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AN OVERVIEW OF INDIAN COMPANY LAW REFORMS

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Abstract

A field of law that regulates corporations is known as "Company Law." The main landmark law governing corporations in India is the Companies Act, 1956. In general, businesses in our nation have played a significant role in our industrial and economic development and continue to do so. The Companies Act of 1956 has undergone periodic revisions in response to the evolving business environment to increase corporate governance transparency and safeguard the interests of small investors, depositors, and holders of debenture securities, among other groups[2]. As a result of deregulation and the company law's procedural simplification, post-reform corporate India has seen great growth and expansion. As a result, India's Companies Act, 1956, constantly stays one step ahead of other business and economic regulations when it comes to ensuring excellent corporate governance in the open world market.

INTRODUCTION

A field of law that regulates corporations is known as "Company Law." It covers every aspect of corporations, including their incorporation, the distribution of shares and share capital, participation in them, their borrowings, their management and administration, and their dissolution. As a result, corporation law is the area of law that only deals with issues pertaining to businesses. The Companies Act of 1956 contains the codified Company Law of India. This Act, which covers the entirety of India, went into effect on April 1st, 1956. [3]

THE COMPANIES ACT, 1956

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[2] J.P. Sharma, An easy approach to company and compensation Laws, Anne's Student Edition, Ane Books Pvt Ltd, 2010 Edition.

[3]V.S. Datey, Taxmann's Business and Corporate Laws, 4th Edition, Taxman Allied Ser- vices Private Limited.

The main landmark law governing corporations in India is the Companies Act, 1956. With 658 Sections and 15 Schedules, the Companies Act of 1956 is the oldest and largest Act in India. It has been in effect for 150 years. There are also numerous Rules & Regulations under the Act that have been notified by the Government. The Act lays out guidelines for safeguarding the interests of creditors, investors, and the public, while also allowing management to use resources for the best outcomes and success.

OBJECTIVE

To promote proper administration of corporate operations and increase investor protection, this paper will investigate the Company Law Re-forms and how well it affects corporations.

NEED FOR THE STUDY

The evolution of an innovative culture in economic development globally is a result of a business venture's corporate status. Without the innovation process developed and used through the corporate sec- tor, it would not have been possible to attract the many sorts of business talent and the significant amounts of funding needed for the significant growth of commerce and industry. Companies in our nation have, and continue to, play a significant part in the industrial and economic development of our nation. Company is a legal entity with a corporate citizenship that owes social obligation to society at large.

Over the past 25 years, there has been an era of transformation in Indian business law. The shifting corporate landscape and the globalisation of business have been the primary drivers for more than a dozen significant legislative initiatives that have been submitted or attempted in Indian company law. The government has accelerated the process to alter business law in accordance with policy objectives and to harmonise it with global developments since the introduction of market-oriented policies in July 1991.

COMPANY LAW REFORMS

Companies are extremely important to any economy. The Companies Act of 1956 in our nation largely governs a wide variety of corporate activities, from incorporation through liquidation and wound up. The Act establishes a legal framework for many different areas of businesses, including their organisational, financial, and managerial components. The High Courts currently have primary jurisdiction over the winding-up issues. regulations for corporations.[4]

The Act's main goals include statutory disclosure requirements, inspection, investigation, and enforcement powers, as well as company processes like mergers, amalgamations, arrangements, and re-constructions, among others. The Act also focuses on the governance, structure, and obligations of companies towards their stakeholders.

Protection of shareholders and investors is valued equally in the functioning of the corporate sector, along with the freedom of companies to operate. The Companies Act provides a statutory framework for crucial corporate governance criteria necessary for the efficient operation of businesses while recognising and defending the interests of various stakeholders. The Companies Act of 1956 has occasionally been revised to provide more transparency in corporate governance and protect the rights of small investors, depositors, and debenture holders, among other interests, in response to the evolving business environment. The Act has undergone periodic revisions to address issues brought up by the corporate sector and safeguard investors' interests. The Companies (Second Amendment) Act, 2002, which took effect on January 13th, 2003, was the last significant amendment made in the year 2002.

The previous ten years have seen a significant development in company law. The worldwide movement toward market-oriented policies and some unsettling aspects of globalisation served as the motivation for this shift, which brought concentrated attention to the necessity for good corporate governance. The development of information technology and the impact of quicker communication channels on business processes have both contributed to this transition. In other words, the paradigm shift in the business sector and the global economy has produced several concerns that have sparked discussion and served as major impetuses for reforms to company law both domestically and overseas.

The legal basis for the management of corporations and other corporate organisations in India is provided by the Companies Act, 1956. With up to 24 modifications occurring since 1956, the business sector expanded alongside the Indian economy, necessitating periodic reviews of this

[4] Dr. P.N. Reddy, Essentials of Company Law, Himalaya Publishing House, Bombay, First Edition 1987.

Act. In 1991, the Indian government revised its economic strategy in the middle of a dire balance of payments situation to usher in a new era of deregulation, decontrol, liberalisation, and global integration. Since then, significant policy steps have been made to boost global competitiveness, industrial efficiency, and rapid growth. The Indian government has started several legislative reforms and significant modifications in the domain of companies' laws as part of the reform process.

