



Year End Review 2019: Ministry of Corporate Affairs

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Ministry of Corporate Affairs (MCA) The has taken several landmark initiatives in pursuance to the objective of providing greater “Ease of Doing Business” to all stakeholders.

Companies Act, 2013 It brings greater transparency in corporate structure and fosters better Corporate compliance so as to enhance the efficiency of the processes under .

Ease of Doing Business Ranking

- **World Bank’s “Doing Business” 2020 report**

rdthAs per the report, India has moved up 14 positions to 63 position as compared to 77 position in 2018.
India has improved its ranking on the .

- **Resolving Insolvency Index:**

Recovery rate increased from 26.5% in 2018 to 71.6% in 2019 and time taken in recovery improved from 4.3 years in 2018 to 1.6 years in 2019.
Ministry of Corporate Affairs has contributed towards insolvency resolution. As per the latest Report in the Resolving Insolvency Index, India’s ranking jumped 56 places to 52 in 2019 from 108 in 2018.

Ease of Doing Business Report

- The report was introduced in 2003 to provide an assessment of objective measures of business regulations and their enforcement across 190 economies on ten parameters affecting a business through its life cycle.

- - Starting a Business,
 - Dealing with Construction permits,
 - Electricity availability,
 - Property registration,
 - Credit availability,
 - Protecting minority Investors,
 - Paying Taxes,
 - Trading across borders,
 - Contracts enforcement, and
 - Resolving Insolvency.
 - This time two more parameters were considered namely, employing workers and contracting with the government but these are not included in the score and rankings.

The report measures the performance of countries across 10 different parameters namely-

Steps Taken to Provide Ease of Doing Business

- **Simplified Proforma for Incorporating Company Electronically Integrated Incorporation Form** - (SPICe) introduced which extends 8 services (CIN, PAN, TIN, DIN, Name, EPFO, ESIC and GSTN) from three Ministries through a single form.
- **RUN – Reserve Unique Name: name name.name unique.** It is a web service used for reserving a for a new company or for changing its existing The web service helps verify whether the chosen for the company is
- **De-criminalization of technical & procedural violations** under Companies Act and reducing the burden on criminal courts & NCLT by shifting 16 offences sections to monetary penalty regime vide Companies (Amendment) Bill , 2019.
- **Various exemptions:**
 - **Revised De-Minimis exemption**
 'The De Minimis' exemption means an investment adviser is exempt from registration if they have 15 or fewer clients over a 12-month period with a physical address.
 under Competition Act 2002 for speeding up Mergers & Acquisitions of companies in the country.
 - Exemptions from various provisions of Companies Act to Private companies, Government Companies, Charitable companies, Nidhis and IFSC (GIFT city) companies.

- **Differential Voting Rights (DVRs):DVRs**

- Promoters or founders of a start up, often lose control of the firm when they dilute their stakes to raise multiple rounds of funding. This issue can be resolved by Differential Voting Rights (DVRs).
- A DVR share is like an ordinary equity share, but it does not follow the common rule of one share-one vote,
- It enables promoters to retain control over the company even after many new investors come in, by allowing shares with superior voting rights or lower or fractional voting rights to public investors.

Provisions relating to issue of shares with modified with the objective of enabling promoters of Indian companies to retain control of their companies in their pursuit for growth and creation of long-term value for shareholders, even as they raise equity capital from global investors.

- **Debenture Redemption Reserve (DRR): DRR**

- Removing the requirement for creation of a DRR of 25% of the value of outstanding debentures in respect of listed companies, NBFCs registered with RBI and for Housing Finance Companies registered with National Housing Bank (NHB) both for public issue as well as private placements;
- Reduction in DRR for unlisted companies from the present level of 25% to 10% of the outstanding debentures.
- **reducing the cost of the capital** The measure has been taken by the government with a view to raised by companies through issue of debentures and is expected to significantly deepen the bond market.

Provisions relating to creation of revised with the objective of deepening the bond market & reducing the cost of capital by:

Debenture Redemption Reserve

- Debenture redemption reserve (DRR) is a provision stating that any Indian corporation that issues debentures must create a debenture redemption service in an effort to protect investors from the possibility of a company defaulting.
- This provision was added to the Indian Companies Act of 1956 through an amendment introduced in the year 2000.
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Debentures are debt instruments used to raise capital from the general public, usually backed by the integrity and the creditworthiness of the issuer. This rule offers investors a measure of protection, because debentures are not backed by an asset, a lien, or any other form of collateral.

- **Independent Directors Databank****Independent Databank:** is launched to provide an easy to access & navigate platform for the registration of existing Independent Directors as well as individuals aspiring to become independent directors.

- **Corporate Social Responsibility (CSR):**
 - **First National CSR Awards were distributed** by the President.
 - The term "Corporate Social Responsibility" can be referred to as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.
 - In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013.
 - India is the first country in the world to mandate CSR spending along with a framework to identify potential CSR activities.
 - **The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and more.**
 - **encourages companies to spend 2% of their average net profit**The Act in the previous three years on CSR activities.

Insolvency and Bankruptcy Code (Amendment) Bill, 2019

- **Insolvency and Bankruptcy Code (Amendment) Bill, 2019**

This amendment Bill provides for the timely conclusion of cases, greater flexibility for corporate restructuring for maximizing value of assets, protecting primacy of secured creditors and removing voting deadlock of homebuyers, etc. The was passed by Parliament.
- **The Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019:**
 - It provides a generic framework for insolvency and liquidation proceedings of Financial Service Providers (FSPs) other than banks.
 - The Rules essentially aim to serve as an interim mechanism to deal with any exigency pending introduction of a full-fledged enactment (Financial Resolution and Deposit Insurance Bill) to deal with financial resolution of Banks and other systemically important financial service providers.
- **Insolvency and Bankruptcy Code, 2016**The was amended twice in 2018 to disqualify undesirable persons from regaining control of companies undergoing resolution and to balance the interests of various stakeholders in the Code, especially interests of home buyers and micro, small and medium enterprises, promoting resolution over liquidation of corporate debtor by lowering the voting threshold of committee of creditors and streamlining provisions relating to eligibility of resolution applicants.