects and matters relevant to corporate regulation and governance. IICA helps in the continuous improvement of service delivery mechanisms in diverse areas like corporate governance, corporate social responsibility, investor education and protection, competition law, MCA-21 etc. The institute provides a platform for dialogue, interaction and partnership between governments, corporate, investors, civil society, professionals, academicians and other stakeholders in the emerging ecosystem.

6.4.3 Professional Institutes - The Ministry administers three professional institutes; (i) The Institute of Chartered Accountants of India, (ii) The Institute of Company Secretaries of India, (iii) The Institute of Cost Accountants of India. The services delivered by these institutes are to regulate and develop the concerned profession for which it prescribe qualifications for membership, holding examination and arranging practical
training of candidates for enrolment, maintain register of members qualified to practice the profession and regulation & maintenance of the status and standards of professional qualification of members. These services will continuously contribute to the growth of the industrial and economic climate of the country.

6.4.4 Serious Fraud Investigation Office (SFIO) - SFIO is a statutory body which acts as multi-disciplinary investigative body where experts from diverse sectors such as accounting, banking, capital markets regulation, law, forensic audit and taxation work to unravel corporate frauds. The services of SFIO also includes the examination of complaints of investors logged in the MCA 21 portal as this would help in identifying red flags of potential frauds cases that can be taken up for detailed investigation.

6.4.5 National Company Law Tribunal/Appellate Tribunal (NCLT/NCLAT) - MCA has constituted NCLT and NCLAT under the provisions of Companies Act, 2013 for delivering following services;

(i) Exercise powers under various sections of the Companies Act which have been notified and made effective by the Government of India, including (a) power to pass any order against a company incorporated by providing false information or by fraud, (b) power to grant approval for alteration of articles of a company, if such alteration changes its nature from public to private, and (c) power to provide

(ii) Approval for issuance of redeemable preference shares by a company under certain circumstances

(iii) Entertain any claims of oppression and mismanagement of a company and to pass any order that the NCLT may deem fit in this regard

The services provided by NCLT and the NCLAT are a significant step towards attaining fast and efficient resolution of disputes relating to affairs of the Indian corporates. It is expected that once all relevant provisions under the Companies Act and the Bankruptcy Code are made effective, these tribunals would provide holistic solutions to issues being faced by companies.

6.4.6 Competition Commission of India (CCI) – The objectives of the Competition Act are sought to be achieved through CCI. The CCI aims to establish a robust competitive environment by being a knowledge intensive organisation with high competence levels for preventing practices having adverse effect on competition; promoting and sustain competition in markets; protecting the interest of consumers; ensuring freedom of trade and regulating mergers or combinations.

The CCI is also required to give opinion on competition issues on a reference received from a statutory authority established under any law and to undertake competition advocacy, create public awareness and impart training on competition issues.

6.4.7 Insolvency and Bankruptcy Board of India (IBBI) - The Board is constituted under Insolvency and Bankruptcy Code, 2016 that will pave the way for setting up of a complementary eco-system for successful implementation of the code. The board regulates insolvency
professionals, insolvency professional agencies and information utilities and handhold the first few insolvency cases. To perform the said regulatory oversight, the Board has all legislative, executive and quasi-judicial functions so as to enable a well-functioning bankruptcy process in India. The Board is responsible for registration and monitoring of the insolvency professional agencies, insolvency professionals and information utilities. The Board will frame and implement various regulations and guidelines on matters relating to insolvency professionals as may be required. The National Company Law Appellate Tribunal (“NCLAT”) shall be the appellate authority to hear appeals arising out of the orders passed by the Board in respect of insolvency professionals or information utilities.

6.4.8 Investor Education and Protection Fund Authority (IEPFA) - The objective of the IEPF Authority is to enable the investors, especially the small investors, to search and locate information on such amount and claim the same from the respective companies before the transfer of unclaimed amounts to the Investor Education and Protection Fund after the expiry of seven years.

6.4.9 National Financial Reporting Authority (NFRA) (to be constituted) – The NFRA and its appellate body National Financial Reporting Appellate Authority (NFRAA) are envisaged to be set up under Companies Act, 2013. Constitution of these bodies is expected to build up a transparent mechanism for accounting, auditing and financial reporting. NFRA will have a huge role to play in the field of financial reporting for effective corporate governance.

