

The welcome spring in MCA's feet (http://www.financialexpress.com/fe_full_story.php?content_id=121178)

The ambitious flagship project of the ministry of company affairs, MCA 21, is now a reality. It was heartening to see the Prime Minister last Saturday launch this portal, the first of the mission mode projects under the National e-Governance Plan and label it a role model project. Kudos to the minister at MCA, Prem Chand Gupta, and his team, for implementing this project, in private sector style, in super-fast time and on schedule—a rarity in India.

Come May, all transactions with the RoC offices will be in electronic mode. MCA 21 will allow online registrations, filing of returns and reporting of financial results. MCA 21 is being looked upon by most as an e-filing mechanism to make life easy for corporate India and RoC offices. However, there are several other dimensions. It will enable the ministry to easily track companies defaulting on compliance of corporate laws. It will also provide for cross-referencing of financial statements of companies filed with the MCA and other regulatory bodies. The information will also help lenders in their credit evaluation process. There is also the hidden benefit in terms of the pressure it would put on companies for compliance; a transparent publicly-accessible system would lead more firms to avoid public shame and media criticism.

More important, MCA 21 will open a whole new world of information on the corporate sector by becoming the largest-ever repository of information that is internet-enabled, covering nearly seven lakh unlisted entities.

In my assessment, 95% of India's economic activity is not in the listed domain and it has been almost impossible to get information on this large segment. The data archives will help generate reliable statistics and trends, enabling better policy.

A major initiative, under implementation, is comprehensive revision of the Companies Act. The focus has been to address the changes in the economy, enable adoption of international best practices and timely evolution of new arrangements to address the changing, globally competitive environment. It is aimed to promote more transparency and good governance in companies and, at the same time, give them greater independence in operations.

Once the National Company Law Tribunal is fully operational, procedural delays will reduce drastically. There is a cleaning act on, too. Recognising that a large number of firms were not functional and would like to discontinue business, MCA had launched a Simplified Exit Scheme, which has been utilised by over 26,000 companies.

Dealing with frauds is an important role, on which little has been achieved. Under the new MCA, 2004-05 witnessed a huge increase in inspections and investigations—210 and 23, respectively, compared to 46 and nine in 2003-04. On the other hand, the Serious Frauds Investigation Office has started delivering results. Of 30 cases referred to it, eight have already been completed. MCA 21 would further boost this.

Bringing relief to small investors, MCA has opened dedicated investor protection cells. A website, watchoutinvestors.com, which is a national registry of defaulters, has already been operating successfully. Further, the MCA 21 platform will provide a more efficient system for redressal of investor grievances.

Corporate governance, at present limited to only a few thousand listed companies, is proposed to be enlarged to cover all corporate entities. Also, the National Foundation for Corporate Governance will undertake and coordinate studies, activities and programmes and facilitate training and research.