

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

RAJYA SABHA
UNSTARRED QUESTION NO. 373
ANSWERED ON TUESDAY, FEBURARY 03, 2026

CORPORATE GOVERNANCE REFORMS AND EASE OF DOING BUSINESS

QUESTION

373. SHRI PRADIP KUMAR VARMA:

Will the Minister of CORPORATE AFFAIRS
be pleased to state:

- (a) the improvements brought about in ease of doing business as a result of the Companies Act, 2013, MCA-21 digitisation and simplification of compliance;
- (b) the progress made in sustainable development and compliance through Corporate Social Responsibility (CSR) expenditure, social impact assessment and monitoring;
- (c) the improvements achieved in resolution of stressed assets, efficiency of the National Company Law Tribunal (NCLT) and adherence to timelines through the Insolvency and Bankruptcy Code (IBC), 2016; and
- (d) the extent to which Limited Liability Partnerships (LLPs), Producer Companies and Start-up friendly provisions have promoted entrepreneurship, small businesses and innovation?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND
MINISTER OF STATE IN THE MINISTRY OF ROAD, TRANSPORT AND HIGHWAYS**

[SHRI HARSH MALHOTRA]

(a): The Ministry of Corporate Affairs has been taking steps to bring about Ease of Doing Business for companies, improving digitization and simplification of compliance. The important steps taken in this regard are at Annexure 1.

(b): The areas and subjects enlisted in the Schedule VII of the Act encourage and foster various aspects of sustainable development.

Rule 8 of the Companies (CSR Policy) Rules, 2014 contains provisions related to impact assessment of CSR projects that every company having average CSR obligation of 10 crore rupees or more, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study. The

details of CSR activities, Impact Assessment etc. are required to be reported by the companies in the 'Annual Report on CSR' including an annual action plan on CSR which is part of the Company's Board Report. The Board's Report including Annual Report on CSR is an important tool of communication by the Board of a company to its shareholders. Further, those companies who have their websites are required to make disclosures such as composition of CSR Committee, CSR Policy and CSR projects approved by Board on their website for public access and transparency. The expenditure on CSR activities is also required to be audited by the statutory auditors of the company. Further, the Ministry has notified the Companies (Auditor's Report) Order, 2020, ("CARO, 2020") applicable from FY 2021-22 which requires auditors to state details of any unspent CSR amount.

The details of development sector wise CSR expenditure for the financial year 2023-24 is attached at Annexure 2.

(c): The major achievement of the Insolvency and Bankruptcy Code (IBC) has been its ability to resolve financially distressed companies and realisation by the creditors thereon. By offering a clear and time-bound framework for revival, the IBC has strengthened creditor confidence and encouraged both domestic and foreign investment. The IBC has played a pivotal role in improving the ease of doing business in India by introducing a faster and more structured insolvency resolution process maximising the value of assets, promote entrepreneurship, availability of credit and balance the interests of all the stakeholders. Till 31st December, 2025, 1376 corporate debtors have been resolved. The creditors have realised Rs. 4.11 Lakh Crores under the approved resolution plans.

Time taken to resolve each case depends on circumstances and complexity of each case, nature of evidence, number of Interlocutory Applications (IAs), stay by the higher courts, cooperation of stake holders and adjournments.

(d): Companies Act, 2013 has promoted ease of doing business and entrepreneurship. A separate chapter on Producer Companies was introduced by the Companies (Amendment) Act, 2020, recognising their role in empowering small farmers and rural producers. The Ministry has undertaken several business-friendly reforms for LLPs, including decriminalisation of minor LLP defaults and introduction of the "Small LLP" category under the Limited Liability Partnership (Amendment) Act, 2021. Exemptions given to small companies and start-ups are provided in Annexure 3 and 4 respectively.

Collectively, these reforms have led to a more supportive regulatory ecosystem that incentivises innovation, formalisation and sustainable expansion for LLPs, Producer Companies and Start-ups.