“With identification of the areas of improvements and the key challenges, MCA has developed an action plan building upon its strengths and opportunities for creating values within its regulatory framework and work towards achieving the goals”.
STRATEGIC ACTIONS

SECTION-2: ACTION PLAN

MCA has to act as a catalyst to build a relationship of trust among stakeholders, including the government, companies, professionals, citizens and society at large. It plans to strategically focus on continuously improving corporate governance while facilitating business growth, making it easier to do business and making regulations simpler in order to reduce cost of compliance, enforcement and monitoring costs. MCA will address all concerns with respect to the Companies Act, 2013 and Companies (Amendment) Bill, 2016 in order to facilitate ease of doing business.

Table 6.1: Policy Initiatives-Action Plan for 3 and 7 Years

<table>
<thead>
<tr>
<th>3 Years Action Plan</th>
<th>7 Years Action Plan</th>
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<tbody>
<tr>
<td>To upgrade the Accounting Standards (AS) in view of the changes under Companies Act, 2013 and implementation of Ind AS</td>
<td>To review the Companies Act, 2013 and other allied statutes in line with changing economic environment</td>
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<tr>
<td>Notify the remaining sections of the Companies Act, 2013</td>
<td>To review the Acts governing the professional institutes such as Institute of Chartered Accountant of India, Institute of Company Secretaries of India, Institute of Cost Accountant of India</td>
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<tr>
<td>Providing the framework for Registered Valuer</td>
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<td>Build capabilities and culture among officials to ensure change management</td>
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<tr>
<td>Review of Limited Liability Partnership (LLP) Act, 2008</td>
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<tr>
<td>Review of Insolvency and Bankruptcy Code (IBC), 2016</td>
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Table 6.2: Regulatory Framework-Action Plan for 3 and 7 Years

<table>
<thead>
<tr>
<th>3 Years Action Plan</th>
<th>7 Years Action Plan</th>
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<tbody>
<tr>
<td>Improve the quality and process time of Registry/ filing</td>
<td>Setting up Annual CSR Award</td>
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<td>Striking off of shell companies engaged in money laundering and other illegal activities</td>
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<tr>
<td>Establishing Census of Registered Companies on a biennial basis</td>
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<tr>
<td>To set up regulatory impact assessment framework</td>
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<tr>
<td>Strengthening Directorate General of Corporate Affairs in line with other similar regulators</td>
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Table 6.3: E-Governance-Action Plan for 3 and 7 Years

<table>
<thead>
<tr>
<th>3 Years Action Plan</th>
<th>7 Years Action Plan</th>
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<tbody>
<tr>
<td>Development of enforcement module</td>
<td>Redesigning MCA 21 architecture</td>
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<td>Development of Official Liquidator module</td>
<td>Integration of Corporate Data Management (CDM) with MCA 21</td>
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<tr>
<td>Integration with Aadhar for e-KYC</td>
<td>Real time data sharing with CBDT, IBBI, RBI etc</td>
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<tr>
<td>Integration of MCA 21 with CBDT for allotment of PAN at the time of incorporation</td>
<td>Strengthening of enforcement module</td>
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“MCA21 offers automation of business processes leading to efficiency, transparency, 24X7 availability of e-services with speed and certainty”.
### Table 6.4: Institutional Capacity Building-Action Plan for 3 and 7 Years

<table>
<thead>
<tr>
<th>3 Years Action Plan</th>
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<tr>
<td>Establish NCLT/NCLAT as the Corporate Insolvency Resolution bodies in the country</td>
<td>Establishing Corporate Data Management Centre</td>
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<td>Expansion of benches of NCLT/NCLAT</td>
<td>Open data – Dissemination of unit level company data</td>
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<tr>
<td>National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) to be further strengthened</td>
<td>Building and Strengthening Capacity of existing institutions viz: NCLAT, NCLT, COMPAT, CCI, SFIO, IICA</td>
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<td>Investor Education and Protection Fund Authority to be fully functional</td>
<td>To make Investor Education and Protection Fund (IEPF) a nodal agency for investor education and awareness activities, which co-ordinates with other bodies like SEBI and maximise the Investor education reach to rural areas</td>
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<tr>
<td>Insolvency and Bankruptcy Board of India (IBBI) to be fully functional</td>
<td>To develop Indian Institute of Corporate Affairs as an institution of excellence for policy research and capacity building related to Corporate Affairs</td>
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<tr>
<td>Establishing new institutions viz: National Financial Regulatory Authority/National Financial Regulatory Appellate Authority</td>
<td>Strengthening research for providing policy inputs and identifying innovative regulations</td>
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7 MONITORING & REVIEW
7.1 An Ongoing Process

