

## Vision for Company Law Beyond 2010 has to be 'Freedom with Accountability': PC Gupta

In an exclusive interview with the ICAI President and Editor-in-Chief CA. TN Manoharan, the Union Minister for Company Affairs Mr PC Gupta shares his thoughts and vision with the Chartered Accountant community on a range of issues, including Company Law reforms, MCA-21 e-governance Initiative, Competition Commission, Limited Liability Partnership, Corporate Governance, Insolvency Reforms and the accountancy profession. Following are the excerpts of the Interview:

**Q. Sir, at the outset, can you trace your journey from a struggling entrepreneur to a successful entrepreneur and then to an eminent political leader occupying Cabinet rank in the Government of India?**

**A.** After graduating from DN College, Hissar, Haryana, I left for Hong Kong in September 1969 and joined an export firm at a junior level. In 1970 I set up a small trading business, exporting watches to African and West-Asian countries. Those were the days when I used to travel for about 20 days in a month. By 1974, I was one of the youngest successful Indian entrepreneurs in Hong Kong. In early 80s, I set up a company at Gurgaon, Haryana, manufacturing watches and precision engineering products. Soon the company became a QS9000, ISO 14001 and had Fortune 500 companies as customers. In 1986 I happened to meet Shri Lalu Prasad Yadav and was impressed with his commitment for the downtrodden. With the passage of time my

interest in social and political activities grew and the association with Shri Lalu Prasad Ji became closer and closer. Having got elected as Member of Parliament in the Upper House in 1996 and re-elected in 2002, the journey thereafter is before you.

**Q. Under your leadership, the Ministry of Company Affairs has reached a new horizon to meet the challenge of new world order and a lot of exercises have been undertaken to place a confident India in the global corporate world. Many in the past dreaded to venture into Company Law reforms and did not meet with much success. You have taken a bold initiative in this regard, which is expected to fructify shortly. What was different in your recipe? What would be the guiding principles for new Company Law?**

**A.** I believe in excellence to be achieved through clarity of purpose, commitment, dedication and hard work.



“A man of vision spearheading the transformation in India’s business environment, Union Minister Mr. PC Gupta was elevated to the Cabinet rank in January 2006 in recognition of a host of dynamic initiatives taken by him on the front of the Company Law reforms, e-governance and corporate governance, among others. He had been a Minister of State (Independent Charge) of the Ministry of Company Affairs from May 2004 to January 29, 2006.”

As you are aware, the 1956 Act has so far been amended for about 24 times. Despite these amendments the law does not seem to fulfil even reasonable aspirations of the present day corporates and other stakeholders. We need to have a Companies Act, which is in consonance with the changes that have occurred in the national and global economy. The new law should be compact, amenable to easy interpretation and having greater flexibility enabling adaptation to the changing economic environment.

**Q. We congratulate you on commissioning mega E-governance initiative i.e. MCA-21 within a record time. How did it happen,**

Affairs. Our focus is on bringing about a fine balance between trade facilitation on one hand and effective enforcement of the corporate laws on the other. The transparency envisaged through MCA-21 is likely to strengthen good corporate governance immensely.

**Q. The successful passage of the Bills for amendments of the law governing three professions — CAs, CSs and CWAs, is another feather in your cap. How far new measures contemplated would empower these professions in facing challenges of globalisation?**

**A.** Considering the growing importance of the accounting professionals in the national and

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**and how important is the role of professionals like CAs in its successful implementation across the country?**

**A.** In 1956 we had less than thirty thousand companies in the country. Today the number exceeds seven lakhs. The existing infrastructure is inadequate to deal with the increasing workload and hampers delivery of services in an efficient and effective manner. It is in this background that we have started the comprehensive e-governance programme called MCA-21. Under the project, the citizens, corporates and others will get easy and secure on-line access to all the services delivered by different offices under the Ministry of Company

global economy, the reforms introduced through the amendments are very timely. On one hand the amendments will enable the professional institutes to set their house in better order and infuse greater professional credibility within as well as outside the country and on the other hand these will enable the professionals to form multi-disciplinary firms and offer multi-disciplinary services in a competitive and commercial manner.