Annexure 1 to the Rajya Sabha Unstarred Q. No. 373 part (a) to be answered on 3rd February, 2026

Important steps taken to improve Ease of Doing Business for companies

- I. Amendments have been made in the Companies Act, 2013 (CA-13) in 2015 & 2017 to facilitate ease of doing business and address concerns expressed by industry chambers & other stakeholders.
- II. Amendments have been made in CA-13 in 2019 and 2020 to de-criminalize technical & procedural violations and thus reduce the burden on criminal courts & National Company Law Tribunal (NCLT). They were also aimed at streamlining compliance requirements for Small Companies, One Person Companies, Start-ups and Producer companies.
- III. Exemptions from various provisions of Companies Act to Private companies, Government Companies, Charitable companies, Nidhis and IFSC (GIFT city) companies have been provided through issuance of notifications under section 462 of the CA-13 during 2015, 2017 and 2020.
- IV. There is no fee for incorporation of company with authorized capital up to Rs.15.00 Lakh.
- V. Direct listing of securities by Indian public companies in permissible foreign jurisdictions has been allowed. This is a boost for “Brand India” and increases attractiveness to growing technology sector, stimulates efficiency & growth, provides alternative source of capital and broadens investor base.
- VI. The scope of fast-track merger was expanded in February 2021 to allow mergers of Start-ups with other Start-ups and with Small companies. The ambit has been further broadened in September 2025 to allow more classes of companies to choose this route. The rules have also been amended so that the “deemed approval” requirement is implemented more effectively for fast-track mergers.
- VII. The Central Registration Centre (CRC) was operationalized in 2016 to provide speedy incorporation related services. An e-Form SPICe+ along with a linked form called AGILE PRO-S was introduced for providing different services at one place such as Name Reservation, Incorporation, Allotment of PAN, TAN, DIN, EPFO Registration, ESIC Registration, GST number, opening of Bank Account etc. at the time of incorporation of company to start the business immediately. Similarly, new e-Form FiLLiP (Form for incorporation of Limited Liability Partnership) was introduced for LLPs.

- VIII. The Centre for Processing Accelerated Corporate Exit (C-PACE) was established in May 2023 enabling the stakeholders by providing a hassle-free filing, timely and process-bound striking off their companies' and LLPs' names from the Register.
- IX. The Central Processing Centre (CPC) was established in February 2024 for centralized processing of 12 non-STP forms.
- X. The Companies (Adjudication of Penalties) Rules, 2014 have been amended in August 2024 pursuant to which it has been provided that the adjudication proceedings under section 454 of the Companies Act, 2013 shall take place in electronic mode only through the e-adjudication platform developed by the Ministry for this purpose. The platform provides for end-to-end digital process including online generation of notices, hearings, generation of adjudication orders and payments. This enhances transparency and enables speedier adjudication.
- XI. With effect from 1st December 2025, the thresholds for small company have been enhanced. The paid-capital criteria has been increased from upto Rs. 4 crores to upto Rs. 10 crore and turnover criteria has been increased from upto Rs. 40 crores to upto Rs. 100 crores. This brings more number of companies under the definition of small company, which are subject to lesser compliance requirements in comparison to larger companies.
- XII. Pursuant to the amendment in the Rules notified on 31st December, 2025 (to be effective from 31st March, 2026), annual KYC filing requirement has been replaced with a simpler KYC intimation once in every three years.
- XIII. Version-3 of MCA21 (MCA21 V3) has been launched to promote Ease of Doing Business, strengthen compliance and enhance transparency. Through MCA21 V3, functionalities like Web filings, LLP Module, Company module, have already been implemented. All filings are now being made through V3 portal, which provides for real time validation with pre-filled master data reducing manual errors, re-submissions and compliance timelines.

Annexure 2**Annexure 2 to the Rajya Sabha Unstarred Q. No. 373 part (b) to be answered on 3rd February, 2026****Development Sector-wise CSR expenditure for the FY 2023-24**

(Amount in Rupees Crore)

Sl. No.	Development Sector	FY 2023-24
1.	Agro forestry	74.47
2.	Animal welfare	531.14
3.	Armed Forces, Veterans, War Widows/ Dependants	68.04
4.	Art and culture	704.04
5.	Conservation of natural resources	423.47
6.	Education	12,134.57
7.	Environmental sustainability	2,429.97
8.	Gender equality	204.17
9.	Health care	7,150.81
10.	Livelihood enhancement projects	2,360.09
11.	Poverty, Eradicating Hunger, Malnutrition	1,233.93
12.	Rural development projects	2,408.09
13.	Safe drinking water	327.45
14.	Sanitation	375.23
15.	Senior Citizens Welfare	159.82
16.	Setting up homes and hostels for women	41.80
17.	Setting up orphanage	31.57
18.	Slum area development	38.82
19.	Socio-economic equalities	200.81
20.	Special education	396.57
21.	Technology incubators	1.91
22.	Training to promote sports	692.09
23.	Vocational skills	1,396.55
24.	Women empowerment	454.22
25.	Other Central Government Funds	1,000.83
26.	NEC/Not mentioned*	68.32
Total		34,908.75

(Data upto 31.03.2025)

* Companies either did not specify the names of sectors or indicated more than one sector where projects were undertaken.

