

New Companies Bill 2009- An Arrangement Of Clauses

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1.1 Introduction

The Companies Act, 1956 was enacted with the object to consolidate and amend the law relating to companies and certain other associations. Many changes have taken place in the national and international economic environment since the enactment of the said Act. This has made the economy more diverse, complex and dynamic. The number of companies has expanded from 30,000 in 1956 to nearly 8 lakh companies functioning as of date. Companies are now mobilising resources at a scale unimaginable even a decade ago, continuously entering into and bringing new activities into the fold of the Indian economy, exporting a wide range of goods and services and providing increasing employment opportunities.

The expansion and growth of the Indian economy has also generated considerable interest in the international investing community. However, there is a need for sustaining growth in a globalised and competitive environment. The increasing options and avenues for international business, trade and capital flows have made it imperative for the growing Indian economy to note only to harness its entrepreneurial and economic resources efficiently but also to be competitive in attracting investment to sustain the impressive growth recorded by it in recent years. Many investors are also looking towards the statutory and regulatory framework for the corporate sector in the country while deciding on their investment options. Modernisation of corporate regulation, governing various aspects of setting up of enterprises, structures for sharing of risk and reward, their governance and accountability to stakeholders, financial procedures and responsibility for and responsibility for disclosures, procedures for rehabilitation, liquidation and winding up is, therefore, critical to the perceptions of investors and determining their business and investment decisions.

In the background of the above developments and recognising that the competitive and technology driven business environment today require the corporate entities to be provided greater autonomy of operation and innovation with reasonable process requirements and compliance costs, a need was felt to help sustain the growth of the Indian corporate sector by enabling a new legal framework that would be compact, amenable to clear interpretation, and respond in a timely and appropriate manner to meet the requirements of ever evolving economic activities and business models, while fostering a positive environment for investment and growth. In addition, there is also a need to avoid overlapping and conflicts of jurisdiction in the area of sectoral regulations. Therefore piecemeal re-engineering of the corporate regulatory framework was not considered adequate to enable the systemic changes required. Hence, a comprehensive review of the Companies Act, 1956, and introduction of a revised statutory framework in the form of a new Companies Bill has been considered essential to achieve the desired reform. In view of the need of new framework, Minister for Corporate Affairs, Shri Salman Khurshid introduced Companies Bill, 2009 introduced in Lok Sabha on 3rd August 2009.