**Q. An effective insolvency system is an important element of financial system stability. What has been your vision to address this area of Corporate Law Reforms?**

**A.** This has been an area of serious concern for all of us. It is not a very happy situation



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that we have companies under liquidation for decades. The existing slow process of liquidation results in extremely poor rate of recovery causing loss and dissatisfaction to everyone. The nation is the ultimate loser as it is not only a financial loss but also loss of reputation in global context. The attempt made in the year 2002 to address this problem to some extent through amendments enabling setting up NCLT and NCLAT were challenged before courts and the matter is presently pending before Hon'ble Supreme Court. The Government is trying its best to get an early hearing of the matter and we are hopeful that within next few months the apex court will give its verdict after which further action will follow. Without waiting for that, we are presently working on a project for comprehensive computerisation of the offices of Official Liquidators. This will improve their efficiency and transparency. Further, the new Companies Bill will contain provisions dealing with insolvency reforms based upon international best practices.

**Q. By what time do you think Competition Commission would be fully operationalised, and, how would it unleash growth of industry with promotion of consumer interest?**

**A.** As you are aware, the Competition Act, 2002 faced some legal challenges in the process of initial implementation. We are presently in the process of amending the Act so as to address the issues arising out of these challenges. Amendment Bill in this regard has already been moved in the Parliament and the same is under consideration of the Department

Related Parliamentary Standing Committee. Once the recommendations of the Committee are received, we will take further steps without any loss of time. I, however, believe that competition is the foundation of an efficient market system. It is an important precondition for economically optimal and socially fair and desirable market results.

**Q. While Accounting Standards in India issued by ICAI are largely harmonised with International standards, these are yet to be notified by the Government of India. When do you expect these Accounting Standards recommended by NACAS to be notified?**

**A.** The Government is in the process of notifying these Accounting Standards. This is not likely to take long time.

**Q. The Concept of Limited Liability Partnership has been discussed for decades. When do you think it would become reality and how would it really help professionals like CAs?**

**A.** We have already initiated the process of introducing the LLP form of enterprise in our country. A large number of suggestions have been received to the concept paper released by our Ministry on LLP. These are being studied and examined. The drafting of the Bill will follow soon. The LLP is likely to be very useful for professionals like Chartered Accountants as it has the advantages of partnership as well as a corporate entity. This will provide the professionals more flexibility and greater opportunities for growth. This will also enable our professionals to face the global competition with much more strength.

**Q. Does the state of capital market reflect the maturity or otherwise, of corporate practices in India? As a Chairman of governing body of NFCG, how do you compare Indian scenario with best international practices in corporate governance?**

**A.** The Sensex itself may not be a very reliable reflection of maturity of corporate practices

**scenario, what is your perception about Indian accounting profession?**

**A.** Our accounting professionals are amongst the best in the world. They have a bright future. The need of the hour is to look beyond the traditional delivery of services. They need to equip themselves better to seize the emerging global opportunities.



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in the country. As we know the movement of stock prices is guided by composite effect of several factors. So far as corporate governance is concerned, it is by and large universally recognised that the companies with good corporate governance, command premium. Indian corporates fair well in this regard though a lot remains to be done. It is my firm belief that good corporate governance cannot be brought by law alone, though the law is one of the tools in this regard.

The National Foundation of Corporate Governance provides a very useful platform for deliberation on issues relating to good corporate governance and to sensitise the corporates on the importance of these practices.

In today's context, the corporates' social responsibility needs to be brought out of the charity syndrome, glossy papers and conference halls. Well-defined parameters need to be evolved in this regard. The companies must realise that they cannot flourish if there is hunger, starvation, illiteracy and unemployment all around.

**Q. Accounting profession in India is now more than 55 years old. In the globalised**

**Q. CAs in India have made their strong presence felt in every walk of economic life of the country. What is your message to them for enhancing their contribution in social-economic growth of India?**

**A.** Chartered Accountants play a very important role in the economic life of the country. They have great potential to contribute in healthy economic growth of our enterprises. I call upon the Chartered Accountants to render their professional services in a manner that promotes compliance of laws not only in letter but also in spirit. They must remember that they owe a very important duty towards nation.

**Q. What is your vision for the Company Law beyond 2010?**

**A.** The company law provides the basic framework within which the corporates have to take birth, lead their life and come to an end. Corporate form of enterprises is becoming more and more important with the development of economy. We need to provide our corporates a hassle-free environment and a level-playing field. The law needs to be simple but with strict enforcement. The company law beyond 2010 has to be in tune with the contemporary line of thinking which calls for “freedom with accountability”. □