Annexure 3

Annexure 3 to the Rajya Sabha Unstarred Q. No. 373 part (d) to be answered on 3rd February, 2026

Exemptions given to small companies

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 is 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 in Auditors report on internal financial controls	These disclosures are not applicable for small companies.

8.	173 (5)	Meetings of Board.	Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, in case of a small company, one board meeting in each half of a calendar year with a gap between two meetings of not less than 90 days is sufficient to comply with the requirement of section 173(5) of the Companies Act.
9.	446B	Lesser penalties	Small companies are entitled for lesser penalties as per section 446B.
10.	Rule 8(12)(a)	Companies (Registration offices and Fees) amendment Rules, 2014	Small companies are exempted from requirements w.r.t. pre-certification of forms by professionals.
11.	Annexure- Table of fees	Companies (Registration offices and Fees) amendment Rules, 2014	Lesser fees allowed for small companies.
12.	Clause 1(2)(iv)	Companies (Auditor's Report) Order, 2020 (CARO 2020)	The Companies (Auditor's Report) Order (CARO) 2020 is not applicable on small companies

Annexure 4

Annexure 4 to the Rajya Sabha Unstarred Q. No. 373 part (d) to be answered on 3rd February, 2026

Exemptions given to start-ups

Sl. No.	Section /Rules	Subject	Provisions in the Company Act, 2013 to support Start-ups
1.	Section 2(40)	Financial Statement	Requirement of cash flow statement to be part of financial statement is optional for Start-ups.
2.	Section 73(2) clause (a) to (e)	Acceptance of deposits	Start-ups were exempted from procedural compliance at the time of accepting deposits from its members (such as issuance of a circular to its members showing the financial position of company, credit rating, depositing 20% of the maturing deposits, and certification regarding default in repayments).
3.	Section 92(1)	Annual Return	Directors of a start-up are allowed to sign annual returns of the private limited company if the Company does not have Company Secretary.
4.	Section 173(5)	Meetings of Board	Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, Start-ups are exempted from holding quarterly board meetings and are allowed to hold two board meetings in a calendar year, i.e., once every six months.
5.	Rule 6 of Companies (Incorporation) Rules, 2014	Conversion of OPCs into Public and Private Companies	The requirement that an OPC must convert itself after its paid-up capital exceeds Rs 50 lakh and its average annual turnover exceeds Rs 2 crore was omitted. Since many start-ups are One Person Company, this allows them to retain the status as an OPC.
6.	Rule 8(4) of Companies (Share Capital and Debenture) Rules, 2014)	Sweat Equity	In general, the issuance of sweat equity shares in a company shall not exceed 25% of the paid-up capital of the company at any time. However, in case of start-ups, this limit is upto 50% of its paid-up share capital.

7.	Rule 12(1)(c) of Companies (Share Capital and Debentures) Rules, 2014	Employee Stock Options (ESOPs)	In general, ESOPs are not given to employee who is a promoter or a person belonging to the promoter group and a director who either himself or through his relative or a body corporate, directly or indirectly holds more than 10% equity of the company. Start-ups are allowed to issue ESOPs to promoters and directors.
8.	Rule 2 (1)(c) (xvii) of Companies (Acceptance of Deposits) Rules, 2014	Convertible Note	Start-ups can receive an amount of Rs 25 lakh or more by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person, and such transactions are not considered deposit.
9.	Rule 3(3) of Companies (Acceptance of Deposits) Rules, 2014	Acceptance of deposits	Companies may ordinarily accept or renew any deposits from its members not exceeding 35% of the paid-up share capital, free reserves and securities premium account of the company. But start-ups have been permitted to accept deposits from members without any restriction on the amount.