

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 4935
ANSWERED ON MONDAY, 23RD MARCH 2026
CHAITRA 02, 1948 (SAKA)**

**PROTECTION OF INTERESTS OF INVESTORS
QUESTION**

4935. Dr. M P ABDUSSAMAD SAMADANI:

WILL THE MINISTER OF CORPORATE AFFAIRS BE PLEASED TO STATE:

- (a) the steps taken by the Government to protect the interests of investors;**
- (b) the major investigations conducted by the Serious Fraud Investigation Office (SFIO);**
- (c) the assistance provided by the Government to new startups; and**
- (d) the amount spent as Corporate Social Responsibility (CSR) funds in areas such as education and healthcare?**

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) The Ministry administers the Companies Act, 2013 which includes various provisions of enforcement, compliance mechanism to ensure protection of interests of investors. The enforcement mechanism includes ordering of inquiries, inspections or investigations under sections 206, 210/ 212 of the Companies Act, 2013 in cases of misuse of funds, fraud, non-compliances of statutory provisions of the Companies Act, 2013. Similar enforcement actions are undertaken in respect of Limited Liability Partnerships (LLPs) under the LLP Act, 2008. Based on the non-compliances reported, proceedings of adjudication, fine and prosecution, as the case may be, are initiated against such companies / LLPs and / or their directors/ partners, Key Managerial Persons, auditors, etc. Further, compliance under different sections of the Act is implemented through mandatory filings by companies with a view to ensure that relevant information is available to the investors/ stakeholders.

In addition to above, this Ministry has constituted Investor Education and Protection Fund Authority under section 125(5) of the Companies Act, 2013. This Authority is entrusted with the responsibility of administration and utilisation of the Investor Education and Protection Fund (IEPF) for making refunds of shares, unclaimed dividends, matured deposits/ debentures, etc. to investors, promoting awareness among investors, thereby protecting the interests of the investors.

(b) SFIO investigates the cases ordered by the Central Government under section 212 of Companies Act, 2013 and assigned to it. SFIO has completed 68 investigation cases during the last three years including the current year.

(c) The details of provisions in the Companies Act, 2013 to promote Start-ups are at Annexure-A.

(d) The amount spent as Corporate Social Responsibility (CSR) funds in areas such as education and healthcare on the basis of annual filings made by companies in the MCA21 registry from FY 2021-22 to FY 2023-24 are at Annexure-B.

In reply to Part (c) of Parliament question No. 4935 for 23.03.2026.

Sr. No.	Section/Rules of Companies Act, 2013	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) Companies (Acceptance of	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

Sr. No.	Section/Rules of Companies Act, 2013	Subject	Provisions in the Company Act, 2013 to support Start-ups
	Deposits) Rules, 2014		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.

Annexure-B

In reply to Part (d) of Parliament question No. 4935 for 23.03.2026.

(Amount in Rs. Crores)

S. No.	Development Sector	FY 2021-22	FY 2022-23	FY 2023-24
1.	Education	6,719.89	10,414.93	12,134.57
2.	Health care	8,049.49	7,023.60	7,150.81

(Data upto 31.03.2025) (Source: Corporate Data Management Cell)