Following consideration of the Sachar Committee's recommendations, the Companies (Amendment) Act of 1988, as well as subsequent revisions in 1998, 2000, and 2002, in response to the Eradi Committee's report, made significant changes to the Act. It is generally acknowledged that updating and reforming the fundamental legal structure for corporate organisations is necessary to permit sustained economic change.[5]

In the 1990s, India began its programme of economic transformation. A thorough examination of the Companies Act of 1956 was deemed necessary. In 1993 and 1997, unsuccessful attempts to replace the current Act with a new statute were undertaken. The discussion of the Companies (Amendment) Bill, 2003, which contains significant measures relating to corporate governance, has been delayed in anticipation of a thorough rewrite of the Company Law.

A Working Group was established in 1996 to rewrite the Companies Act to support the healthy development of the Indian corporate sector in a liberalised, rapidly evolving, fiercely competitive, and contestable business environment. The Companies Bill, 1997 was introduced in Rajya Sabha on August 14, 1997, to replace the Companies Act, 1956, based on the Report created by the Working Group and considering changes in corporate form, administration, and regulatory environment around the world.

The President of India promulgated the Companies (Amendment) Ordinance, 1998, which was later replaced by the Companies (Amendment) Act, 1999, to bolster the capital market by boosting the morale of domestic business houses as well as encourage FIIs and FDI in the nation while the Bill of 1997 was being considered. The amendment of 1999 made several significant changes to the Companies Act to adapt it to the then-current economic climate and to support the government's policies of deregulation and economic globalisation.

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[5] Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

As a result of deregulation and procedural simplification of Company Law, the post-reforms corporate India has seen tremendous growth and expansion. India's business sector experienced broad expansion in terms of its size, volume, and extraterritorial reach. When the Firms Act was passed in 1956, there were only about 30,000 companies. Today, India has the largest corporate base with over 9 lakh active businesses scattered across the entire nation, and more and more new businesses are being established each year.

Today, the Indian corporate sector has expanded into other continents and even turned to foreign acquisitions. Government commitment to providing growth-oriented business policies and regulatory environment has been the driving force behind this growth. However, incidents of company failures, securities fraud, disappearing companies, poor management, rising shareholder unhappiness, and unethical business practises have interspersed this corporate expansion. The Enron scandal and the collapse of other formerly powerful US companies have made the situation worse, brought up numerous questions of good corporate governance, and attracted attention on a global scale.

The corporate sector was required to comply with Indian Accounting Standards to establish uniformity of accounting procedures for financial reporting. The National Committee on Accounting Standards was established as a result. The Investor Education and Protection Fund was established to provide investors with the information they need to make thoughtful and well-informed investment decisions.

The Company Act was further changed in 2000[6] with the goal of speeding up the harmonisation process. This amendment included specific measures of good corporate governance and was intended to ensure genuine shareholder democracy in the operation of companies. The amendments enacted in 2000 included, among other things, the creation of an Audit Committee, the introduction of Postal Ballot, the elimination of the Public Trustee position, the elimination of the idea of "Deemed Companies," the appointment of auditors in Government companies directly by the Comptroller and Auditor General of India, the restriction on a person's ability to serve as a director in more than 15 companies, the ban on an auditor holding securities with voting rights, and the introduction of the Audit Committee.

[6] Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

The Indian government has started several legislative reforms and significant modifications in the domain of companies' laws as part of the reform process. As it relates to the operation and management of the corporate sector, new concerns, concepts, and practises continue to surface. The Companies Act contains several novel and previously unheard-of notions, and more are on the way. Corporate governance frameworks and related concerns have gained momentum because of company law reforms, which is crucial for businesses to build credibility and trust as well as for survival, consolidation, and growth in the developing knowledge economy.

Directors and company secretaries are increasingly urged to use electronic media in a more extensive and economical way to provide information beyond the requirements of the law. Institutional investors also exert significant influence by calling for greater authenticity, accuracy, and openness in corporate reporting and governance structures of the companies in which they invest. With the regulatory reforms being implemented to increase investor confidence, the regulators are also keeping up with what the capital markets are anticipating. There has been much discussion about the steps that need to be made to strengthen the country's corporate governance standards in the wake of the recent Satyam Scam.

The bulkiest of Indian laws, the Companies Act of 1956, has long been a mystery. Every significant modification to the Act in the past had to go through a difficult process before becoming a part of the law. The Government had the idea to completely replace the Act at some point in the middle. The current Companies Act, 1956, which has undergone significant revisions over 24 times over the past five decades, is to be replaced by the proposed bill. The Central Government has introduced the New Companies Bill to provide a new statutory framework for regulating corporations to maintain compliance with global standards.[7]

The 2011 Companies Bill was approved by the Union Cabinet after more than 20 years of uncertainty. It is currently anticipated that the Bill will be introduced in the Parliament during the winter session. After being approved by the Parliament, the Bill will supersede the Companies Act of 1956. Improved corporate governance, increased transparency, and increased accountability for independent directors are the goals of the reforms to the Companies Bill.

CONCLUSION

[7] Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

The Company's Act has complied with a wide range of demands from the business community, corporate experts, and other interested parties, such as investors and the public. As a result of deregulation and the simplification of the company law's procedural requirements, corporate India in the post-reforms period has experienced enormous growth and expansion. No Act can be static or perfect. Even if a new Companies Act is established, changes may need to be made to keep up with the times and are subject to inspection and debate in the legislature. Because of this, India's Companies Act, 1956, constantly stays one step ahead of other business and economic regulations when it comes to guaranteeing excellent corporate governance in the open world market.