

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 1013
ANSWERED ON Tuesday, July 29, 2025**

Strengthening corporate governance and MSME compliance

1013. Shri Babubhai Jesangbhai Desai:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether Government has taken steps to strengthen corporate governance, especially in light of recent financial frauds and shell companies;
- (b) whether any measures have been implemented to simplify compliance procedures for Micro, Small and Medium Enterprises (MSMEs);
- (c) the status of implementation of the Companies (Amendment) Act in improving transparency and ease of doing business; and
- (d) whether the Ministry is monitoring the role of statutory auditors and company boards to enhance accountability and investor protection?

ANSWER

Minister of State in the Ministry of Corporate Affairs; Minister of State in the Ministry of Road Transport and Highways.

(Shri Harsh Malhotra)

(a) to (c): The provisions of the Companies Act, 2013 and the rules made thereunder contain adequate provisions to ensure financial accountability and transparency in the management of companies. These provisions inter alia require maintenance of books of accounts and statutory registers at the registered offices, preparation of financial statements in accordance with applicable financial reporting/accounting standards and filing them with the Registrar after due approvals. Non-compliance of relevant provisions attracts penal action. Some of the important aspects of the Companies Act, 2013 for safeguarding the interests of all stakeholders include-

- (i) accountability for management of companies through appointment of key managerial personnel, requirement for approvals by Board of directors and shareholders in accordance with the applicable provisions;
- (ii) requirement for audit of financial statements by an independent chartered accountant;
- (iii) requirement to make disclosures (in the form of notices, resolutions, postal ballots etc), from time to time, to the shareholders for information and approval by the shareholders;

- (iv) requirement to make adequate disclosures through Board's report including with regard to risk management, state of company's affairs, material changes affecting company's financial position and other crucial parameters;
- (v) requirements to file various documents, copies of resolutions, financial statements, returns etc. with the Registrar from time to time;
- (vi) The Registrar of Companies take action against the defaulting companies who fail to file their Annual Returns and/or Financial Statements by either filing prosecution under section 92, 96, 99, 137 of the Companies Act, 2013 or by striking off the name of the companies under section 248 (1) of the Companies Act, 2013 read with Companies (Removal of names of companies from the Register of Companies) Rules, 2016.

The Companies Act, 2013 has been amended in the years 2015, 2017, 2019 and 2020 to facilitate ease of doing business, de-criminalize technical and procedural violations and improve transparency and compliance requirements. The provisions to support small companies, are at Annexure-A.

Further, the Ministry of MSME has taken several steps to simplify the registration and compliance process for Micro, Small and Medium Enterprises (MSMEs). Udyam Registration Portal(URP) was launched on 01.07.2020 to facilitate ease of registration for MSMEs. The process of registration on Udyam is fully online, paperless and based on self-declaration. This Ministry in association with Small Industries Development Bank of India (SIDBI) launched Udyam Assist Platform (UAP), for bringing Informal Micro Enterprises (IMEs) into the formal ambit, on 11.01.2023. This has helped the registered IMEs to avail the benefits of Priority Sector Lending. Since inception, from 01-07-2020 till 22-07-2025, more than 6.60 crore MSMEs with an employment of more than 28.60 crore have registered on URP. Once an enterprise is registered and formalized, it becomes eligible to avail the benefit of various schemes and initiatives of the Ministry of MSME, subject to meeting the guidelines and the eligibility criteria.

(d): The Companies Act, 2013 (the Act) provides requirements for every company to appoint an independent chartered accountant to conduct audit of books of accounts of the company. The eligibilities and independence norms for auditors have been provided in the Act. For companies fulfilling specified thresholds in respect of paid-up share capital or turnover or loans/debentures/deposits, the National Financial Reporting Authority has been established to monitor and enforce the compliance with accounting and auditing requirements and take enforcement action in case of "professional or other misconduct". Every company is also required to appoint directors who take decision on relevant matters collectively as Board of Directors. The Companies Act, 2013 requires detailed disclosures to be made in the Board's Report. Companies fulfilling specified thresholds in respect of paid-up share capital or turnover or loans/debentures/deposits are also required to appoint independent directors on the board of directors. These provisions are aimed at ensuring transparency, accountability and thus protecting the interests of investors.

(Annexure-A)

Exemptions to Small Companies under Companies Act, 2013 and rules made thereunder

Sr. No.	Section	Subject	Provisions in the Company Act, 2013 to support Small Companies
1.	2(40) proviso	Financial Statement	Requirement of cash flow statement to be part of financial statement made optional.
2.	92(1) Proviso	Annual return	(i) Shall be signed by a company secretary or where there is no company secretary by a Director of the company. (ii) Abridged annual return prescribed for small companies.
3.	92(1)(g)	Disclosure in annual return about remuneration of directors	Disclosure as to aggregate of amount of remuneration drawn by directors adequate for small companies.
4.	134(3A)	Board's Report	Abridged Board Report prescribed for small companies.
5.	139(2) read with rule 5 of Companies (Audit and Auditors) rules, 2014	Rotation of auditors	Rotation of auditors in small companies is not mandatory.
6.	141(3)(g)	Restriction on auditor-ships	Restriction w.r.t. maximum auditor-ships not applicable to auditors of small companies.
7.	143(3)(i)	Disclosure Auditors report on internal financial controls	These disclosures are not applicable for small companies.

8.	233	Merger and Amalgamation of Small Companies	Small Companies' proposals for merger and amalgamation are processed on fast-track basis through Regional Director instead of NCLT under the Companies Act, 2013.
9.	466B	Lesser Penalties	Lesser penalties for small companies, startups, producer companies and One Person Companies (OPC).