7.1.1 Monitoring and review of policies and their implementation is a matter of an ongoing process using both consultative and executive approach;

(A) The Ministry of Parliamentary Affairs constitutes Consultative Committees consisting of members of both the Houses of Parliament for various departments. The committees are meant to provide a forum for discussions between the members and officers of the ministries on the policies and the working of the department.

(B) Review and monitoring the functioning of various Ministries through Parliamentary and Executive processes;

I. Setting up of Department related Parliamentary Standing Committee to review all programmes, schemes and projects of the Ministry on a periodical basis.

II. Executive processes through development of Result Framework Document (RFD), review by NITI Aayog, preparation and execution of Citizen’s/Client’s Charter and internal monitoring within the Ministry.

7.1.2 Parliamentary Standing Committee on Finance–The Parliamentary Standing Committee on Finance oversees the functioning of all the departments of Ministry of Finance, Ministry of Corporate Affairs, NITI Aayog. The committee meets every year after presentation of Union Budget to review and deliberate on outcome budget of the Ministry. During this phase, the committee reviews the major programmes and projects of the Ministry and achievements thereunder, future plan of action and shortfall if any. The committee also look into efficient use of the public resources while deliberating on various services of MCA. The comments of committee is taken into account before demand for the grant of Ministry is voted and passed in the Parliament.

7.1.3 Result Framework Document (RFD)–With effect from the F.Y. 2009-10, every Ministry was mandated to prepare a RFD under the aegis of Cabinet Secretariat. The document sought to include the Vision, Mission, Objectives, Functions, Strategies & Action points of the Ministry on yearly basis. This document was evaluated by a task force consisting mostly of former eminent bureaucrats and other experts before getting approval by Cabinet Secretariat. The document included among others; action point, weightage for
each action point, success indicators for each action point and self-defined targets. The performance of MCA were evaluated by the same task force on the basis of achievement vis-à-vis target. This process continued till the year 2014-15 as RFD 2014-15 was the last in the series.

7.1.4 National Institution for Transforming India (NITI) Aayog – NITI Aayog is engaged with all Central Ministries/Departments for formulating vision and strategy document of each Ministry/Department for the period beyond the 12th-Five Year Plan which requires preparation of the following three inter-connected documents at the Ministry level:
- Vision for 2030
- Strategy for 2023-24
- A 3 Year Action Document.
NITI Aayog also undertakes mid-term review of the action points so prepared and suggests corrections.

7.1.5 Citizen’s/Client’s Charter (CCC) – Citizen’s Charter is a document which represents a systematic effort to focus on the commitment of the MCA towards its Citizens in respects of standard of services, time frame for each of the service delivered, officers accountable, information, choice and consultation, Non-discrimination and Accessibility, Grievance Redressal etc. MCA envisages an independent review for the effectiveness of the CCC.

In addition, there are internal monitoring mechanism in place under the overall supervision of Secretary MCA.

7.2 Performance Monitoring & Review

7.2.1 MCA focuses on continuously improving corporate governance while facilitating business growth, making it easier to do business and making regulations simpler in order to reduce cost of compliance, enforcement and monitoring. In order to achieve this, the MCA needs to perform efficiently across its key performance indicators on a continuous basis by adopting best performance management practices. In its working towards the higher goals, the MCA adopts the following performance management methods.
- Monitoring of Service Delivery done at RoC, RD and Ministry level on day to day basis through in-built mechanism in MCA21 (e-governance) System
- Review of the functioning of MCA-21 itself
- Annual Evaluation of Citizen’s/Client’s Charter
- Investors Grievance Resolution

7.2.2 MCA envisages to begin evaluation through, ‘Regulatory Impact Assessment’ and to review this strategy document on a periodical basis.
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Corporate Social Responsibility